



Titan Energy Services Limited
ACN 150 110 017

Notice of Annual General Meeting

to be held at

Date: Tuesday, 20 November 2012

Time: 10.00am

Place: Thompsons Lawyers, Level 16, Waterfront Place, 1 Eagle Street, Brisbane, Queensland 4000

This is an important document and requires your attention

If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional advisor.



Notice of Annual General Meeting

Notice is given that an Annual General Meeting of Titan Energy Services Limited ACN 150 110 017 (the **Company**) will be held at 10.00am on Tuesday 20 November 2012 at Level 16, Waterfront Place, 1 Eagle Street, Brisbane, Queensland 4000.

Agenda

1 Financial statements and reports

To receive and consider the Financial Report, Director's Report and Independent Audit Report for the Company and its controlled entities for the financial year ended 30 June 2012.

2 Resolution 1 – Adoption of the Remuneration Report

To consider and if thought fit, to pass the following resolution as a non-binding ordinary resolution under section 250R(2) of the Corporations Act 2001:

'That the Remuneration Report for the year ended 30 June 2012 is hereby adopted.'

- Notes:**
- (1) *This resolution is advisory only and does not bind the Company or the directors.*
 - (2) *If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must stand for re-election.*

Voting exclusion

The Company will disregard and not count any votes cast (in any capacity) on Resolution 1 by or on behalf of either or both the following persons:

- (a) *a member of the Company's Key Management Personnel; or*
- (b) *a Closely Related Party of a member of the Company's Key Management Personnel.*

unless:

- (c) *the person*
 - (i) *does so in relation to a resolution where they hold a Directed Proxy Form; or*
 - (ii) *is the Chairman of the Meeting and is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution; and*
- (d) *the vote is not cast on behalf of a person described in paragraph (a) and (b) above.*

3 Resolution 2 - Re-election of Mr Simon Keyser

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

'That Simon Keyser, who retires by rotation at the Annual General Meeting in accordance with clause 38.1 of the company's constitution, be re-elected as a director of the company.'

4 Resolution 3 - Election of Mr Mark Snape

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

'That Mark Snape, who having been appointed as a director since the last general meeting of the company, is elected to hold office at the conclusion of this meeting in accordance with clause 36.2 of the company's constitution.'

5 Resolution 4 – Approval for grant of Performance Rights to James Sturgess

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

'That for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the grant of 39,000 Performance Rights to James Sturgess, in accordance with the terms and conditions of the Company's Performance Rights Plan and as described in the Explanatory Memorandum accompanying this Notice of Meeting.'

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any Director and any of their associates.

However, the Company need not disregard a vote if:

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

A vote must not be cast on Resolution 4, by a Key Management Personnel (excluding the Chairman), or a Closely Related Party of a Key Management Personnel, acting as proxy, if they hold an Undirected Proxy Form.

6 Resolution 5 – Approval for grant of Performance Rights to Jim Diakogiannis

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

‘That for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the grant of 30,750 Performance Rights to Jim Diakogiannis, in accordance with the terms and conditions of the Company’s Performance Rights Plan and as described in the Explanatory Memorandum accompanying this Notice of Meeting.’

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any Director and any of their associates.

However, the Company need not disregard a vote if:

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

A vote must not be cast on Resolution 5, by a Key Management Personnel (excluding the Chairman), or a Closely Related Party of a Key Management Personnel, acting as proxy, if they hold an Undirected Proxy Form.

Dated: 22 October 2012

By order of the Board



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David Thornton
Company Secretary

Notes

- 1 The Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the share register at 8pm (Brisbane time) 18 November 2012. Accordingly, those persons are entitled to attend and vote at the meeting.
- 2 If you are eligible, you may vote by attending the meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.
- 3 To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.
- 4 A member who is entitled to vote at the meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of the Company.
- 5 Where the member appoints 2 proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
- 6 The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.
- 7 To be effective, the proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding of the meeting or any adjourned meeting:
 - (a) By mail c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1225.
 - (b) Online at www.investorcentre.linkmarketservices.com.au. Login to the Link website using the details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online voting facility, Securityholders will need their "Holder Identifier" (Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on the front of the proxy form).
 - (c) By facsimile to +61 2 9287 0309.
- 8 Any proxy form received after this deadline including at the meeting will be treated as invalid.
- 9 A member of the Company's Key Management Personnel or their Closely Related Party must not, whether in person or by proxy, vote in their own right on the adoption of the Remuneration Report in Resolution 1.
- 10 A person appointed as proxy may vote or abstain from voting as he or she thinks fit except in the following circumstances:
 - (a) The proxy holds a Directed Proxy Form;
 - (b) Where the proxy is voting in relation to a Remuneration Resolution and the proxy is either a Key Management Personnel for the Company or a Closely Related Party and holds an Undirected Proxy Form; and



(c) The proxy is required by law or the Company's Constitution to vote in a certain manner or abstain from voting.

