

19 November 2015

ASX ticker: TTN

## **Chairman's Address to Shareholders**

Good afternoon fellow shareholders and thank you for joining us for our 2015 Annual General Meeting.

Shareholders will have now received their annual report for the 2015 financial year and in conjunction with the Group's trading updates it is clear that it has been an extremely challenging year for Titan.

It goes without saying that we are disappointed with the results, despite considerable hard work by the Board and Management Team.

At the last AGM we were still positive about the short term prospects of the Group as the LNG projects transitioned from construction to production, only to see a greater than 40% fall in oil price coupled with unexpected political change create significant uncertainty amongst our customer base. It is only this week that QGC and its partners announced the first significant new work of any type since our last AGM. The sharp and prolonged fall in activity was unforeseen by the industry in general and Titan are by no means alone in the impact it had to our earnings with many of our peers facing similar challenges or being forced to close their doors.

Entering the production phase clients are now firmly focussed on operational efficiency and cost reductions. Rationalisation of contractors for critical spend items is inevitable and we have already experienced a change in the nature of tenders for our services with clients preferring contractors to provide a greater suite of services or a fully managed turnkey solution. It is clear that our need to be flexible and innovative is more important than ever.

As previously reported the Board and Management have taken decisive action to mitigate the impact of these pressures. During the 2015 financial year the following significant changes were made:

- Successful completion of a \$4.3 million equity capital raising;

- Reached agreements with key suppliers of leased temporary accommodation camps resulting in significant reductions in future lease commitments;
- Divested wholly owned subsidiary, Hofco Oilfield Services Pty Ltd, in order to repay senior secured debt facilities in full, repay deferred lease payments owed to Royal Wolf Holdings Ltd and provide funds for working capital;
- An organisational restructure with personnel reductions to meet operating levels;
- Cessation of discretionary spending on opex and capex;
- Restructured the group to consolidate our Accommodation Services offering; and
- Continued to make improvements in our safety culture, safe operating practices and safety performance.

Despite these significant steps toward improving the Group's performance, the key to our prosperity lies in our ability to secure contracts in the current competitive marketplace by being flexible, innovative and responsive to our client's needs.

Pleasingly we have seen some signs of improved conditions in the sector with tender and pricing activity increasing in recent months. Also the Group has continued to develop relationships outside its traditional CSG sector, including our drilling campaign with Buru Energy in the Canning Basin in Western Australia and several tenders submitted to support large infrastructure projects that would see a significant number of our temporary accommodation camps utilised if successful. The difficulty remains in forecasting the timing of client decisions as many of these opportunities are linked to projects that are yet to reach final investment approvals. We remain focussed on continuing to build the pipeline of opportunities and developing key client relationships.

As we look to the future our approach remains cautious but optimistic. The oil and gas sector appears to be nearing the bottom of the downward cycle as commodity prices have settled at current levels. Recent merger and acquisition activity has created some further uncertainty as to the timing of projects and future capex budgets, however many of the transactions reiterate that future demand for key commodities underpinning the sector will continue to grow, in particular LNG exports to Asia. Moreover, the long term expectations for drilling activity in relation to the Queensland CSG-LNG projects remains unchanged and this is underscored by QGC and Partners announcement this week.

With all that in mind the Board's key focus areas in the near-term will be:

- Stabilising the Group's financial position;
- Diversifying the business into new markets and geographies; and
- Delivering improved performance and shareholder value.

In closing, let me assure you that the Board recognises the challenges currently facing the Group and industry sector. Your Directors are committed to the future success of Titan Energy Services and remain resilient in our approach to navigate through this period with a view to future success and growth. We are all working very hard to improve the Group's performance, financial position and deliver value to our shareholders and we thank you for your ongoing support.

## **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.