

30 January 2014

# QUARTERLY ACTIVITY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2013

Titan Energy Limited (ASX: TTE) (“Titan Energy” or “the Company”) is pleased to provide this report on its operations during the three-month period ending 31 December 2013.

In the quarter the Company acquired a new project and continued its preparation towards a multi-well campaign across several of its assets in the United States.

## HIGHLIGHTS

### PRODUCTION AND OPERATIONS

- Retained steady production
- Gross production for the quarter totaled 5,086 Bbls

### FINANCIAL PERFORMANCE

- Net oil sales for the quarter was US\$330,569

### CORPORATE

- Holcomb Ranch - New Acquisition
- Successful Consolidation of Capital
- Convertible Note Issue
- Rights issue
- Farmout Negotiations

### EXPLORATION

- Completed the drilling and evaluation of the Poole #C1 cap rock well, Allen Dome South
- Completed the drilling and evaluation of the Patricia Anne Ferguson #1 well, Krotz Springs

### Titan Energy Ltd

Western Australian-based global oil and gas explorer with growing assets in Australia and the United States.

Actively searching for oil and gas in the onshore Perth Basin and internationally, where it has active exploration and production in the USA.

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### Management

Darren Levy  
*Executive Chairman*  
Paul Garner  
*Executive Director & CEO*  
Colin Hay  
*Non-Executive Director*  
Jack Toby  
*Company Secretary & CFO*

Dear fellow shareholders,

I am a shareholder with a significant investment in Titan Energy Ltd and share your perspective.

Over the last 2 years, Titan Energy has acquired a range of highly prospective projects and conducted extensive exploration work which has confirmed our view of the geology.

Project acquisition and exploration activity regularly require behind-the-scenes preparation over the course of several months as we have experienced recently.

The company is working diligently to put together a quality exploration and drilling programme in 2014 that will provide shareholders with the best chances for success, with the lowest risk profile.

**The big picture is still on track.**

Exploration drilling is a costly and potentially risky business. Our policy is to reduce that risk and costs by considering all geological and technical information before committing to drill. We are at all times seeking the best result for all our shareholders.

It is for this reason we have elected to bring in potential farm-in partners for all our projects

We believe that there is significant upside value at Perry Ranch however we also know that there is still geological and technical risk therefore as a consequence we intend to reduce the company's and shareholders exposure.

We view Perry Ranch as having multi-well potential, so we are looking to offset that financial exposure going forward.

We are also considering a range of opportunities that could give Titan Energy a position in a variety of high value projects.

I am pleased to say we are confident that we will most likely drill the Poole #3 well, in the first quarter, then we expect to see activities kick off at the Holcomb Mississippian Oil Development Project in Texas late in the first quarter, early second quarter.

At the same time we will be pushing ahead with our plans to drill our first well at Perry Ranch.

Once again, I am very grateful for your continued support of Titan Energy,

Yours sincerely

**Darren Levy**  
*Executive Chairman*

## TITAN ENERGY ACREAGE


<b>ASSET SUMMARY</b> 			
Asset	Interest %	Quarterly change in holding %	Acreage
<i>Texas</i>			
Allen Dome North	94	-	276
Allen Dome South	85	-	344
Perry Ranch	100	-	302
Sargent Ranch	100	-	337
Holcomb Ranch	11.6	+ 11.6	4350
<i>Colorado</i>			
Sodbuster II	80	-	1360
<i>Louisiana</i>			
Krotz Springs	25	-	640
Greathouse	50	-	252
<i>Nevada</i>			
Railroad Valley	100	-	9808
Lake Valley	100	-	7660
<i>Illinois</i>			
Kinmundy	90	-	441
<i>Western Australia</i>			
DR 11	100	-	55 100
EP 455	18.5	-	112 400

Table 1. Titan Energy Assets

## PRODUCTION FOR THE QUARTER


ALLEN DOME QUARTERLY PRODUCTION						 TTE
	Reese 2A	Reese 6A	Reese 5	Reese S2	Reese 3A	Total (BBL)
October	372	96	167	1276	111	2022
November	282	85	94	1076	117	1654
December	212	62	72	945	119	1410
Total (BBL)	866	243	333	3297	347	5086