11 Clause 10(b) does not apply if the Chairman of the meeting is appointed as proxy and his appointment expressly authorises the Chairman to exercise the proxy even if the resolution is a Remuneration Resolution.

12 The Chairman intends to vote all Undirected Proxy Forms in favour of all resolutions including Remuneration Resolutions.

13 The following definitions apply in this document:

Closely Related Party means the closely related parties of Key Management Personnel as defined in the Corporations Act 2001, and includes certain members of their family, dependants and companies they control.

Directed Proxy Form means a proxy form which specifies how the proxy is to vote.

Key Management Personnel of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2012.

Remuneration Resolution means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Undirected Proxy Form means a proxy form which does not specify how the proxy is to vote.

Explanatory Memorandum

This explanatory memorandum has been prepared to assist shareholders with their consideration of the resolutions to be put to the Annual General Meeting to be held on 20 November 2012. These explanatory notes should be read with, and form part of, the accompanying Notice of Annual General Meeting.

1 Financial statements and reports

The Titan Energy Services Limited Annual Report 2012 (which includes the financial report, the directors' report and the auditor's report) will be presented to the meeting.

There is no requirement for shareholders to approve these reports. However, the Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the management of the Company. Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the Auditor's Report.

2 Resolution 1 – Adoption of the Remuneration Report

The Remuneration Report of the Company for the financial year ended 30 June 2012 is set out in the Company's 2012 Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for directors, including the Managing Director, and the Company's staff. The Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the Remuneration Report at the meeting. In addition, shareholders will be asked to vote on the Remuneration Report.

The resolution is advisory only and does not bind the Company or its directors. The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

A voting exclusion applies to Key Management Personnel and their Closely Related Parties in certain circumstances – please see the notes to Resolution 1.

Under the *Corporations Act 2001*, if 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill' resolution) that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election.

As the directors have a personal interest in the proposed Resolution 1, they make no recommendations as to how shareholders should vote on the Resolution.



3 Resolution 2 - Re-election of Simon Keyser

Mr Keyser retires by rotation and being eligible, offers himself in accordance with the Company's Constitution for re-election as a director.

Mr Keyser has over 20 years experience in the finance industry including specialising in the resources and energy sectors.

Mr Keyser has held senior investment banking positions with Wilson HTM and Chase Securities (now JPMorgan Chase) and has advised companies on capital raisings and mergers and acquisitions in Australia and Europe.

Mr Keyser is a director and shareholder of XLX Pty Ltd, an investment company focused on the resources and energy sectors and is also a director of XLX Capital Pty Ltd.

Mr Keyser is also the co-owner and a director of Ironstone Capital Partners Pty Ltd, a corporate advisory business. Mr Keyser holds a B.Bus from the Queensland University of Technology, Grad Dip from FINSIA and is a Chartered Accountant.

The directors (with Mr Simon Keyser abstaining) unanimously recommend that you vote in favour of this resolution.

4 Resolution 3 - Election of Mr Mark Snape

Mr Mark Snape, has been appointed as a director since the last general meeting of the Company and being eligible, offers himself in accordance with the Company's Constitution for election as a director.

Mr Snape is currently the Chief Executive Officer of the Rivercity Motorway Group which owns and operates the CLEM7 tollroad in Brisbane.

Mr Snape has considerable experience in the energy sector, large scale infrastructure development, risk management and project financing.

Prior directorships include non-executive director of ASX listed entities Connecteast Group, Brisconnections Group and Pacific Hydro Limited. In addition he has served as non-executive director of Connector Motorways Group, Asia Pacific Transport Pty Limited, Southern Hydro Pty Limited and AEP Resources Australia Pty Limited.

Before joining Rivercity Motorway, Mr Snape held various senior management positions including as Group General Manager Infrastructure Finance and Investment at John Holland Pty Ltd, Managing Director in Australia for American Electric Power Co. Inc., Director of Deloitte Corporate Finance, Director of County Natwest Corporate Finance and Director of BZW Corporate Finance.

Mr Snape holds a BEc, MBA and is also an Associate of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

The directors (with Mr Mark Snape abstaining) unanimously recommend that you vote in favour of this resolution.

5 Resolutions 4 and 5 – Approval of grant of Performance Rights

5.1 Remuneration policy

The performance of the Company depends upon the quality of its executives and Executive Directors. Their compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives.

In deciding the remuneration and incentives of Messrs Sturgess and Diakogiannis, the Board considers that there should be an appropriate mix of remuneration comprising cash and securities to link their remuneration to the financial performance of the Company.

Equity-based incentives consistent with the Company's remuneration policy better aligns the performance of the Executive Directors with the Company's financial performance. The Board also believes that an equity-based remuneration component helps it to attract and retain the best executives.

