Titan Energy Services Limited
and controlled entities
ACN 150 110 017

Appendix 4D
Interim financial report
For the half-year ended 31 December 2014

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

APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2013)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information:	Half-year ended 31 December 2014 $'000	Half-year ended 31 December 2013 $'000	Change $'000	Change %
Revenue from ordinary activities	35,111	45,169	(10,058)	(22.3)
Profit / (loss) after tax from ordinary activities attributable to members	(21,267)	5,041	(26,308)	(521.9)
Profit / (loss) attributable to members	(21,267)	5,041	(26,308)	(521.9)

DIVIDENDS PAID AND PROPOSED

	Amount per Security	Franked Amount per Security
Ordinary Shares:		
2014 final – paid 16 September 2014	4.0c	4.0c

The Directors have not proposed an interim dividend payment for the six months ended 31 December 2014.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company announced the successful completion of a $4.26 million equity capital raising on 2 February 2015 including a placement to a cornerstone investor (Ausdrill International Pty Ltd) who now hold 11.22% of the ordinary shares on issue.

The Company has recorded an impairment expense of $5.3 million against goodwill, $0.2 million against inventory and $11.2 million against property, plant and equipment. The impairment expense is a non-cash item and does not impact on operations or debt financing covenants.

The Company has recorded a loss attributable to members of $21.3 million including impairment charges of $16.7 million, Hofco retention payment of $2.2 million and restructuring and investment review costs of $1.3 million.

EXPLANATION OF KEY INFORMATION AND DIVIDENDS

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 2014 (Cents)	31 December 2013 (Cents)
Net tangible assets per share	50.61	71.90

REVIEW OPINION

The Group's financial report for the half-year ended 31 December 2014 has been subject to review by the Group's auditor. The auditor's review report for the half-year ended 31 December 2014 includes an emphasis of matter in respect of the preparation of the financial report on a going concern basis.

DIRECTORS' REPORT

Your directors submit the financial report of Titan Energy Services Limited and its controlled entitles (the Group) for the half-year ended 31 December 2014.

DIRECTORS

The names of the directors who held office during or since the end of the half-year:

Shaun Scott	- Non-executive Chairman
Stephen Bizzell	- Non-executive Director
Mark Snape	- Independent Non-executive Director
Jim Diakogiannis	- Resigned 24 October 2014
Simon Keyser	- Resigned 3 September 2014
James Sturgess	- Resigned 24 December 2014

OPERATING RESULTS AND REVIEW OF OPERATIONS

	Drill Rigs $'000	Equip Hire $'000	Catering $'000	Camps $'000	Logistics $'000	Total $'000
Period ended 31 December 2014						
Revenue						
Revenue from external customers	11,092	4,056	5,285	13,994	513	34,940
Inter-segment revenue	-	-	4,523	46	1,321	5,890
Total segment revenue	**11,092**	**4,056**	**9,808**	**14,040**	**1,834**	**40,830**
Segment profit/ (loss) - EBIT	**(7,744)**	**(91)**	**135**	**(11,139)**	**(421)**	**(19,260)**
Unallocated:						
Net gain on disposal of property, plant and equipment						139
Depreciation						(47)
Corporate expenses						(3,209)
EBIT						**(22,377)**
Interest revenue						30
Interest expense and borrowing costs						(550)
Net loss before tax from continuing operations						**(22,897)**
Tax benefit						1,630
Net loss after tax from continuing operations						**(21,267)**

DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Group delivered a net loss after tax for the six months to 31 December 2014 of $21.3 million compared to a net profit after tax of $5.0 million in the previous corresponding period (PCP). Earnings / (loss) per share decreased to (41.43) cents per share compared to 10.09 cents per share in the PCP.

The Group's EBIT result for the period was a $22.4 million loss, including impairment charges of $16.7 million, Hofco retention payment of $2.2 million and restructuring and investment review costs of $1.3 million, resulting in an underlying EBIT loss of $2.1 million. The previous corresponding period EBIT result was $8.0 million profit.

Total revenue for the period decreased by 22% to $35.1 million compared to $45.2 million in the PCP.

The result was impacted by the sharp fall in activity in the oil and gas industry, and in particular the Queensland CSG-LNG sector, as operators transition from construction phase to the production and operation phase with first gas shipments commencing during the 2015 calendar year.

During the period the Group completed an organisational restructure, with significant personnel reductions made to meet current operating levels, a restructure of accommodation camp lease arrangements and cessation of discretionary spending on opex and capex. The organisational restructure resulted in the consolidation of three of the business units, Resources Camp Hire (RCH), Nektar Remote Hospitality (Nektar) and Base Logistics and Transport (Base) into a single business unit; Accommodation Services.

Safety remains a key focus for the Group, and the health and safety of its workforce and the principle that every injury can be prevented remain core philosophies for the Group. At December 2014, the Group 12 month rolling total recordable injury frequency rate (TRIFR) was 4.6 (30 June 2014: 11.4). The Group continues to implement new initiatives to reduce the number of incidents within the workplace through staff engagement across all levels of the Company.

Oilfield Services

Drilling

Atlas Drilling operates four owned rigs with revenue for the first half of $11.09 million compared to $21.8 million in the PCP. The EBIT result for the period was a loss of $7.7 million, including an impairment charge of $6.4 million. EBIT for the previous corresponding period was a profit of $2.4 million.

The 12 month rolling average utilisation across all 4 rigs as at 31 December 2014 was 61% compared to 83% in the PCP. Rig 3 is currently operating in the Akaringa Basin, South Australia with the current contract expected to finish within the financial year.

Equipment Hire

Hofco Oilfield Services (Hofco) is an established supplier of downhole rental equipment to the conventional and unconventional oil and gas sectors across Australia. The strengthening of the sales team within Hofco has assisted in maintaining EBIT results during the subdued trading period in the sector.

Revenue for the first half was $4.1 million, similar to the PCP. Underlying EBIT for the period was $2.1 million (excluding Hofco retention payment of $2.2 million) compared with a profit of $2.2 million in the PCP.