Table 2. Production for the Quarter

### TEXAS

#### Holcomb Ranch (11.6% WI)

On 11<sup>th</sup> December 2013, the Company announced that it had acquired an 11.6% non-operating Working Interest in the Holcomb Ranch project. The Holcomb Ranch asset totals 4350 gross mineral acres. Energy Recovery Concepts, LLC reviewed a range of data to produce an independent assessment of the area's Prospective Resources. Results of the assessment can be found in table 3. The Operator is currently engaging with contractors to secure a suitable horizontal drilling rig. A successful case for a 23 well program has been established if the initial confirmation well is a success.

#### Sargent Ranch (100% WI)

The Sargent Ranch acreage in Brazoria County, and Matagorda County, Texas totals 337 gross mineral acres, of which Titan hold a 100% Working Interest. Magnolia Services, LLC own the well bores and infrastructure for the Poole #2, and #3 wells. Negotiations are concluding which would see Magnolia Services and Titan Energy take equal interest in the asset and infrastructure. Once negotiations have concluded Magnolia Services' in-house service team will implement this procedure for the Poole #3 re-entry.

#### Allen Dome South (85% WI)

The Company completed the drilling and evaluation of the Poole #C1 cap rock well during the quarter. Unfortunately the sands identified in logging did not yield any commercial oil, and the well was plugged and abandoned. The Company has subsequently received results from a water and salinity analysis and has identified a potential hydrocarbon zone at 600 feet. The Company is considering further appraisal of this zone.

### LOUISIANA

#### Krotz Springs (50% WI)

The Patricia Anne Ferguson #1 re-entry targeted the 9650' zone that was not evaluated at the time of drilling by EOG. The well was re-entered but showed no indication of gas or oil. A decision to abandon the well was made.

### ALL OTHER US LEASES

There has been no drilling, or exploration activities on any other US leases during the quarter ended 31 December 2013.



**WESTERN AUSTRALIA**
DR11 North Perth Basin (100% WI)

While the company has received an approval for a 12-month Suspension and Extension of terms pertaining to the DR 11 permit area, it believes this will not be sufficient time to complete its work intentions, and has petitioned for a further extension.

EP455 North Perth Basin (18.5% WI)

Titan Energy's farm-in partner AWE Limited has made further progress with planning and preparations for the Drover #1 project. Drilling of Drover #1 is scheduled to begin in Q2 2014.

## NET TO TITAN ENERGY

PETROLEUM RESOURCES				 Energy Recovery Concepts, LLC. <small>Domestic US and International</small>			
<b>Net Contingent Resources</b>							
Asset	Interest	Unit	Net Contingent Resource			Evaluator (Evaluation Date)	Estimation Method
			1C	2C	3C		
<i>Texas</i>							
Sargent Ranch (Poole Wells)	100%	MMbbl (oil)	0.184	0.252	0.481	Energy Recovery Concepts LLC (2013)	Deterministic
Sargent Ranch (Poole Wells)	100%	MMboe (Gas Equivalent*)	0.948	1.310	1.879	Energy Recovery Concepts LLC (2013)	Deterministic
<b>Net Prospective Resources</b>							
Asset	Interest	Unit	Net Prospective Resource			Evaluator (Evaluation Date)	Estimation Method
			Low Estimate	Best Estimate	High Estimate		
<i>Texas</i>							
Allen Dome East (Perry Ranch)	100%	MMbbl	1.1	1.225	1.3	Energy Recovery Concepts LLC (2014)	Probabilistic
Holcomb Ranch	11.60%	MMbbl (oil)	1.20	1.33	1.5	Energy Recovery Concepts LLC (2014)	Probabilistic
Holcomb Ranch	11.60%	MMboe (Gas Equivalent*)	0.83	0.92	0.10	Energy Recovery Concepts LLC (2014)	Probabilistic
<i>Colorado</i>							
Sodbuster	80%	MMbbl	1.2	1.4	1.6	Energy Recovery Concepts LLC (2014)	Probabilistic
<i>Louisiana</i>							
Greathouse	50%	MMbbl	0.363	0.485	0.606	Energy Recovery Concepts LLC (2014)	Probabilistic