The Directors consider the remuneration policy to be a sensible and well-balanced policy which allows them to adjust the remuneration mix appropriately to the Company's changing circumstances.

5.2 Listing Rule requirements

Listing Rule 10.14 provides that a listed company must not permit a director to acquire securities under an employee incentive scheme without shareholder approval.

Accordingly, approval is sought under Listing Rule 10.14 for the proposed grant of the Performance Rights to Messrs Sturgess and Diakogiannis as part of a broader executive incentive program.

5.3 Proposed Grant of Performance Rights

The Company is seeking shareholder approval under Listing Rule 10.14 for the proposed grant of 39,000 Performance Rights to James Sturgess and 30,750 Performance Rights to Jim Diakogiannis, as part of a long term equity-based incentive program.

The Performance Rights are proposed to be granted on the terms and conditions of the Company's Performance Rights Plan. The Plan Rules are available for inspection on the ASX's announcements platform or on request from the Company Secretary.

Words and expressions used in this paragraph have the same meaning as those words and expressions in the Plan Rules.

The key commercial features of the proposed grant are:

(a) Grant of Performance Rights

If approved, the total number of Performance Rights will be granted no later than 1 month after the date of the meeting.

The total Performance Rights comprise 3 tranches, as follows:

	Performance Period	Number of Performance Rights granted	
		James Sturgess	Jim Diakogiannis
Tranche 1	Year ended 30 June 2013	13,000	10,250
Tranche 2	Year ended 30 June 2014	13,000	10,250
Tranche 3	Year ended 30 June 2015	13,000	10,250

(b) **Performance Hurdles and vesting conditions**

The Performance Rights will vest in the manner set out below if the following Performance Hurdles are met:

- (i) In respect of each tranche, Performance Rights will vest if the Company's earnings before interest and tax (**EBIT**) for each Performance Period, as determined by the Board at the relevant test date, acting reasonably based on the audited financial statements of the Company, is at least 15% greater than the previous financial year's EBIT (**Annual Earnings Growth Hurdle**).
- (ii) If the Annual Earnings Growth Hurdle is not satisfied, then:
 - (A) 50% of the Performance Rights in the relevant tranche will immediately lapse and be cancelled; and
 - (B) 50% of the Performance Rights in the relevant tranche will vest if the average compound EBIT growth over the three year period from 1 July 2012 to 30 June 2015 is at least 15% per year, as determined by the Board at the relevant Test Date acting reasonably based on the audited financial statements of the Company (**Compound Annual Growth Rate Hurdle**);
- (iii) All Performance Rights which do not vest after the Test Date for Tranche 3 will immediately lapse and be cancelled.

(c) **Test Dates**

The Test Dates will be:

- (i) in relation to the Annual Earnings Growth Hurdle - the date which is not more than 7 days after the Company releases to the market, its audited financial statements for the relevant Performance Period; and
- (ii) in relation to the Compound Annual Growth Rate Hurdle – the date which is not more than 7 days after the Company releases to the market its audited financial statements for the year ended 30 June 2015.

(d) **Exercise period and lapse of Vested Performance Rights**

The Vested Performance Rights can be exercised after the applicable Test Date and before the date Vested Performance Rights lapse in accordance with the Plan Rules.

All Vested Performance Rights will lapse by no later than 5.00pm (Brisbane time) on the date that is 84 months from the date the Performance Rights are granted (**Last Exercise Date**). The Plan Rules provide that Vested Performance Rights may lapse before the Last Exercise Date in certain circumstances such as, if the Participant's employment with the Company ends.

Performance Rights cannot be exercised if at the time of the exercise of the Performance Right the exercise of the Performance Right would, or in the reasonable opinion of the Board, be likely to result in a contravention of the Constitution of the Company, ASX's Listing Rules or the Corporations Act 2001.

(e) **Change of Control Event**

Where there is a publicly announced proposal (whether by takeover bid, scheme of arrangement or otherwise) in relation to the Company which the Board reasonably believes may lead to a Change of Control Event:

- (i) all of the Participant's Unvested Performance Rights that have not lapsed, will become Vested Performance Rights; and
- (ii) the Board shall promptly notify each Participant in writing that the Participant may, within the period specified in the notice (**Change of Control Notice Period**), exercise Vested Performance Rights.

Unless the Board determines otherwise Vested Performance Rights that are not exercised by the end of the Change of Control Notice Period and Unvested Performance Rights, lapse at the end of the Change of Control Notice Period.