Accommodation Services

Resources Camp Hire (RCH)

The RCH business unit experienced a significant reduction in demand for its high quality remote temporary accommodation camp rooms during the period. As mentioned above, RCH restructured its camp lease arrangements in January 2015 resulting in a decrease in capacity from 1,138 rooms at 30 June 2014 to 557 rooms in December 2014. These changes have reduced operating costs and better align RCH to the current demand for remote accommodation camps.

Revenue for the period, including inter-segment revenue, was $14.0 million compared to $18.3 million in the PCP, a reduction of $4.3 million. EBIT for the period was a loss of $11.1 million, including an impairment charge of $10.3 million compared with a profit of $4.4 million in the PCP.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Accommodation Services (Continued)

Nektar Remote Hospitality (Nektar)

Nektar continued to provide high quality remote area catering and camp management services during the period, including contracts to two permanent camps. Nektar revenue for the period was $9.8 million, an increase of 36% on the PCP of $7.2 million. EBIT for the period was $0.1 million compared with $0.9 million in the PCP.

Base Transport and Logistics (Base)

Base commenced operations in December 2013, providing water and waste cartage for drilling, permanent and temporary camp operations. Base revenue for the period was $1.8 million. There is no corresponding prior period result for this business unit.

Cashflow

At balance date, the Group had approximately $2.68 million in cash resources to support its operations. In light of recent trading conditions and in order to strengthen its balance sheet, on 9 January 2015, the Group announced a capital raising comprising a placement of 5.5 million new ordinary shares to a cornerstone investor (the Placement) and a partially underwritten three for five accelerated non-renounceable entitlement offer (the Entitlement Offer). As at the date of this report, both the Placement and the Entitlement Offer have settled providing the Group with a net amount of $4.02 million in additional funding.

The Group continues to retain the support of its senior lender, GE Commercial Corporation (Australia) Pty Ltd (GE), who provides the Group with a range of debt facilities. During the half-year ended 31 December 2014, GE has assisted the Group via consent to variation of a number of key covenants underpinning the provision of these facilities.

The Group's cash flow position has also been strengthened by agreements reached with two of the Group's key suppliers of leased accommodation units. The restructure of existing camp lease arrangements with these suppliers has enabled the Group to de-hire approximately 60% of existing camps, to defer lease payments for the remaining camp leases (subject to a 10% interest charge) and to extend the credit terms on outstanding lease invoices until 1 September 2015.

CHANGES IN ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

ROUNDING OF AMOUNTS

The Group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2014.

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

Shaun Scott
Director

Brisbane, 25 February 2015

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 half-year ended 31 December 2014, 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.

PKF HACKETTS

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 25 February 2015

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Group	
		31 December 2014 $'000	31 December 2013 $'000
Revenue	2	35,111	45,169
Expenses			
Oilfield services – drilling expenses		(2,177)	(3,962)
Oilfield services – equipment hire expenses		(749)	(1,131)
Accommodation services – camp expenses		(6,851)	(5,929)
Accommodation services – catering expenses		(3,628)	(2,032)
Accommodation services – logistics expenses		(843)	-
Depreciation and amortisation expense		(1,800)	(2,413)
Employee benefits expense		(16,364)	(17,038)
Retention bonus expense	3	(2,216)	-
Travel and accommodation		(641)	(814)
Motor vehicle lease and maintenance		(576)	(358)
Investment review costs	3	(624)	-
Corporate restructuring expenses	3	(696)	-
Corporate refinancing expenses		(159)	-
Finance costs		(550)	(536)
Impairment of assets	3	(16,709)	-
Administration and other expenses		(3,425)	(3,425)
Profit / (loss) before income tax		(22,897)	7,531
Income tax benefit / (expense)		1,630	(2,490)
Profit / (loss) for the period		(21,267)	5,041
Other comprehensive income / (loss)			
Other comprehensive income / (loss) for the period, net of tax		-	-
Total comprehensive income / (loss) for the period		(21,267)	5,041
Profit / (loss) attributable to members of the parent entity		(21,267)	5,041
Total comprehensive income / (loss) attributable to members of the parent entity		(21,267)	5,041
Earnings / (loss) per share			
From continuing operations:			
– basic earnings / (loss) per share (cents)	16	(41.43)	10.09
– diluted earnings / (loss) per share (cents)	16	(41.43)	9.99

The accompanying notes form part of these financial statements

Titan Energy Services Limited
and Controlled Entities
ACN 150 110 017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated Group	
		31 December 2014	30 June 2014
		$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,677	4,258
Trade and other receivables	6	10,212	16,078
Inventories	7	2,971	3,069
TOTAL CURRENT ASSETS		15,860	23,405
NON-CURRENT ASSETS			
Property, plant and equipment	8	36,541	48,268
Deferred tax assets		1,832	446
Intangible assets	9	15,136	20,412
TOTAL NON-CURRENT ASSETS		53,509	69,126
TOTAL ASSETS		69,369	92,531
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	10,897	10,070
Borrowings	11	14,669	4,304
Current tax liabilities		-	797
Provisions	12	750	802
Other current liabilities	13	-	2,122
TOTAL CURRENT LIABILITIES		26,316	18,095
NON-CURRENT LIABILITIES			
Borrowings	11	-	8,611
Provisions	12	201	216
TOTAL NON-CURRENT LIABILITIES		201	8,827
TOTAL LIABILITIES		26,517	26,922
NET ASSETS		42,852	65,609
EQUITY			
Issued capital	14	46,871	45,761
Reserves	15	294	856
Retained earnings / (accumulated losses)		(4,313)	18,992
TOTAL EQUITY		42,852	65,609

