Titan Energy Services Limited
and controlled entities
ACN 150 110 017

Appendix 4D
Half-year financial report
For the half-year ended 31 December 2012

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

Appendix 4D

For the half-year ended 31 December 2012

(Previous corresponding period: Half-year ended 31 December 2011)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	2012	2011	$ Change	% Change
Revenue from ordinary activities	29,607,949	14,987,810	14,620,139	97.5%
Profit after tax from ordinary activities attributable to members	2,319,636	291,413	2,028,223	696.0%
Profit attributable to members	2,319,636	291,413	2,028,223	696.0%

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in state of affairs during the period.

DIVIDENDS PAID AND PROPOSED

	Amount per Security	Franked Amount per Security
Ordinary shares:		
2013 interim – declared 31 January 2013	2.0c	2.0c
2012 final – paid 19 October 2012	2.0c	2.0c
Record date for determining entitlements to the interim dividend:		
Ordinary shares	12 February 2013	

DIVIDEND REINVESTMENT PLAN

Titan Energy Services Limited announced the formation of a Dividend Reinvestment Plan as of 21 August 2012. The plan is open to all shareholders based in Australia and New Zealand. Shareholders from other countries can participate in the DRP, subject to board approval. Shareholders will have until 5pm on Tuesday 12 February 2013 to nominate participation in the DRP.

COMMENTARY ON THE RESULTS FOR THE PERIOD

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 2012 (Cents)	31 December 2011 (Cents)
Net tangible assets per share	75.80	62.56

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 2012.

Directors

The following persons were directors of Titan Energy Services Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Shaun Scott
Stephen Bizzell
Simon Keyser
James Sturgess
Jim Diakogiannis
Wayne Seabrook (resigned 18 October 2012)
Mark Snape (appointed 18 October 2012)

Operating Results and Review of Operations

	Drill Rigs	Camps	Catering	Total
	$	**$**	**$**	**$**
Six months ended 31 December 2012				
Revenue				
Revenue from external customers	17,088,032	12,514,358	500	29,602,890
Inter-segment revenue	29,860	127,300	2,140,936	2,298,096
Total segment revenue	17,117,892	12,641,658	2,141,436	31,900,986
Segment result - EBIT	2,656,769	2,919,274	419,737	5,995,780
Unallocated:				
Interest revenue				5,059
Interest expense and borrowing costs				(934,297)
Depreciation				(3,832)
Corporate expenses				(1,726,107)
Net profit before tax from continuing operations				**3,336,603**
Tax expense				(1,016,967)
Net profit after tax from continuing operations				**2,319,636**

Review of Operations

The Group has continued to expand over the first half of the financial year and delivered a result ahead of its November guidance. For the 6 months to 31 December 2012, Titan generated a net profit after tax of $2.3 million which led to strong growth in earnings per share (EPS). EPS was 7.96 cents during the first half of 2012/13, compared to 1.36 cents during the first half of 2011/12.

Revenue was up 97.5% during the first half to $29.6 million, compared to a $15 million result during the prior corresponding period.

Safety is a key focus of the Group. The health and safety of its workforce and the principle that every injury can be prevented remains a core philosophy for the Group. At December 2012, Rig 1 and 2

DIRECTORS' REPORT

recorded 646 and 553 days Lost Time Injury (LTI) free respectively. Rig 3 recorded 2 LTI's during the 6 months to December and at the end of the December, was 98 days LTI free. There were no LTIs recorded in RCH or Nektar and the rolling 12 month Group Total Recordable Injury Frequency Rate (TRIFR) was 13.7 per million man hours.

The Group has strengthened its safety reporting and processes during the first half including the rollout of a new safety reporting software.

Atlas Drilling

Atlas Drilling operates two owned rigs and a third rig under an Operating & Maintenance contract. A fourth rig is currently under construction and is expected to be operational in March/April 2013.

During the period Atlas announced:

- a six-month contract, with a six-month option that will see the Atlas Drilling business supply a Schramm TXD rig (Rig 3) to Australia Pacific LNG.
- a one year contract, with an additional one year option (1+1) to operate and supply a Surface Casing Rig Package (Atlas Rig 4) to Australia Pacific LNG.

A strong half year of profitability driven by all three rigs being under contract during the period with limited downtime due to adverse weather conditions. Through the first half of FY13 Atlas operated at 98% utilisation under contracts with blue chip customers.

