



Notice of annual general meeting

ERM Power Limited ACN 122 259 223



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Notice is given that the annual general meeting of ERM Power Limited ACN 122 259 223 (**ERM Power or Company**) will be held at:

Location	Christie Conference Centre, Katana Room, Level 2, 320 Adelaide Street, Brisbane QLD 4000
Date	Thursday, 29 October 2015
Time	11:30 am (Brisbane time)

Ordinary Business

Financial statements and reports

To receive and consider the Company's financial reports and the reports of the directors and the auditor for the financial year ended 30 June 2015.

Directors' remuneration report

To consider, and if in favour, to pass the following resolution under section 250R(2) *Corporations Act 2001* (Cth) (**Corporations Act**):

- 1 'That the remuneration report of the directors for the financial year ended 30 June 2015 be adopted.'

Note: This resolution will be decided as if it were an ordinary resolution but, under section 250R(3) *Corporations Act*, the vote on this resolution is advisory only and does not bind the directors or the Company.

Note: Key management personnel whose remuneration details are contained in the remuneration report (and their closely related parties) are restricted from voting on this resolution under section 250R(4) *Corporations Act*.

Election of directors

To consider, and if in favour, to pass the following as ordinary resolutions:

- 2 'That Mr Trevor St Baker, who retires by rotation under rule 19.3 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'
- 3 'That Mr Antonino Mario (Tony) Iannello, who retires by rotation under rule 19.3 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'
- 4 'That Mr Albert Goller, who was appointed as a director of the Company on 1 January 2015 and retires under rule 19.2(b) of the Company's constitution, and being eligible, be elected as a director of the Company.'

Note: Information about each candidate appears in the Explanatory Memorandum.



Special business

Approval of related party benefits under sign on package

To consider, and if in favour, to pass the following resolutions as ordinary resolutions:

- 5 'That, for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act, shareholders approve the granting of:
- (a) 76,654 Units in the Short Term Incentive Share Trust (each representing a share in ERM Power) for the financial year ending 30 June 2015 (**FY15**); and
 - (b) 140,057 Units in the Long Term Incentive Share Trust (each representing a share in ERM Power) for FY15,

to Mr Jonathan (Jon) Stretch, the Company's Managing Director and Chief Executive Officer, in the manner contemplated by the Explanatory Memorandum.'

Note: Mr Jon Stretch and any of his associates are restricted from voting on this resolution.

- 6 'That, for the purpose of ASX Listing Rule 10.11 and all other purposes, the grant of 383,216 performance rights to Mr Jon Stretch, and the provision of ordinary shares in the capital of ERM Power on vesting of those performance rights, in the manner contemplated by the Explanatory Memorandum, be approved'.

Note: Mr Jon Stretch and any of his associates are restricted from voting on this resolution.

Approval of related party benefits under Long Term Incentive Plan

- 7 'That, for the purposes of ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act, shareholders approve the granting of 253,980 Units in the Long Term Incentive Share Trust (each representing a share in ERM Power) for the financial year ending June 2016 (**FY16**) to Mr Jon Stretch, the Company's Managing Director and Chief Executive Officer, in the manner contemplated by the Explanatory Memorandum.'

Note: Mr Jon Stretch and any of his associates are restricted from voting on this resolution.

Prospective approval for entitlements under Long Term Incentive Plan/s

- 8 'That approval be given for all purposes, including sections 200B, 200E and Chapter 2E of the Corporations Act, for the giving of all benefits and entitlements (including any termination benefits) under the Company's Long Term Incentive Share Trust, to any current or future personnel who hold or during the three years prior to retirement held a managerial or executive office in the Company or a related body corporate, in connection with that person's retirement from an office or cessation of employment in the Company or a related body corporate, on the terms set out in the Explanatory Memorandum.'

Note: Key management personnel (and their closely related parties) voting undirected proxies are restricted from voting on this resolution. Further, employees and directors (and their associates) should not vote on this resolution if they wish to preserve the benefit of it for that person.