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Consolidated Group	Ordinary Share Capital	Retained Earnings	Share Based Payments Reserve	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2013	40,758	10,174	849	51,781
Comprehensive income				
Profit (loss) for the period	-	5,041	-	5,041
Total comprehensive income for the half year	-	5,041	-	5,041
Transactions with owners, in their capacity as owners, and other transfers				
Contributions of equity on exercise of options	389	-	-	389
Dividends paid	-	(1,683)	-	(1,683)
Dividend reinvestment plan	190	-	-	190
Performance rights and options lapsed	-	-	(20)	(20)
Performance rights and options converted	870	-	(870)	-
Performance rights and options granted	-	-	738	738
Transaction costs	(23)	-	-	(23)
Total transactions with owners and other transfers	1,426	(1,683)	(152)	(409)
Balance at 31 December 2013	42,184	13,532	697	56,413
Balance at 1 July 2014	45,761	18,992	856	65,609
Comprehensive income				
Profit (loss) for the period	-	(21,267)	-	(21,267)
Total comprehensive income for the half year	-	(21,267)	-	(21,267)
Transactions with owners, in their capacity as owners, and other transfers				
Dividends paid	-	(2,038)	-	(2,038)
Dividend reinvestment plan	365	-	-	365
Performance rights and options lapsed	-	-	(45)	(45)
Performance rights and options converted	752	-	(536)	216
Performance rights and options granted	-	-	19	19
Transaction costs	(7)	-	-	(7)
Total transactions with owners and other transfers	1,110	(2,038)	(562)	(1,490)
Balance at 31 December 2014	46,871	(4,313)	294	42,852

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated Group	
	31 December 2014 $'000	31 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	38,309	49,708
Payments to suppliers and employees	(37,716)	(37,518)
Interest received	30	55
Finance costs	(550)	(577)
Income tax paid	(552)	(3,780)
Net cash provided / (used in) by operating activities	(479)	7,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant, property and equipment	(1,500)	(5,382)
Proceeds from disposal of plant, property and equipment	357	199
Payment for acquisition of subsidiary	-	(5,812)
Net cash used in investing activities	(1,143)	(10,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from / (repayment of) borrowings	1,721	(1,020)
Proceeds from exercise of options	-	389
Proceeds from issue of shares	365	190
Dividend paid	(2,038)	(1,683)
Share issue costs paid	(7)	(23)
Net cash provided by / (used in) financing activities	41	(2,147)
Net decrease in cash held	(1,581)	(5,254)
Cash and cash equivalents at beginning of period	4,258	6,641
Cash and cash equivalents at end of period	2,677	1,387

The accompanying notes form part of these financial statements

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of 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 for the year ended 30 June 2014, together with any public announcements made during the following half-year.

Going concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Group will be able to pay its debts as and when they become due and payable and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The Group has incurred net cash outflows for the six months ended 31 December 2014 of $1.58 million (31 December 2013: net cash outflows of $5.25 million). At 31 December 2014, the Group has cash balances of $2.68 million (30 June 2014: $4.26 million) and a net working capital deficit (current assets less current liabilities) of $10.46 million (30 June 2014: net working capital surplus of $5.31 million).

In light of recent trading conditions, and as outlined at Note 19, the Group has undertaken an equity raising, comprising a placement and an entitlement offer, to allow the Group to settle its Hofco retention payment obligations of approximately $2.2 million and to strengthen the Group's balance sheet.

On 19 January 2015, a net amount of $0.99 million in placement funds had been received. A further $3.03 million in net funding was received on settlement of the entitlement offer on or about 3 February 2015. The total net funding of $4.02 million received was sufficient to satisfy conditions precedent to refinancing arrangements now in place with the Group's Senior Lender and one of its key suppliers (Refer Note 11).

Despite the recent downturn in sector demand, the board of directors believes that the outlook for the Group, together with the impact of the arrangements negotiated with the Group's Senior Lender and key suppliers (Refer Note 11) and the additional funding provided by the equity capital raise, provide confidence that the Group can achieve its long-term objectives.

The Group's future success depends on, amongst other things, the level of activity in the energy and infrastructure industries and, more recently, coal seam gas in particular. Levels of activity in these sectors depend on a number of factors outside the control of the Group including commodity prices, continued global economic growth, continued international energy demand and infrastructure constraints experienced by the Group's clients. Commodity price volatility and any prolonged decline in the demand for energy and infrastructure development have the potential to adversely affect the demand for the services offered by the Group.

As described in the Directors' Report on page 2, the current economic environment is challenging and the Group has reported an operating loss for the six months to 31 December 2014. The directors consider that the outlook presents significant challenges in terms of sales volume, pricing and consequently to cash flow funding. While the directors have instituted measures to preserve cash and secure additional finance these circumstances create material uncertainties over future trading results and cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Going concern (continued)

In response to the uncertainties referred to above, the directors have commenced a number of processes including options to refinance the business, potential business combinations and / or disposal of businesses and / or assets to repay borrowings and to provide additional working capital in the event that the current challenging economic conditions continue. The Group has engaged external advisors to assist and while there can be no certainty that any of these options will proceed, the directors have a reasonable expectation that one will proceed successfully if required. If not, the Group will need to secure additional finance facilities.

The ability to raise such funding in the future will depend on the prevailing capital market conditions as well as the performance of the Group. In these circumstances, there can be no assurance that additional funds may be available, or that asset sales can be executed on acceptable terms, or at all. Failure to obtain additional funding on a timely basis and on acceptable terms could cause the Group to reduce or terminate its operations.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt about the Group's and the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the initiatives implemented as described above, the directors have a reasonable expectation that the Group and the Company has and will have adequate resources to continue in operational existence and be able to pay its debts as and when they become due and payable. For these reasons they continue to adopt the going concern basis in preparing the financial report.

These interim financial statements were authorised for issue on 25 February 2015 by the directors of the Company.

b) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

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.

c) New and revised accounting requirements applicable to the current half-year reporting period

The Group has considered the implications of new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

d) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and the 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.

