

**MEDIA/ASX Release**

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ASX ticker: TTN

## **Market Update – Divestment of Hofco Oil Field Services**

Titan Energy Services (Titan) today announces that it has entered into a binding agreement to divest Hofco Oil Field Services Pty Ltd (Hofco) for \$13.5 million. The sale is expected to settle in cash on or before Friday 22 May 2015.

The potential requirement for Titan to sell assets and/or businesses, if trading conditions did not improve, was noted in Titan's FY15 Half Year Report issued 26 February 2015 and also its announcement on 29 April 2015. The sale of Hofco will facilitate the repayment of the existing senior debt facilities in full and provide working capital to enable the company to take advantage of future opportunities in the drilling and accommodation service business units.

The Directors are pleased to announce that all Hofco staff will transition to the new owners.

The terms and conditions of sale are customary for a transaction of this nature, size and type and contain market standard provisions for post completion adjustments for working capital and tax liability items, representations and warranties and non-complete/non-solicitation restraints for up to 4 years.

### **Application of sale proceeds**

The proceeds from the sale of Hofco will be directed towards the repayment of the debt facilities with Titan's Senior Lender, repayment of deferred lease payments owing to Royal Wolf Holdings Ltd (RWH) and the provision of additional working capital.

The Senior Lender security arrangements and covenant obligations will be released on full repayment of the facilities. The RWH security arrangements, as previously advised in the 9 January 2015 ASX Announcement will remain in place.

Removing the senior debt principal and interest payments, and the interest charges on deferred camp lease obligations provides an improvement to monthly cashflows of ~\$0.4 million. The balance of the sale proceeds, ~\$3.0 million, will assist in meeting future working capital requirements.

### **Restructure Activities**

Titan's restructuring activities are now substantially complete within the Atlas Drilling and Accommodation Services business units. Staffing levels, overhead and operating costs have been reduced to meet current trading activity.

With a number of significant tender submissions awaiting decisions for projects expected to mobilise during the second half of the calendar year, ramp-up strategies are in place to activate the deployment of Titan's drilling rigs and accommodation service functions (Resources Camp Hire, Nektar and Base).

The Management Team continues to focus its efforts on delivering excellent customer service and providing flexible solutions that will exceed client expectations. The Company's commitment to improving quality management systems and ongoing strong safety management culture will ensure our people, customers and clients achieve excellent results.

## **Outlook**

Adverse global factors influencing oil, coal and commodity prices have recently shown some signs of improvement. Titan business units have significant dollar value tenders in place for a number of projects relating to large infrastructure, coal and CSG related programs. While a number of these tenders remain subject to various government and corporate approvals we continue to actively engage with the counterparties and we are ready to respond as soon as these hurdles are cleared.

Titan is encouraged by the number of tender requests received recently by Atlas Drilling and Accommodation Services. The recent contract signed with Buru Energy for Atlas Drilling to commence an initial three well exploration drilling program in the Canning Basin during June 2015 is a further positive sign that activity across the sector is improving.

As a result of the repayment of debt outlined above, Titan is now in a stronger financial position to manage current market conditions and challenges while awaiting the outcome on tenders submitted that are expected to commence in the second half of the calendar year and early in 2016. Trading in the short term remains challenging, monitoring expenditure and preserving cash remains a key focus for the Management Team.

Titan's long-term strategy to provide a suite of diversified services to the energy and infrastructure markets remains sound, underpinned by 20 year+ Queensland CSG-LNG project commitments as well as pipeline, infrastructure, rail, road and mining opportunities in Queensland and throughout Australia.

Further market updates will be provided when tender outcomes become certain.

## **ENDS**

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## **About Titan**

Titan Energy Services Limited (ASX:TTN) provides diversified energy and infrastructure services to the oil and gas, mining, pipeline, rail, road and infrastructure sectors. Titan provides expertise in oil and gas drilling, temporary camp accommodation and management, catering services and water and waste.

**Atlas Drilling** – specialist provider of drilling services to coal seam gas and oil exploration, production and well work overs;

**Accommodation Services** - (Resources Camp Hire – RCH; Nektar Remote Hospitality and BASE Transport & Logistics) providing remote camp solutions including accommodation, catering, camp management including water and waste services.