Resources Camp Hire (RCH)

RCH is a professionally managed turn-key containerised portable camps business catering to CSG related services and infrastructure companies.

In the 6 months to December 2012, the RCH business has grown capacity by 110% to 496 rooms from 236 in June 2012. Utilisation has remained high during the half at 78%. Demand for the RCH camps has remained high and new contracts during the first half were with significant counter parties. Specifically, in September 2012, RCH secured a 200-room accommodation deal with Australia Pacific LNG Pty Limited. Overall camp margins appear weaker relative to the prior year however this is due to an increased proportion of lower margin sub-contracted additional services reducing the average EBIT margin while increasing the absolute EBIT contribution.

Nektar Remote Hospitality (Nektar)

Nektar offers high quality catering and camp management services to remote accommodation service providers. Nektar have quickly established themselves, winning their first contract in June (term 18 months). Nektar is currently servicing 6 contracts equating to serving approximately 16,000 meal days in its first six months of trading.

Cashflow

The key to maintaining growth is the ability to fund the expansion. In November 2012, the Group entered into new finance facilities with GE Commercial Corporation (Australia) Pty Ltd. The new facility comprises:

- $11,745,000 Term loan, fully drawn, extending until October 2017
- $5,000,000 Capex Facility, undrawn, extending until October 2017
- $8,000,000 Revolving Facility, undrawn, extending until October 2017

The facilities will be used to fund the expansion of the RCH & Atlas businesses.

During the year the Group utilised its strong cash flow and new finance facilities with GE Commercial Corporation (Australia) Pty Ltd to fund the capacity expansions described in the business unit operations above. Going forward capital management will be a focus for Titan to maintain its growth momentum.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2012.

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

James Sturgess

Director

Brisbane, 31 January 2013

lawler hacketts chartered accountants

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 period ended 31 December 2012, 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 audit.

LAWLER HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 31 January 2013

Lawler Hacketts Audit
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED
31 DECEMBER 2012

	Note	Consolidated Group	
		31 December 2012	31 December 2011
		$	$
Revenue	2	29,607,949	14,987,810
Expenses			
Drilling and consumables		(3,921,350)	(3,296,136)
Camp expenses		(5,020,231)	(1,746,523)
Catering expenses		(504,242)	-
Depreciation and amortisation expense		(2,201,316)	(1,659,107)
Employee benefits expense		(11,530,745)	(5,889,152)
Travel and accommodation		(132,498)	(107,047)
Motor vehicle lease and maintenance		(169,404)	(183,422)
Finance costs		(934,823)	(295,098)
Administration and other expenses		(1,856,737)	(1,362,870)
Profit before income tax		3,336,603	448,455
Income tax expense		(1,016,967)	(157,042)
Profit for the period		2,319,636	291,413
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		2,319,636	291,413
Profit attributable to members of the parent entity		2,319,636	291,413
Total comprehensive income attributable to members of the parent entity		2,319,636	291,413
Earnings per share			
From continuing operations:			
– basic earnings per share (cents)	13	7.96	1.36
– diluted earnings per share (cents)	13	7.94	1.35

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Consolidated Group	
		31 December 2012	30 June 2012
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		894,678	1,419,374
Trade and other receivables	5	13,335,212	6,536,348
Inventories		128,322	76,354
Other assets	6	405,710	113,341
TOTAL CURRENT ASSETS		14,763,922	8,145,417
NON-CURRENT ASSETS			
Property, plant and equipment	7	31,479,551	28,868,406
Deferred tax assets		1,055,160	676,747
Intangible assets		5,276,185	5,276,185
TOTAL NON-CURRENT ASSETS		37,810,896	34,821,338
TOTAL ASSETS		52,574,818	42,966,755
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	10,568,905	7,419,465
Borrowings	9	2,278,330	2,054,568
Current tax liabilities		2,215,739	826,058
Provisions		200,446	117,898
Other current liabilities	10	700,000	80,100
TOTAL CURRENT LIABILITIES		15,963,420	10,498,089
NON-CURRENT LIABILITIES			
Borrowings	9	8,927,537	7,387,311
Provisions		51,000	-
Deferred tax liabilities		28,777	28,777
TOTAL NON-CURRENT LIABILITIES		9,007,314	7,416,088
TOTAL LIABILITIES		24,970,734	17,914,177
NET ASSETS		27,604,084	25,052,578
EQUITY			
Issued capital	11	23,247,858	22,570,842
Reserves	12	376,168	325,176
Retained earnings		3,980,058	2,156,560
TOTAL EQUITY		27,604,084	25,052,578