With respect to cash flow projections for the Accommodation Services – Camps cash generating unit, perpetual growth rates of 2.3% have been factored into the valuation model on the basis of management's expectations regarding the Group's continued ability to capture market share from competitors. Perpetual cash flow growth rates of 0.5% have been factored into the valuation models for the Oilfield Services – Drilling cash generating units. The rates used incorporate an allowance for inflation. A pre-tax discount rate of 14.9% has been used in all models.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting estimates and judgements (continued)

Key estimates (continued)

i) Impairment – general (continued)

Goodwill, inventory and property, plant and equipment are considered to be sensitive to these assumptions and are carried in the statement of financial position at the following written-down values:

- Goodwill $15.1 million
- Inventory $ 3.0 million
- Property, plant and equipment $36.5 million

An increase of 1% in the pre-tax discount rate would result in further impairment of goodwill, inventory and property, plant and equipment.

ii) Recognition of deferred tax assets for carried forward tax losses

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent that directors assess it is probable that future taxable profit will be available against which the unused tax losses can be utilised. As described in the Directors' Report on page 2, the current economic environment is challenging and the Group has reported an operating loss for the six months to 31 December 2014 which raises concerns that the Group may fail to make taxable profits in the future sufficient to utilise the carried forward tax losses. If the Group fails to make sufficient taxable profits carried forward, deferred tax assets of $1,832,000 would have to be written off to income tax expense. The directors believe that the outlook for the Group, together with the renegotiated lending facilities, provides sufficient confidence that the Group can earn future taxable profit against which the unused tax losses can be utilised.

	Consolidated Group 31 December 2014 $'000	Consolidated Group 31 December 2013 $'000
NOTE 2: REVENUE AND OTHER INCOME		
From continuing operations:		
Sales revenue by segment:		
Oilfield services - drilling	11,092	21,800
Oilfield services – equipment hire	4,056	3,988
Accommodation services - camps	13,994	17,859
Accommodation services - catering	5,285	1,394
Accommodation services - logistics	513	-
	34,940	45,041
Sundry revenue:		
Interest revenue	30	55
Other revenue	2	-
	32	55
Other income:		
Net gain on disposal of property, plant and equipment	139	73
	139	73
Total revenue and other income from continuing operations	35,111	45,169

NOTE 3: PROFIT / (LOSS) FOR THE PERIOD	**Note**		
Expenses			
Retention bonus expense	(a)	2,216	-
Investment review costs		624	-
Corporate restructuring costs		696	-
Impairment of assets	(b)	16,709	-
Total significant expenses		20,245	-

(a) Retention bonus expense

As announced in the 2014 financial year and reaffirmed on 9 January 2015, the Group recognised a retention bonus payment expense of $2.2 million based on agreements made in connection with the Hofco Oilfield Services Pty Ltd acquisition. The payments require the completion of employment service hurdles which were satisfied shortly after the reporting date and, therefore, the liability is recognised in this financial report.

(b) Impairment of assets

As a result of continued adverse market conditions, the Company has reassessed the recoverable amount of its cash generating units' (CGUs) goodwill intangibles and other non-financial assets. The difference between the carrying value and recoverable amount of the CGUs at 31 December 2014 was as follows:

- Accommodation Services – Camps: $10.3 million
- Oilfield Services – Drilling: $6.4 million

NOTE 3: PROFIT / (LOSS) FOR THE PERIOD (CONTINUED)

(b) Impairment of assets (continued)

This has resulted in a total impairment expense of $16.7 million being recorded for the period. This is reflected in the financial statements as a $5.3 million impairment expense against goodwill, a $0.2 million impairment expense against inventory and a $11.2 million impairment expense against property, plant and equipment.

The goodwill impairment expense was allocated against the Accommodation Services - Camps CGU. This is a result of the continued downturn in the market for remote temporary accommodation camps.

The property, plant and equipment impairment expense was allocated as follows:

- Accommodation Services – Camps: $5.0 million. This is a result of the downturn in the market for remote temporary accommodation camps.
- Oilfield Services – Drilling: $6.2 million. This is a result of the downturn in the level of demand for drilling activity in the onshore oil and gas market.

The remaining carrying amount of goodwill as disclosed in the balance sheet is $15.1 million for the Oilfield Services – Equipment Hire CGU (30 June 2014: $15.1 million). The directors have performed an impairment assessment for this CGU at 31 December 2014 and are satisfied that the current carrying value is supported.

The recoverable amount of the CGUs was determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period or, in some cases, the remaining useful life. Where appropriate, a terminal value calculation was used for cash flows beyond the five-year period.

Key assumptions used for value-in-use calculations

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

i) Daily hire rates
ii) Asset utilisation
iii) Discount rates
iv) Growth rates used to determine terminal values

The Company has determined the assumptions based on past performance and expectations for the future. In performing the value-in-use calculations, the Company has applied a pre-tax discount rate to discount the forecast future attributable pre-tax cash flows. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The pre-tax discount rate used is 14.9% (30 June 2014: 18.6%).

The perpetual growth rate used for the Accommodation Services – Camps CGU was 2.3%. The directors have determined this growth rate does not exceed the long term average growth rates for the industry in which the CGU operates.

Terminal value calculations were not used for the Oilfield Services - Drilling CGUs as management believe ten year models better reflect the remaining useful life of the assets assessed.

NOTE 3: PROFIT / (LOSS) FOR THE PERIOD (CONTINUED)

(b) Impairment of assets (continued)

Impact of reasonably possible changes in key assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

i) Daily hire rates

The following changes in the daily hire rates would be required to result in further impairment for CGUs considered to be significant in comparison with the CGU's carrying amount of assets:

- Accommodation Services – Camps: a decrease of more than $10 in daily room hire rates would result in further impairment.
- Oilfield Services – Drilling: a decrease of more than 25% in daily hire rates would result in further impairment.

ii) Asset utilisation

The following changes in asset utilisation rates would be required to result in impairment for CGUs considered to be significant in comparison with the CGU's carrying amount of assets:

- Accommodation Services – Camps: a reduction of more than 5% in asset utilisation rates would result in further impairment.
- Oilfield Services – Drilling: a reduction of 10% in asset utilisation rates would result in further impairment.

iii) Discount rates

The following changes in the pre-tax discount rate would be required to result in impairment for CGUs considered to be significant in comparison with the CGU's carrying amount of assets:

- Accommodation Services – Camps: an increase of 1% in the pre-tax discount rate would result in further impairment.
- Oilfield Services – Drilling: an increase of 1% in the pre-tax discount rate would result in further impairment.

iv) Growth rates

The Company recognises that the volatility of the current economic climate and competitive pressures in the industry has an impact on growth rate assumptions.