Dated 25 September 2015

By order of the Board



Peter Jans
Company Secretary

Notes

- (a) A shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a shareholder of the Company. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** proxy form.
- (d) A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) The Company has determined under regulation 7.11.37 of the Corporations Regulations 2001 that for the purpose of voting at the meeting or adjourned meeting, securities are taken to be held by those persons recorded in the Company's register of shareholders as at 11:30 am (Brisbane time) on 27 October 2015.
- (f) If you have any queries on how to cast your votes then call Link Market Services Limited on 1300 554 474 during business hours.

Voting exclusion statement

Under ASX Listing Rule 14.11, the Company will disregard any votes cast:

Resolution 1 – Directors' remuneration report	by or on behalf of a member of key management personnel or a closely related party of such a member unless: <ul style="list-style-type: none">(a) the person does so as a proxy appointed under the proxy voting form; and(b) the vote is not cast on behalf of a member of key management personnel or a closely related party of such a member.
Resolutions 5 and 6 - Issue of securities to a related party under sign on package	by Mr Jon Stretch and any of his associates.
Resolution 7 – Issue of securities to a related party under Long Term Incentive Plan	by Mr Jon Stretch and any of his associates.
Resolution 8 – Prospective approval for entitlements under Long-term Incentive Plan/s	by a member of key management personnel that is appointed as a proxy (or a closely related party of such a member) where the proxy appointment does not specify the way the proxy is to vote on the resolution, unless: <ul style="list-style-type: none">(a) the proxy is the Chair of the meeting at which the resolution is voted on; and(b) the proxy appointment expressly authorises the Chair to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of the key management personnel. <p>In addition, any shareholder who is an employee or director of the Company or a related body corporate (or an associate of an employee or director), and wishes to preserve the benefit of this resolution for that person, should not vote on this resolution.</p>

However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, under the directions on the proxy voting form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, under a direction on the proxy form to vote as the proxy decides.



Explanatory Memorandum

ERM Power Limited ACN 122 259 223 (ERM Power or Company)

This Explanatory Memorandum accompanies the notice of annual general meeting of the Company (**Notice**) to be held at the Christie Conference Centre, Katana Room, Level 2, 320 Adelaide Street, Brisbane QLD 4000 on 29 October 2015 at 11.30 am (Brisbane time).

The Explanatory Memorandum has been prepared to assist shareholders in determining how to vote on the resolutions set out in the Notice and is intended to be read in conjunction with the Notice.

Financial statements and reports

- 1 The *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the report of the directors, the auditor's report and the financial report be laid before the annual general meeting.
 - 2 Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Company's constitution requires a vote of shareholders at the annual general meeting on the financial statements and reports.
 - 3 Shareholders will be given reasonable opportunity at the meeting to raise questions and make comments on these reports.
 - 4 In addition to asking questions at the meeting, shareholders may address written questions to the Chairman about the management of the Company or to the Company's auditor, PricewaterhouseCoopers, if the question is relevant to:
 - (a) the content of the auditor's report; or
 - (b) the conduct of its audit of the annual financial report to be considered at the meeting.
- Note:** Under section 250PA(1) Corporations Act a shareholder must submit the question to the Company no later than the fifth business day before the day on which the AGM is held.
- 5 Written questions for the auditor must be delivered by 22 October 2015. Please send any written questions for PricewaterhouseCoopers to the address listed in the proxy form **attached** to this notice of meeting.

Resolution 1: Directors' remuneration report

- 6 The Corporations Act requires that the section of the directors' report dealing with the remuneration of directors and other key management personnel be put to the vote of shareholders for adoption.
- 7 The resolution of shareholders is advisory only and **not binding** on the Company. However, if more than 25% of the votes cast on this resolution are against the adoption of the remuneration report, the remuneration report for the following year must either address any comments received from shareholders or explain why no action has been taken in response to those comments. If, at the following annual general meeting, the remuneration report again has a vote against it of 25% or more, a 'spill resolution' will be put to shareholders. If at least 50% of the votes cast are in favour of the 'spill resolution' a special meeting of the Company will be held within 90 days at which the directors in office at the time of the second annual general meeting must resign and stand for re-election.