A **Change of Control Event** means:

- (i) the Company entering into a scheme of arrangement with its creditors or Shareholders or any class thereof pursuant to section 411 of the Corporations Act;
- (ii) the commencement of a bid period (as defined in the Corporations Act) in relation to the Company to acquire any Share where the takeover bid extends to Shares issued and allotted after the date of the takeover bid; or
- (iii) when a person or group of associated persons having a relevant interest in, subsequent to the adoption of the Plan Rules, sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

(f) **Capital events**

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction in capital, a demerger (in whatever form) or other distribution in specie, the Board may make the following adjustments as it considers appropriate and in accordance with the Listing Rules:

- (i) an adjustment to the number of Shares subject to any Performance Right; or
- (ii) where a Performance Right has been exercised but no Shares have been issued or transferred following the exercise, an adjustment to the number of Shares which may be issued or transferred.

(g) **Dividends and voting rights**

Participants who hold Performance Rights have no rights to dividend to dividends and no rights to vote at meetings of the Company until that Performance Right is exercised and the Participant is the holder of a Share in the Company.

5.4 Discussion and analysis of the proposed grant of Performance Rights

(a) Cost to the company

The Performance Rights will not be quoted on ASX and accordingly have no readily identifiable market value.

The Performance Rights will be valued for accounting purposes using the principles set out in AASB 2 'Share-Based Payment'. This standard requires the valuation models used to take into account the relationship between a number of variables principally being the share price, the nil Performance Right exercise price, the time to expiry and the volatility of the Company's underlying share price.

It is considered that both the Black Scholes, Binomial model are relevant to calculating the value of the Performance Rights to be issued. As there are performance hurdles attached to the Performance Rights, the Binomial value will be adjusted based upon the Monte Carlo Simulation model.

The valuation will be carried out after the date of grant once all of the inputs to the valuation model are certain. However, for illustrative purposes, the Performance Rights could have a value and accounting cost to the Company in the order of \$0.487 per Performance Right.

The material assumptions used in the application of the methodology to arrive at this indicative value are:

- The grant date of the Performance Rights is 5 October 2012;
- The closing share price on the grant date will be \$0.74;
- The exercise price of each Performance Right is nil;
- The time to expiry is 3.07 years;
- A risk-free rate of 2.4%;
- Volatility of the underlying shares to be 44.1%; and
- Expected dividend yield of 4.00%

Shareholders should be aware that this is an indicative valuation only for illustrative purposes. The actual accounting expense may be different due to differences in the final inputs such as the date of grant, which, subject to approval is expected to be on or about 20 November 2012.



5.5 Remuneration of James Sturgess and Jim Diakogiannis

James Sturgess and Jim Diakogiannis' remuneration packages for the year ended 30 June 2012 (as detailed in the Remuneration Report included in the Directors' Report of the 2012 Annual Report) comprised:

	Salary \$	Super- annuation \$	Bonus	\$	Non-Cash \$	Other long term benefits \$	Share- based payments	Total \$
James Sturgess	300,000	27,000	-	-	-	-	38,450	365,450
Jim Diakogiannis	292,936	17,065	-	-	-	-	44,825	354,826

5.6 Relevant interests in shares and Performance Rights

The Director's current relevant interest in shares and Performance Rights in the Company as at the date of this notice are as follows:

Executive	Shares	Performance Rights
James Sturgess	240,000	255,000
Jim Diakogiannis	1,734,032	255,000

5.7 Impact on capital structure

Until exercised, the grant of Performance Rights will not impact on the number of ordinary shares on issue in the Company. If all of the proposed Performance Rights were exercised, an additional 69,750 fully paid ordinary shares may be issued representing approximately 0.24% of the total issued share capital of the Company as at the date of this notice (assuming that no other Performance Rights were exercised or shares issued by the Company between the date the Performance Rights were granted and the date on which those Performance Rights were exercised).

5.8 Tax consequences

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed issue of Performance Rights.

5.9 Use of funds

No funds will be raised from the granting for the Performance Rights.

5.10 Other information required by Listing Rule 10.15A

The following information is provided for the purposes of Listing Rule 10.15A:

Maximum number of Performance Rights that may be acquired by Mr Sturgess	39,000 Performance Rights
Maximum number of Performance Rights that may be acquired by Mr Diakogiannis	30,750 Performance Rights
Price for each Performance Right to be acquired under the scheme	Nil
Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security	Nil
Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme	Directors - Messrs Shaun Scott, Stephen Bizzell, James Sturgess, Mark Snape and Jim Diakogiannis. Note – although each director is eligible to participate, approval is sought for the grant of Performance Rights to Mr Sturgess and Mr Diakogiannis only.
Terms of loan in relation to the grant of Performance Rights	Not applicable
Required Statements	Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under listing rule 10.14. Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under listing rule 10.14.
Date by which Performance Rights will be granted	Within 1 month after the date of approval

A voting exclusion applies in relation to Resolutions 4 and 5 (see notes to Resolutions 4 and 5).

The directors make no recommendation as to how shareholders should vote on Resolutions 4 and 5.