The following changes in the long-term growth rate would be required to result in impairment for CGUs considered to be significant in comparison with the CGU's carrying amount of assets:

- Accommodation Services – Camps: a reduction of 1% in the long-term growth rate would result in impairment.
- Oilfield Services – Drilling: a reduction of 0.5% in the long-term growth rate would result in impairment.

There is no reasonably possible change in assumptions that would result in an impairment of the remaining goodwill allocated to the other CGUs.

	Consolidated Group	
	31 December 2014 $'000	31 December 2013 $'000
NOTE 4: DIVIDENDS		
Distributions paid / provided for:		
Final fully franked ordinary dividend for the year ended 30 June 2014 of 4.0 cents (2013: 3.5 cents) per fully paid share paid	2,038	1,683
Dividends satisfied under the Dividend Reinvestment Plan	(365)	(190)
Dividends paid in cash	1,673	1,493
Dividends not recognised at the end of the reporting period	-	1,710

NOTE 5: OPERATING SEGMENTS

a) Description of segments

The Group determines its operating segments based on internal reports reviewed by the Board of Directors and used to make strategic decisions. The following segments have been identified by the Group:

Oilfield services - drilling

The oilfield services – drilling segment owns and operates four drilling rigs. As at the date of this report, one of the rigs is on contract with a tier one contractor. Rigs 1, 2 and 4 are currently being marketed to customers. As at 31 December 2014, the drilling segment had 60 staff.

Oilfield services – equipment hire

The oilfield services – equipment hire segment provides specialist downhole rental equipment to the Queensland coal seam gas and wider oil and gas industry throughout Australia. As at 31 December 2014, the equipment hire segment had 11 staff.

Accommodation services - camps

The accommodation services – camps segment provides portable temporary camp hire and camp management services to remote sites. The segment was initially focussed on coal seam gas drilling clients but has expanded its customer base to include the road, civil and construction industries and retail catering opportunities. As at 31 December 2014, the accommodation services – camps segment had 16 staff.

Accommodation services – catering

The accommodation services – catering segment provides catering and camp management services. The business has catered 93,252 man days through to the end of December 2014. At 31 December 2014, this segment had 80 staff including chefs, camp attendants and support staff.

Accommodation services - logistics

The accommodation services – logistics segment was launched by the Group in December 2013 to provide water and waste transportation services to camps. At 31 December 2014, the segment had 4 staff.

NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment information provided to the board of directors

(i) Segment performance

	Drill Rigs $'000	Equip Hire $'000	Catering $'000	Camps $'000	Logistics $'000	Total $'000
Period ended 31 December 2014						
Revenue						
Revenue from external customers	11,092	4,056	5,285	13,994	513	34,940
Inter-segment revenue	-	-	4,523	46	1,321	5,890
Total segment revenue	**11,092**	**4,056**	**9,808**	**14,040**	**1,834**	**40,830**
Segment profit/ (loss) - EBIT	**(7,744)**	**(91)**	**135**	**(11,139)**	**(421)**	**(19,260)**
Unallocated:						
Net gain on disposal of property, plant and equipment						139
Depreciation						(47)
Corporate expenses						(3,209)
EBIT						**(22,377)**
Interest revenue						30
Interest expense and borrowing costs						(550)
Net loss before tax from continuing operations						**(22,897)**
Tax benefit						1,630
Net loss after tax from continuing operations						**(21,267)**

NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment information provided to the board of directors (continued)

(i) Segment performance (continued)

	Drill Rigs $'000	Equip Hire $'000	Catering $'000	Camps $'000	Total $'000
Period ended 31 December 2013					
Revenue					
Revenue from external customers	21,800	3,988	1,394	17,859	45,041
Inter-segment revenue	26	255	5,820	456	6,557
Total segment revenue	**21,826**	**4,243**	**7,214**	**18,315**	**51,598**
Segment result - EBIT	**2,446**	**2,183**	**923**	**4,357**	**9,909**
Unallocated:					
Net gain on disposal of property, plant & equipment					73
Depreciation					(27)
Corporate expenses					(1,943)
EBIT					**8,012**
Interest revenue					55
Interest expense and borrowing costs					(536)
Net profit before tax from continuing operations					**7,531**
Tax expense					(2,490)
Net profit after tax from continuing operations					**5,041**

(ii) Segment assets

	Drill Rigs $'000	Equip Hire $'000	Catering $'000	Camps $'000	Logistics $'000	Total $'000
As at 31 December 2014						
Segment assets	22,385	10,516	1,724	14,841	198	49,664
Unallocated assets						19,705
Closing balance 31 December 2014						**69,369**
As at 30 June 2014						
Segment assets	28,029	10,408	2,036	30,885	712	72,070
Unallocated assets						20,461
Closing balance 30 June 2014						**92,531**

	Consolidated Group	
	31 December 2014 $'000	30 June 2014 $'000
NOTE 6: TRADE AND OTHER RECEIVABLES		
Trade receivables	6,829	11,422
Provision for doubtful debts	(26)	(30)
Other receivables	1,169	882
Accrued revenue	1,889	3,076
Deposits paid	93	81
Prepayments	258	647
Total trade and other receivables	10,212	16,078
NOTE 7: INVENTORY		
Spare parts and stores	3,374	3,169
Provision for obsolescence	(175)	(100)
Provision for impairment (Refer Note 3)	(228)	-
Total inventory	2,971	3,069
NOTE 8: PLANT AND EQUIPMENT		
DRILL RIGS		
At cost	28,495	28,441
Accumulated depreciation	(8,709)	(8,192)
Accumulated impairment losses	(5,967)	-
	13,819	20,249
CAMPS		
At cost	23,180	23,261
Accumulated depreciation	(5,846)	(5,324)
Accumulated impairment losses	(4,653)	-
	12,681	17,937
MOTOR VEHICLES		
At cost	3,784	3,649
Accumulated depreciation	(2,008)	(1,859)
Accumulated impairment losses	(449)	-
	1,327	1,790
PLANT AND EQUIPMENT		
At cost	10,594	9,686
Accumulated depreciation	(1,744)	(1,394)
Accumulated impairment losses	(136)	-
	8,714	8,292
Total plant and equipment	36,541	48,268

NOTE 8: PLANT AND EQUIPMENT (CONTINUED)

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 period.