MMbbl = million barrels of oil  
 MMboe = million barrels of oil equivalent

**Table 3. Net Petroleum Resources**

100 mcf = 17.2 BOE  
 1 bcf = 172.455 BOE  
 \*5.81 mcf = 1 BOE

The estimated quantities of petroleum that may potentially be recovered from the above assets with Net Prospective Resources by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

## REVENUE & EXPENDITURE


QUARTERLY REVENUE & EXPENDITURE		 TTE
Gross Total Revenue (\$US'000)	\$	444
Net Total Revenue (\$US'000)	\$	330
Exploration (\$A'000)	\$	590
Production (\$A'000)	\$	84
Development (\$A'000)	\$	210

Table 4. Revenue & Expenditure

### REPORT ON CORPORATE ACTIVITIES TO 31 DECEMBER 2013

***During the quarter the Company embarked on a program to consolidate its Capital and propose a modest capital raising.***

During the quarter, the Company consolidated its capital on a 1 for 10 basis, resulting in 1,595,217,910 Ordinary Shares on issue pre consolidation being consolidated to 159,522,092 Ordinary Shares post consolidation. The 566,887,459 Options on issue were also consolidated on the same 1 for 10 basis, resulting in 56,688,766 Options being on issue post consolidation.

In addition, Option holders were offered the opportunity to receive fully paid shares on a 1 for 4 basis in consideration for the cancellation of their options.

Also during the quarter, the Company issued 1,520,000 Convertible Notes to sophisticated investors, at an issue price of \$1.00 each with interest payable at 8% per annum to raise \$1,520,000 in additional working capital.

On 24<sup>th</sup> December 2013, the Company announced it was undertaking a 1 for 5 pro rata non-renounceable Rights Issue to all current shareholders with an issue price of \$0.025 per share with one (1) free attaching Option (exercisable at \$0.04 on or before 31<sup>st</sup> May 2015) to be issued for every 2 New Shares applied for. If fully subscribed, the Rights Issue will raise approximately \$859,447 through the issue of approximately 34,377,886 fully paid ordinary shares. The Prospectus for the Offer was lodged on 24 December 2013.

The Company has also announced a General Meeting for 31<sup>st</sup> January 2014 to consider approval for a placement of 40,000,000 fully paid ordinary Shares at \$0.03 per share to raise up to \$1,200,000 of additional capital toward funding exploration expenses in the USA and general working capital.

### Capital Structure as at 31<sup>st</sup> December 2013

Ordinary securities on issue:	171,889,426
Convertible Notes:	1,520,000
Options (\$0.20 exp 31.07.14):	1,200,000
Options (\$0.30 exp 31.10.15):	6,679,509

**FOR FURTHER INFORMATION PLEASE CONTACT:****TITAN ENERGY LTD**

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**QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATORS**

All of the technical information, including information in relation to petroleum reserves, contingent resources and prospective resources provided in this announcement fairly represents information and supporting documentation and/or compiled by the Company's technical advisor, Richard W. Pomrenke, Owner - Manager of Energy Recovery Concepts (ERC) and Mr John McKnight, US Chairman of Titan Energy Inc.

Mr Pomrenke (B.S. Petroleum Engineering, Minor in Geology, SPE), has more than 40 years of experience as Petroleum Engineer involved with all aspects of oil and gas operations and analyses, Domestic US and International.

Mr McKnight has over 20 years' experience in oil and gas exploration and production, as either an employee or consultant to oil companies operating in the petroleum industry. Mr McKnight reviews the Company's operations with the help of various professional consultants, appropriately qualified and experienced in their respective fields within the petroleum industry. He is also a Professional Member of the Society of Petroleum Engineers (SPE).

The definitions for oil and gas reserves are in accordance with SEC Regulation S-X and in accordance with the guidelines of the Society of Petroleum Engineers ("SPE").

**Proved Reserves** are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

**Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

**Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

**Contingent Resources** are those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.