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated Group	Note	Ordinary Share Capital	Retained Earnings	Share Based Payments Reserve	Total
		$	$	$	$
Balance at 1 July 2011		3	(113,630)	-	(113,627)
Comprehensive income					
Profit (loss) for the period		-	291,413	-	291,413
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the half year		-	291,413	-	291,413
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs and tax		22,528,195	-	-	22,528,195
Employee share options		-	-	217,703	217,703
Total transactions with owners and other transfers		22,528,195	-	217,703	22,745,898
Balance at 31 December 2011		22,528,198	177,783	217,703	22,923,684
Balance at 1 July 2012		22,570,842	2,156,560	325,176	25,052,578
Comprehensive income					
Profit (loss) for the period		-	2,319,636	-	2,319,636
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the half year		-	2,319,636	-	2,319,636
Transactions with owners, in their capacity as owners, and other transfers					
Dividends Paid		-	(572,006)	-	(572,006)
Contributions of equity, net of transaction costs and tax		546,391	-	-	546,391
Employee shares and options lapsed		-	75,868	(75,868)	-
Employee shares and options		130,625	-	126,860	257,485
Total transactions with owners and other transfers		677,016	(232,273)	50,992	495,735
Balance at 31 December 2012		23,247,858	3,980,058	376,168	27,604,084

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated Group	
		31 December 2012	31 December 2011
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		26,702,472	14,136,788
Payments to suppliers and employees		(23,298,273)	(11,661,696)
Interest received		5,059	50,298
Finance costs		(934,823)	(295,098)
Income tax refund/ (paid)		(5,699)	129,523
Net cash (used in)/provided by operating activities		2,468,736	2,359,815
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from acquisition of subsidiary		-	1,824,193
Payments for plant, property and equipment		(4,856,005)	(2,301,640)
Proceeds from disposal of plant, property and equipment		124,200	-
Payment for acquisition of subsidiary		-	(12,044,872)
Net cash used in investing activities		(4,731,805)	(12,522,319)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings		1,763,988	4,438,650
Proceeds from issue of shares		572,006	12,500,000
Dividend paid		(572,006)	-
Capital raising costs paid		(25,615)	(1,275,018)
Net cash used in/(provided by) financing activities		1,738,373	15,663,632
Net decrease in cash held		(524,696)	5,501,128
Cash and cash equivalents at beginning of period		1,419,374	15,802
Cash and cash equivalents at end of period		894,678	5,516,930

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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.

The financial statements were authorised for issue on 31 January 2013 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2012 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 2012, together with any public announcements made during the following half-year.

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.

Going concern principle

Notwithstanding the Group's deficiency in net current assets of $1,199,498, the financial statements have been prepared on a going concern basis as the company directors believe that the company will be able to pay its debts as and when they fall due and payable.

In reaching this opinion, the Directors have considered the Group's operations and cash flow requirements for the next 12 months and the ability of the company to raise future funds through debt and equity. Supporting this position, since the end of the financial year, the company has:

- Strong forward profit and cashflow forecast. This forecast is supported by the drilling, camp and catering businesses running at high utilisation and forward contracts currently in place indicating asset utilisation will continue to remain high.
- Access to funding from GE through the following facilities:
  - $8,000,000 Revolving Working Capital Facility, of which $8,000,000 was undrawn at 31 December 2012
  - $5,000,000 Capex Financing Facility, of which $5,000,000 was undrawn at 31 December 2012
- Positive forecast cashflow from operations highlighting underlying business generating cash before investment in capital expenditure and loan repayments (the net current liability position results from cash proceeds being used to fund non-current asset additions, while a portion of the financing facility over these assets is required to be disclosed as current)
- Current liabilities include an amount of $700,000 of income in advance which under the relevant contract will not be required to be repaid in cash but will be amortised against future services rendered.
- The Group has continued to reinvest operating cashflow in capital expenditure as it continues to pursue growth opportunities in the buoyant CSG sector.

As a result of the above the Directors are confident as to the future profitability of the company and are of the opinion that the company's financiers will continue to provide financial support sufficient to enable the company to meet working capital requirements, and to satisfy current and future liability obligations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and 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) *Income tax expense rate*

The Group has applied an income tax rate for the calculation of income tax expense for the half-year based on an estimate of the weighted average annual income tax rate expected to apply for the full annual reporting period.