	Drill Rigs	Camps	Motor Vehicles	Plant and Equipment	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013	15,187	16,736	1,040	6,662	39,625
Additions	7,943	2,765	796	2,745	14,249
Reclassifications	(481)	-	378	(265)	(368)
Disposals – written-down value	-	(25)	-	(172)	(197)
Depreciation expense	(2,400)	(1,539)	(424)	(678)	(5,041)
Carrying amount at 30 June 2014	20,249	17,937	1,790	8,292	48,268
Additions	288	60	220	932	1,500
Transfers	(72)	7	-	65	-
Disposals – written-down value	-	(135)	(2)	(85)	(222)
Depreciation expense	(679)	(535)	(232)	(354)	(1,800)
Impairment losses (Refer Note 3)	(5,967)	(4,653)	(449)	(136)	(11,205)
Carrying amount at 31 December 2014	13,819	12,681	1,327	8,714	36,541

		Consolidated Group	
	Note	31 December 2014 $'000	30 June 2014 $'000
NOTE 9: INTANGIBLE ASSETS			
Goodwill			
Cost		20,412	20,412
Provision for impairment (Refer Note 3)		(5,276)	-
Total intangible assets		15,136	20,412
NOTE 10: TRADE AND OTHER PAYABLES			
Trade payables		4,609	7,020
Other creditors		6,077	2,600
GST payable		211	450
Total trade and other payables		10,897	10,070

NOTE 11: BORROWINGS

	Consolidated Group	
	31 December 2014 $'000	30 June 2014 $'000
CURRENT		
Loan - secured	14,856	4,370
Borrowing costs	(187)	(66)
	14,669	4,304
NON-CURRENT		
Loan - secured	-	8,765
Borrowing costs	-	(154)
	-	8,611
Total borrowings	14,669	12,915

GE Commercial Corporation (Australia) Pty Ltd (GE, Senior Lender)

The following facilities (the Debt Facilities) are available under a facility agreement (the Facility Agreement) between the Company and GE:

- $11,745,000 Term Loan, fully drawn, extending until October 2017. The balance outstanding at 31 December 2014 is $6,787,897. The amount of the term loan repaid at 31 December 2014 ($4.85 million) is not available to be redrawn.
- $15,000,000 Capex Facility, partly drawn, extending until October 2017. The balance outstanding at 31 December 2014 is $3,837,114.
- $8,000,000 Revolving Facility, partly drawn, notionally expiring in November 2015. The balance outstanding at 31 December 2014 is $2,026,291.

Loans provided under the Facility Agreement are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

The Facility Agreement contains a number of material financial and non-financial covenants with which the Group must comply. The Company reached an agreement with GE to vary the Facility Agreement with respect to these covenants as at 31 December 2014.

The amendments to the Facility Agreement include the following:

- Revision of the cash flow related covenant calculation;
- Suspension of the accommodation camp and rig utilisation covenants for the six months to 30 June 2015;
- Inclusion of a requirement for the Loan to Value Ratio not to exceed 85% as at 30 June 2015;
- Revision of the Revolver Facility availability calculation to include a $1.5 million reserve with the reserve to increase to $2 million if the Company raises more than a total of $9 million in the year ended 30 June 2015;
- Satisfactory documentation of the arrangements in relation to the accommodation rooms lease restructure by 6 February 2015; and
- The requirement to conduct an equity capital raising to raise a minimum of $4 million on or before 6 February 2015.

If the Group does not comply with any covenant under the Facility Agreement, GE retains the right to call a default and require the Group to reduce or repay the Debt Facilities. The Group is not currently in breach of any covenant relating to these facilities.

NOTE 11: BORROWINGS (CONTINUED)

GE Commercial Corporation (Australia) Pty Ltd (GE, Senior Lender) (continued)

The Group has commenced discussions with its Senior Lender about the renewal of the Revolving Facility (required in November 2015) and also the review of covenants which will occur once the current covenant relief period outlined above expires. It is likely that these discussions will not be completed for some time. The directors are also pursuing alternative sources of funding in case the existing facility is not renewed or covenants are not reset after 30 June 2015.

While the Group is not currently in breach of those covenants, it has not finalised any new arrangements. Given this uncertainty, the Company believes that it is prudent to classify the existing facilities as current liabilities in this financial report.

Accommodation room lease restructuring

The Group has reached an agreement with one of its key suppliers of leased accommodation units to extend the credit terms on invoices outstanding at 31 December 2014. The extension of credit was subject to the completion of an equity capital raising by the Group of at least $3 million by 6 February 2015 (refer Note 19), satisfactory documentation of the agreement between the parties and the implementation of satisfactory security arrangements. The security provided will rank second to that held by the Group's Senior Lender.

Under the terms of the agreement, a portion of the total obligation outstanding becomes due and payable upon completion of the equity capital raising. The balance of the obligation outstanding at 31 December 2014 is payable on 1 September 2015. The total obligation outstanding at 31 December 2014 has been disclosed as a current secured borrowing.

Asset finance facility

In June 2014, the Company entered into an agreement with the Commonwealth Bank of Australia for the provision of a $3,000,000 asset finance facility. This facility remained available but undrawn at 31 December 2014 and has been cancelled by the Company subsequent to period end.

