

Titan Energy Services Limited (TTN)
Annual General Meeting 20 November 2012
Managing Director's Address

Thanks Shaun. Good morning everyone.

As you have heard, 2011/12 was a successful year for the company.

In my address today, I will focus mainly on the current year but before doing that I intend to briefly recap on some of the highlights from last year and to provide you with an overview of our business, which continues to grow and evolve.

Highlights and strategic update

There were many highlights during our first year as a listed company.

We listed on the ASX on 7 December 2011 and successfully raised \$5million in our initial public offering

We delivered a \$2.3million net profit after tax – a 130% increase on the previous financial year – and pro-forma EBITDA of \$8.1million.

EBITDA was 50% up on the prior year and in-line with market guidance.

We returned a two-cent per share fully franked dividend to shareholders.

This represented a return in the order of 25% of NPAT, the dividend pay-out ratio that we foreshadowed in our prospectus.

And more importantly, we established a solid safety record, with our three rigs all approaching or exceeding 365 days lost time injury-free at 30 June 2012.

Within our individual businesses, highlights included:

- Record EBITDA of \$4.9million for Atlas Drilling. This was driven by strong utilisation during the second half
- The successful integration of the Resources Camp Hire business (RCH). In the nine months from acquisition to 2012 financial year-end, our portable camps business grew from 110 rooms to 236 rooms and contributed strongly to group results; and

- Organic business growth, headlined by the launch of Nektar Remote Hospitality in April 2012. Nektar was developed to provide high quality catering and camp management services in remote locations and won its first contract in June.

Overall, Titan delivered on the strategic objectives that were set for 2011/12, as outlined in the accompanying slide. We pride ourselves on doing what we say we are going to do.

Safety

As mentioned, safety is a matter that we take very seriously

We have a solid record as highlighted in the accompanying slide, and taken steps to build on this by implementing new safety initiatives.

These initiatives have included:

- Management site visits and improved internal safety auditing processes
- Additional site safety and training personnel coverage
- Mapping our internal training programs for Rig crews to national competency standards
- Incorporating positive safety actions and observations in personal KPIs; and
- Securing Queensland Department of Education and Training grants

Undoubtedly, these initiatives are contributing to our strong safety performance, which are highlighted in the accompanying slide.

These results are, of course, also included in our annual report so I don't intend to run through them line-by-line in this forum.

Company Overview

Our company continues to grow and evolve.

Today, Titan Energy Services Limited is an oil and gas services company that is focused on the coal seam gas (CSG) to liquefied natural gas (LNG) industry.

Titan has grown from its original business, Atlas Drilling, into a diversified services company, leveraging from its experience within the CSG industry.

Today, our core businesses are:

- Atlas (CSG drilling and equipment hire)
- RCH (Temporary, portable accommodation); and
- Nektar (Remote catering and camp management services)

As we grow our business, we will look for

- additional organic growth opportunities
- expansion of equipment hire, and
- other complementary businesses.

Further diversification is a very real opportunity for Titan, as the company can leverage its current oil and gas and CSG experience into a number of service lines to capture a larger share of the overall CSG services market. We are developing an effective distribution network into which we can overlay additional CSG opportunities.

Our present focus is on the upstream exploration, and development and pipeline segments of the CSG development cycle.

We expect that future developments will be within these segments, as we see genuine opportunities to grow market share.

CSG Market

Before discussing our targets for 2012/13 and our achievements to date, I'd like to provide you with some colour about the local CSG-LNG market to highlight the size of the opportunity that is available to us.

The CSG to LNG market is expanding rapidly, with four major projects being developed concurrently in Queensland.

Significant capital expenditure is underway to develop the export gas market, including production wells, pipelines and export facilities. Research undertaken by ACIL Tasman outlines:-

- Production of Queensland-sourced CSG is forecast to increase from 250 to 900 PJ per annum by 2015.
- The number of CSG wells required to be drilled per annum is forecast to increase from about 600 wells in 2010 to more than 2,000 wells by 2015.
- Qld drilling expenditure is forecast to increase from \$650million to more than \$1.5billion per annum during the same period.

Under the full development scenario, drilling would average circa 2,000 wells per year between 2015 and 2025.

An established CSG-LNG industry of this scale will clearly require significant services to continue to produce the anticipated export quantities.

Titan is well placed to directly benefit from this surge in activity through its drilling, camps and catering businesses.

Outlook FY13

While it's early days in the new financial year, it's fair to say we have started 2012/13 well.

Significant achievements have included:

- A new 200-room camp contract with APLNG
- A contract extension for Atlas Drilling with QGC
- A new contract and Rig for Atlas with APLNG
- The payment of our maiden dividend and strong take-up of our Dividend Reinvestment Plan and
- New financing facilities with GE that will support our anticipated growth needs.

Within our businesses:

- Our safety record remains robust
- Atlas rig utilisation remains high
- RCH room numbers are growing. At the end of October, we had 427 rooms, up from 110 rooms at acquisition 14 months ago
- RCHs' utilisation is on target, with substantial growth in rooms, and
- Nektar is growing significantly, with the business currently servicing five camps which equates to feeding 270 guests per day

Titan is performing above expectations and the outlook for the remainder of the year looks encouraging as;

- A new 4th drilling rig will soon be in operation,
- The RCH business is expanding faster than expected with good utilisation
- Nektar is also exceeding expectations; and
- CSG activity is buoyant with solid enquiry in all businesses

For the half year, we expect an EBIT of \$3.5million - \$4.0million compared to \$0.7million last year, a 370% improvement.

For the full year, Titan expects EBIT to increase from \$3.9million last year to between \$8million and \$9million this year. This represents an increase of \$1m EBIT over our previous market guidance.

Whilst we are on track to achieve this guidance, prolonged wet weather can affect our business. We have made some allowance for weather impacts in our forecast, however, recent years floods have demonstrated it is impossible to predict weather conditions with any degree of certainty.

We expect to have a clearer picture of full year earnings at the time of announcing our half year results in February and will provide a further update at that time.

To recap on our prospects for the current year ...

- We believe solid foundations are in place.
- Activity in the CSG space remains robust.
- Atlas rig utilisation is likely to continue to be strong, based on the major contracts that are now in place and the good enquiry we are experiencing for future work.
- RCH started the year with 236 rooms – 60% more than the weighted average available during the 2012 financial year. Since the beginning of the year, it has expanded an additional 191 rooms. (427 rooms)
- Nektar is performing well during its start-up phase and winning contracts. And,
- Further organic growth and strategic acquisition opportunities will be considered.

Conclusion

In conclusion, we believe Titan has developed solid foundations for future growth during its inaugural year as a listed company and is well placed to benefit now and into the future.

Thank-you for your support.