New or revised standards and interpretations that are first effective in the current reporting period

For the half-year reporting period to 31 December 2012, a number of new and revised accounting standard requirements became mandatory for the first time.

The Group has adopted all of the new and revised Standards and Interpretations that are relevant to their operations and effective for the current half year. Adoption has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Group	
	31 December 2012	31 December 2011
	$	$
NOTE 2: REVENUE AND OTHER INCOME		
Drilling revenue	14,140,066	8,594,941
Camp revenue	13,050,749	5,805,890
Catering revenue	2,140,936	-
Other revenue	271,139	536,681
	29,602,890	14,937,512
Interest revenue	5,059	50,298
	29,607,949	14,987,810

NOTE 3: DIVIDENDS

	31 December 2012	31 December 2011
	$	$
a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2012 of 2.0 cents (2011: nil) per fully paid share paid on 19 October 2012	572,006	-
Dividends satisfied under the Dividend Reinvestment Plan	(263,865)	-
Dividends paid in cash	308,141	-
b) Dividends not recognised at the end of the reporting period		
Since period end, the directors have recommended the payment of an interim dividend of 2.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate of the proposed dividend expected to be paid on 4 March 2013 out of retained earnings at 31 December 2012, but not recognised as a liability at year end is	589,123	-

c) Franked dividends

The franked portion of the interim dividend recommended after 31 December 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: OPERATING SEGMENTS

a) Description of segments

The Group has determined the operating segments based on the internal reports reviewed by the Board of Directors that are used to make strategic decisions.

The following segments have been identified by the Group:

Drill Rigs

Atlas Drilling operates two owned rigs and a third rig under an Operating & Maintenance contract. A fourth rig is currently under construction and is expected to be operational in March 2013. A strong half year of profitability was driven by all three rigs being under contract during the period with limited downtime due to adverse weather conditions Through the first half of FY13 Atlas operated at 98% utilisation under contracts with blue chip customers.

Camps

RCH is a professionally managed turn-key containerised portable camps business catering to CSG related services and infrastructure companies. In the 6 months to December, the RCH business has grown capacity by 110% to 496 rooms from 236 in June 2012 and utilisation has remained strong during the half at 78%. The additional capacity was in the form of ensuite style accommodation to meet the growing demand for this product.

Catering

Nektar have quickly established themselves, winning their first contract in June (term 18 months). Nektar is currently servicing six contracts equating to serving approximately 16,000 meal days in its first six months of trading. Nektar has grown from one contact in June 2012 to six contracts at the end of December 2012 and as a result has traded ahead of expectations. The market for Nektar's services remains buoyant with further expansion opportunities in the relocated and permanent camp spheres.

b) Segment information provided to the Board of Directors

(i) Segment performance

	Drill Rigs	Camps	Catering	Total
	$	$	$	$
Six months ended 31 December 2012				
Revenue				
Revenue from external customers	17,088,032	12,514,358	500	29,602,890
Inter-segment revenue	29,860	127,300	2,140,936	2,298,096
Total segment revenue	17,117,892	12,641,658	2,141,436	31,900,986
Segment result - EBIT	2,656,769	2,919,274	419,737	5,995,780
Unallocated:				
Interest revenue				5,059
Interest expense and borrowing costs				(934,297)
Depreciation				(3,832)
Corporate expenses				(1,726,107)
Net profit before tax from continuing operations				3,336,603

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: OPERATING SEGMENTS (CONTINUED)

	Drill Rigs	Camps	Catering	Total
	$	$	$	$
Six months ended 31 December 2011				
Revenue				
Revenue from external customers	10,407,624	4,529,888	-	14,937,512
Inter-segment revenue	80,910	-	-	80,910
Total segment revenue	10,488,534	4,529,888	-	15,018,422
Segment result - EBIT	235,770	1,365,441	-	1,601,211

Unallocated:	
Interest revenue	50,538
Interest expense and borrowing costs	(295,098)
Depreciation	(1,013)
Corporate expenses	(907,183)
Net profit before tax from continuing operations	448,455

(ii) Segment assets

	Drill Rigs	Camps	Catering	Total
As at 31 December 2012	$	$	$	$
Segment assets	21,826,650	28,661,030	180,353	50,668,033
Unallocated assets				1,906,785
Closing balance 31 December 2012				52,574,818