	Consolidated Group	
	31 December 2014 $'000	**30 June 2014 $'000**
NOTE 12: PROVISIONS		
Provision for employee entitlements – current	750	802
Provision for employee entitlements – non-current	201	216
Total provisions	951	1,018
NOTE 13: OTHER CURRENT LIABILITIES		
Unearned revenue	-	2,122
Total other current liabilities	-	2,122

NOTE 14: EQUITY SECURITIES ISSUED

Issues of ordinary share capital during the half-year:

Date	Details	Note	#	Issue Price	$'000
01 Jul 2014	Opening balance		50,585,915		45,761
12 Aug 2014	Performance rights	(i)	23,250	$1.63	38
12 Aug 2014	Performance rights	(i)	343,500	$2.08	714
16 Sep 2014	Dividend reinvestment plan	(ii)	198,036	$1.84	365
	Less: Transaction costs arising on share issue, net of deferred tax				(7)
	Total	(iii)	51,150,701		46,871

i) During the half year ended 31 December 2014, 366,750 ordinary shares were issued in accordance with the Company's Performance Rights Plan.

ii) On 16 September 2014, 198,036 ordinary shares were issued under the Company's Dividend Reinvestment Plan at $1.84 per share. The shares were issued in settlement of the 4.0c final dividend for the year ended 30 June 2014 in relation to 9,113,388 securities.

iii) On 12 August 2014, Titan Equity Plan Trust, a unit trust of which the Company is the sole beneficiary, subscribed for 42,000 shares (Treasury Shares) in the Company over and above those shares required to settle the Company's obligation to employees under the terms of the Performance Rights Plan and the Employee Share and Option Plan. At 31 December 2014, the Treasury Shares were still held by the Titan Equity Plan Trust and are not included in the total number of shares on issue disclosed above.

	Consolidated Group	
	31 December 2014 $'000	30 June 2014 $'000
NOTE 15: RESERVES		
Share based payments reserve		
Balance at beginning of period	856	849
Performance rights expense	19	927
Performance rights granted	(536)	(920)
Performance rights lapsed	(45)	-
Balance at end of period	294	856

The share based payments reserve is used to recognise:

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

NOTE 16: EARNINGS PER SHARE

	31 December 2014 Cents	31 December 2013 Cents
a) Basic earnings / (loss) per share[1]		
From continuing operations attributable to the ordinary equity holders of the Company	(41.43)	10.09
Total basic earnings / (loss) per share attributable to the ordinary equity holders of the Company	(41.43)	10.09
b) Diluted earnings per share[1]		
From continuing operations attributable to the ordinary equity holders of the Company	(41.43)	9.99
Total diluted earnings / (loss) per share attributable to the ordinary equity holders of the Company	(41.43)	9.99

[1] EPS previously reported at 31 December 2013 has been retrospectively adjusted to reflect the impact of the shares issued during the current year that if in existence at 31 December 2013, would have impacted the EPS calculation, per the requirements of AASB133 (FP*) Earnings Per Share*.

	31 December 2014 $'000	31 December 2013 $'000
c) Reconciliation of earnings / (loss) used in calculating earnings / (loss) per share		
Basic earnings / (loss) per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings / (loss) per share	(21,267)	5,041
Diluted earnings / (loss) per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings / (loss) per share	(21,267)	5,041

	31 December 2014 No of Shares	31 December 2013 No of Shares
NOTE 16: EARNINGS PER SHARE (CONTINUED)		
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share	51,327,554	49,948,219
Adjustments for calculation of diluted earnings / (loss) per share:		
▪ Options	-	506,396
Weighted average number of ordinary shares and potential ordinary share used as the denominator in calculating diluted earnings / (loss) per share	51,327,554	50,454,615

As at 31 December 2014, the Company had a number of Performance Rights outstanding in accordance with the Company's approved Performance Rights Plan. The performance conditions that applied to these rights had not been met at 31 December 2014 and as such, in accordance with AASB 133 *Earnings per Share*, these rights have not been included in the calculation of diluted earnings per share.

NOTE 17: INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2014. The subsidiaries listed below have share capital consisting solely of ordinary shares or, in the case of the Titan Equity Plan Trust, ordinary units, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		31 December 2014	30 June 2014
Atlas Drilling Co Pty Ltd	Australia	100%	100%
Titan Plant Logistics Pty Ltd	Australia	100%	100%
Titan Resources Camp Hire Pty Ltd	Australia	100%	100%
Nektar Remote Hospitality Pty Ltd	Australia	100%	100%
Atlas Drilling Services Pty Ltd	Australia	100%	100%
Hofco Oil Field Services Pty Ltd	Australia	100%	100%
Base Hospitality Pty Ltd	Australia	100%	100%
Hofco Services Pty Ltd	Australia	100%	100%
Titan Equity Plan Trust	Australia	100%	100%
Base Logistics and Transport Pty Ltd	Australia	100%	-

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	Consolidated Group	
	31 December 2014 $'000	30 June 2014 $'000
NOTE 18: COMMITMENTS AND CONTINGENT LIABILITIES		
a) Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	4,137	7,865
Later than one year but not later than five years	6,720	15,295
Later than five years	63	249
	10,920	23,409

Operating leases over real property

The Group has entered into an agreement with the lessor of the Group's former corporate office at 1/170 Montague Road, South Brisbane, and a sub-lessee to sub-lease the premises at Montague Road to the sub-lessee for the remaining term of the lease. The head lease between the Group and lessor will expire on 14 January 2016. The sub-leasing agreement was finalised between the parties on 27 February 2014 at an initial annual rental amount of $85,000 subject to review on the anniversary date of the head lease.

The sub-leasing agreement will reduce the Group's operating lease commitments by $87,833 within one year and by $3,089 later than one year but not later than five years. The reduction in operating lease commitments as a result of the sub-leasing agreement is not reflected in the minimum lease payment disclosed above. Any shortfall between the rent payable under the head lease and the rent receivable under the sub-lease remains a commitment of the Group.

Operating leases over accommodation rooms

The Group has entered into arrangements with two key suppliers to restructure its existing accommodation room lease arrangements. When fully implemented, the restructuring will result in the de-hire of approximately 60% of existing leased accommodation rooms and the deferral of lease payments for the remaining accommodation room leases. Refer to Note 19.

b) Contingent liabilities

The Group had contingent liabilities at 31 December 2014 in respect of:

Guarantees

GE Commercial Corporation (Australia) Pty Ltd

Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds). Refer to Note 11.

Royal Wolf Trading Australia Pty Ltd (RWT)

Titan Energy Services Ltd, Atlas Drilling Co Pty Ltd, Titan Plant Logistics Pty Ltd and Titan Resources Camp Hire Pty Ltd (together Guarantors) jointly and severally unconditionally guarantee payment of debt owed to Royal Wolf Trading Australia Ltd (RWT). The Guarantors jointly and severally indemnify RWT against any loss in relation to the non payment or recovery of debt owing.

NOTE 18: COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

b) Contingent liabilities (continued)

Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries of the Company are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The directors are not aware of any other contingent liabilities or assets that are likely to have a material effect on the results of the Group, as disclosed in these financial statements.

NOTE 19: EVENTS AFTER THE END OF THE INTERIM PERIOD

On 9 January 2015, the Company announced:

- An equity capital raising comprising a placement and an entitlement offer;
- A restructure of the Group's accommodation camp lease arrangements; and
- Amendments to covenants for senior debt facilities.

Specifically:

Equity capital raising (the Capital Raising)

The Company has undertaken an equity capital raising comprising a placement to a new cornerstone investor, Ausdrill International Pty Ltd (a wholly owned subsidiary of Ausdrill Ltd – ASX:ASL) (the Placement) and a partially underwritten 3 for 5 accelerated non-renounceable entitlement offer (the Offer). Under the terms of the Offer, the Company proposed to issue up to 34 million new ordinary shares at $0.15 per share to raise up to $5.1 million (if fully subscribed). The Offer issue price of $0.15 per share represented a 34.8% discount to Titan's closing price of $0.23 on 6 January 2015, a 23.8% discount to the theoretical ex-rights price and a 16.7% discount to the placement price.

The Placement to Ausdrill International Pty Ltd (Ausdrill) settled on 19 January 2015 at which time the Company issued 5.5 million new ordinary shares at $0.18 per share for total consideration of $0.99 million. At the same time, the Company issued 2.1 million free-attaching options to acquire ordinary shares to Ausdrill. The options vested on grant date, are exercisable at $0.28 in tranches of not less than 500,000 options at any one time and expire on 31 December 2016. A representative of Ausdrill will also be nominated for appointment to the board of directors.

The retail component of the Offer closed on Wednesday 28 January 2015. New shares in respect of retail entitlements not subscribed were made available to eligible retail shareholders through the Retail Shortfall Facility. Under the Retail Shortfall Facility eligible retail shareholders were able to apply for additional new shares in excess of their entitlement.

The Offer (including the Retail Shortfall Facility) raised gross proceeds of $1.17 million from eligible retail shareholders, with eligible retail shareholders taking up 27% of the entitlements.

The Offer was partially underwritten by Bizzell Capital Partners Pty Ltd and Wilson HTM Corporate Finance Limited (the Underwriters) up to an amount of $3.3 million. Approximately 8.48 million shares not subscribed for by eligible retail shareholders were issued to the underwriters and sub-underwriters of the Offer, leaving a shortfall of 12.28 million shares not taken up.

The Company has raised overall gross proceeds of $4.26 million through the Placement to Ausdrill International Pty Ltd at $0.18 per share and the Offer at an issue price of $0.15 per share.

NOTE 19: EVENTS AFTER THE END OF THE INTERIM PERIOD (CONTINUED)

Equity capital raising (continued)

New shares issued under the Offer and the Placement will rank equally with existing shares of the Company.

Restructure of accommodation room lease arrangements

The Group has entered into agreements to restructure its existing camp lease arrangements resulting in the de-hire of approximately 60% of existing camps, the deferral of lease payments on the remaining camp leases (subject to 10% p.a. interest charge) and the extension of credit terms on outstanding invoices to 1 September 2015. The Group retains approximately 560 rooms including 187 owned rooms.

The restructure is being effected under separate commercial agreements with individual suppliers. One of the agreements had taken effect prior to 31 December 2014 and another was subject to the successful completion of the Capital Raising and the parties entering into definitive legal agreements consistent with the binding heads of agreement.

The result of these changes once fully implemented will be the reduction of the forward camp lease commitments balance by approximately $13.8 million and lease cost savings for the year ended 30 June 2015 of approximately $2.9 million.

The Group has secured its obligations under one of the agreements by providing a second ranking security subordinated to its Senior Lender (Refer Note 11). Any amounts owing to that supplier after 31 August 2015 may be settled with the issue of ordinary shares (at the supplier's election) at the 5 day volume weighted average share price.

Debt facilities

The Group has agreed with its Senior Lender to amend the Senior Lender's debt facility agreements as follows:

1) Revision of the cash flow related covenant calculation;
2) Suspension of the accommodation camp and rig utilisation covenants for the six months to 30 June 2015;
3) Inclusion of a requirement for the Loan to Value Ratio not to exceed 85% as at 30 June 2015;
4) Inclusion of a requirement to satisfactorily document the arrangements in relation to the camp lease restructure by 6 February 2015; and
5) Inclusion of a requirement to conduct an equity capital raising to raise a minimum of $4 million on or before 6 February 2015.

The Group has complied with conditions 4 and 5 within the specified time frames.

Other than as outlined above, the directors are not aware of any 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 Group, the results of those operations or the state of affairs of the Company or Group in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Titan Energy Services Limited, the directors of the Company declare that:

1) The financial statements and notes, as set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and

   b) 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.

2) Having regard to the matters referred to in Note 1, in the directors' opinion there are reasonable grounds to believe that the Company 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.

Shaun Scott
Director

Brisbane, 25 February 2015

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 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2013 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*.

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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 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 the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial statements, which indicates that the consolidated entity incurred a loss of $21.3m during the half-year ended 31 December 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $10.5m. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

PKF HACKETTS

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 25 February 2015