As at 31 December 2011	Drill Rigs	Camps	Catering	Total
	$	$	$	$
Segment assets	19,588,812	18,264,879	-	37,853,691
Unallocated assets				3,522,878
Closing balance 31 December 2011				41,376.569

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 5: TRADE AND OTHER RECEIVABLES

	31 December 2012 $	30 June 2012 $
Trade receivables	6,898,250	3,287,549
Other receivables	1,142,955	1,225,872
Accrued revenue	5,172,557	1,921,440
Deposits paid	121,450	60,950
Loan to related party	-	40,537
	13,335,212	6,536,348

NOTE 6: OTHER ASSETS

	31 December 2012 $	30 June 2012 $
Prepayments	274,509	87,666
Deferred costs	131,201	-
Other	-	25,675
	405,710	113,341

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7: PLANT AND EQUIPMENT

	31 December 2012	30 June 2012
	$	$
DRILL RIGS:		
At Cost	17,947,670	15,779,619
Accumulated depreciation	(5,048,233)	(4,038,711)
	12,899,437	11,740,908
CAMPS:		
At Cost	19,791,822	17,558,395
Accumulated depreciation	(2,790,681)	(1,856,032)
	17,001,141	15,702,363
MOTOR VEHICLES		
At Cost	2,402,842	2,180,123
Accumulated depreciation	(1,271,336)	(1,075,556)
	1,131,506	1,104,567
PLANT AND EQUIPMENT		
At Cost	909,667	728,090
Accumulated depreciation	(462,200)	(407,522)
	447,467	320,568
Total plant and equipment	31,479,551	28,868,406

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7: PLANT AND EQUIPMENT (CONTINUED)

a. **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
	$	$	$	$	$
Balance at 1 July 2011	-	-	-	3,543	3,543
Additions	13,187,034	17,317,445	1,527,270	466,102	32,497,851
Disposals – written-down value	-	(55,903)	(63,672)	-	(119,575)
Depreciation expense	(1,446,126)	(1,559,179)	(359,031)	(149,077)	(3,513,413)
Carrying amount at 30 June 2012	11,740,908	15,702,363	1,104,567	320,568	28,868,406
Additions	2,218,281	2,233,427	222,719	181,578	4,856,005
Disposals – written-down value	(43,544)	-	-	-	(43,544)
Depreciation expense	(1,016,208)	(934,649)	(195,780)	(54,679)	(2,201,316)
Carrying amount at 31 December 2012	12,899,437	17,001,141	1,131,506	447,467	31,479,551

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2012 $	30 June 2012 $
Trade payables	6,822,413	5,120,590
Other creditors	3,347,569	2,009,361
GST payable	398,923	289,514
	10,568,905	7,419,465

NOTE 9: BORROWINGS

	31 December 2012 $	30 June 2012 $
CURRENT		
Bank loan - secured	2,327,279	-
Asset finance facility - secured	-	2,054,568
Borrowing costs	(48,949)	-
	2,278,330	2,054,568
NON-CURRENT		
Bank loan - secured	9,115,175	-
Asset finance facility secured	-	7,387,311
Borrowing costs	(187,638)	-
	8,927,537	7,387,311
TOTAL	11,205,867	9,441,879

In November 2012 the group changed finance facilities from NAB to GE Commercial Corporation. A Facility Agreement has been entered into between Titan and GE Commercial Corporation (Australia) Pty Ltd (GE) with the following facilities available:

- $11,745,000 Term loan, fully drawn, extending until October 2017
- $5,000,000 Capex Facility, undrawn, extending until October 2017
- $8,000,000 Revolving Facility, undrawn, extending until October 2017

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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 10: OTHER CURRENT LIABILITIES

	31 December 2012 $	30 June 2012 $
Revenue in advance	700,000	80,100
	700,000	80,100

During the period, cash was received in advance for services to be rendered over the initial 12 month contracted drilling program.

NOTE 11: EQUITY SECURITIES ISSUED

Issues of ordinary share capital during the half-year:

Date	Details	Note	#	Issue Price	$
1 July 2012	Opening balance		28,456,745		22,570,842
23 August 2012	Employee share issue	(i)	47,056	$0.68	32,000
4 September 2012	Performance Rights	(ii)	98,625	$1.00	98,625
18 October 2012	Dividend Reinvestment Plan	(iii)	393,829	$0.67	263,865
18 October 2012	Dividend Reinvestment Plan Shortfall	(iv)	459,913	$0.67	308,142
					23,273,474
Less: Transaction costs arising on share issue, net of deferred tax					(25,616)
			29,456,168		23,247,858

(i) On 23 August 2012 employees with greater than 12 months service at the date of listing were each granted shares with a fair value of $2,000 under the Employee Share and Option Scheme.

(ii) On 4 September 2012, 98,625 Ordinary Shares were issued in accordance with the Company's Performance Rights Plan

(iii) On 18 October 2012, 393,829 Ordinary Shares were issued under the Company's Dividend Reinvestment Plan at a price of $0.67

(iv) On 18 October 2012, 459,913 Ordinary Shares were issued in partial reduction of the Company's Dividend Reinvestment Plan shortfall at a price of $0.67

NOTE 12: RESERVES

	31 December 2012	30 June 2012
	$	$
Share based payments reserve		
Balance at beginning of period	325,176	-
Option expense	104,475	142,221
Options lapsed	(69,493)	-
Performance rights expense	121,010	182,955
Performance rights granted	(98,625)	-
Performance rights lapsed	(6,375)	-
Balance at end of period	376,168	325,176

The share based payments reserve is used to recognise:

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

Performance rights

Subsequent to the AGM on 20 November 2012, two executive directors were issued with a series of performance rights as part of their employment terms and conditions.

A total of 69,750 rights were issued across three tranches covering the years ended 30 June 2013, 30 June 2014 and 30 June 2015, and will vest if EBIT for each performance period (as determined by the Board and the relevant test date) is at least 15% greater than the previous years EBIT.

If this hurdle is not satisfied, then 50% of the Performance Rights in the relevant tranche will immediately lapse and be cancelled. The remaining 50% will vest if the average compound EBIT growth over the three year period from 1 July 2012 - 30 June 2013 is at least 15% per year. All performance rights which do not vest after the Test Date for Trance 3 will immediately lapse and be cancelled.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 13: EARNINGS PER SHARE

	31 December 2012	31 December 2011
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	7.96	1.36
Total basic earnings per share attributable to the ordinary equity holders of the company	7.96	1.36
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	7.94	1.35
Total diluted earnings per share attributable to the ordinary equity holders of the company	7.94	1.35
(c) Reconciliation of earnings used in calculating earnings per share		
	$	$
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	2,319,636	291,413
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	2,319,636	291,413
(d) Weighted average number of shares used as the denominator		
	#	#
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	29,133,434	21,407,457
Adjustments for calculation of diluted earnings per share:		
- Options and performance rights	85,000	65,890
Weighted average number of ordinary shares and potential ordinary share used as the denominator in calculating diluted earnings per share	29,218,434	21,473,347

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 14 : RELATED PARTY TRANSACTIONS

a. **Parent Entity**

The parent entity within the Group is Titan Energy Services Limited.

b. **Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			31 December 2012	30 June 2012
Atlas Drilling Co Pty Ltd	Australia	Ordinary	100%	100%
Titan Plant Logistics Pty Ltd	Australia	Ordinary	100%	100%
Titan Resources Camp Hire Pty Ltd	Australia	Ordinary	100%	100%
Nektar Remote Hospitality Pty Ltd	Australia	Ordinary	100%	100%
Atlas Drilling Services Pty Ltd	Australia	Ordinary	100%	100%

c. **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Note	31 December 2012 $	30 June 2012 $
Loan to related party			
– beginning of the year		40,537	40,537
– loan repayment received		(40,537)	-
– end of the year	5	-	40,537

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 15: COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Commitments	**31 December 2012**	**30 June 2012**
	$	**$**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,057,407	2,567,441
Later than one year but not later than five years	4,289,224	2,376,921
Later than five years	-	-
	8,346,631	4,944,362

The Group had contingent liabilities at 31 December 2012 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).

Royal Wolf - 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. The Guarantors jointly and severally indemnify RWT against any loss in relation to the non payment or recovery of debt owing.

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 16: EVENTS AFTER THE END OF THE INTERIM PERIOD

Dividend

The directors have recommended a final fully franked ordinary dividend of $589,123 (2.0 cents per fully paid share) be paid on 4 March 2013 out of retained profits and a positive net asset balance at 31 December 2012.

Other than the matters noted above, the directors are not aware of any other 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 economic entity, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Titan Energy Services 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.

James Sturgess
Director

Brisbane, 31 January 2013

lawler hacketts chartered accountants

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 2012, 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 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 2012 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*.

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 2012 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*.

LAWLER HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 31 January 2013