- 8 More than 92% of proxies received prior to the Company's 2014 AGM were in favour of the remuneration report for that year with the resolution passed on a show of hands. The Company did not receive any specific feedback from shareholders at that AGM or during the year on its remuneration practices.
- 9 However, the Company has changed the basis of disclosure of some performance awards in its remuneration report. Short term incentive awards are now disclosed on an accruals basis in the financial year to which they relate, rather than in the subsequent financial year in which they are awarded.
- 10 The remuneration report is contained in the 2015 annual report, which is available on the ERM Power website at <http://www.ermpower.com.au/investor-centre/financial-reports/>. It:
- (a) explains the policies of the board of directors of ERM Power (**Board**) in relation to the nature and level of remuneration paid to directors and other key management personnel within the ERM Power group;
 - (b) discusses the link between the Board's policies and ERM Power's performance;
 - (c) sets out the remuneration details for each director and for each other member of ERM Power's key management personnel; and
 - (d) makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.
- 11 The Chairman will give shareholders a reasonable opportunity to ask questions about, or to make comments on, the remuneration report.

Directors' recommendation

- 12 The directors recommend you vote for this resolution.

Note: If you appoint a director or member of the key management personnel as your proxy for this resolution, you **MUST** direct your proxy how to vote, otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

Election of directors

- 13 Rule 19.3 of the Company's constitution requires that, at every annual general meeting, one-third of the directors (excluding the managing director and any director appointed by other directors under rule 19.2 of the Company's constitution) retire from office and stand for re-election. Where, after those excluded, there remain five or less directors, at least two must retire from office at each annual general meeting.
- 14 The directors to retire under rule 19.3 are those who have been in office the longest since being re-appointed. As between directors who were elected on the same day, the directors to retire are (in default of agreement between them) determined by ballot.
- 15 The Board has determined that the following directors will retire from office under rule 19.3 of the Company's constitution and stand for re-election:
- (a) Mr Trevor St Baker; and
 - (b) Mr Antonino Mario (Tony) Iannello.
- 16 Rule 19.2 of the Company's constitution further requires that a director appointed by the Board as an addition to the existing directors retire at the conclusion of the next annual general meeting following his or her appointment. As Mr Albert Goller was appointed by the Board effective 1



January 2015, he is required to retire from office under rule 19.2 of the Company's constitution and stand for election at this annual general meeting.

Resolution 2: Re-election of Mr Trevor St Baker

- 17 Mr Trevor St Baker retires from office under rule 19.3 of the Company's constitution and stands for re-election.
- 18 Trevor founded ERM Power and is currently a Non-Executive Director and Deputy Chairman.
- 19 Trevor has over 50 years' experience in the energy industry, including 23 years in planning and leadership roles within NSW and Queensland public utilities. These roles incorporated the establishment of the first Energy Resources Division in Queensland in 1975 and subsequent deregulation of power station fuel procurement in the State and development of Blackwater and Curragh steaming coal developments and long term coal procurement to underpin the Gladstone, Tarong, Callide B and Stanwell power station developments.
- 20 In 1980, Trevor founded companies which have evolved into ERM Power. For the first 15 years, as principal of ERM Consultants Pty Ltd, Trevor created a successful boutique energy consulting and advisory firm. In the late 1990s, as Executive Chairman of Energy Resource Managers Pty Ltd, Trevor established one of Australia's first private power development companies, developing firstly the Oakey power station in Queensland, and then a further five new gas-fired power stations in Western Australia, NSW and Queensland.
- 21 Trevor is active in the broader energy industry with positions including alternate director on the board of the Queensland Resources Council Ltd, director roles on the boards of the Energy Policy Institute of Australia Limited, Sunset Power Pty Ltd, Energy Resource Managers Holdings Pty Ltd, as well as new-start energy R&D companies: Kortek Industries Pty Ltd, United States company NthDegree Technologies Worldwide Inc., Southern Cross Printed Electronics Limited, Tritium Pty Ltd (of which he is Chairman) and SMR Nuclear Technology Pty Ltd.
- 22 Trevor is currently a member of ERM Power's Nomination Committee and Chairman of the Management Committee of NewGen Neerabup Partnership.

Directors' recommendation

- 23 The Board (with Mr Trevor St Baker abstaining) unanimously supports the re-election of Mr Trevor St Baker as a director.

Resolution 3: Re-election of Mr Tony Iannello

- 24 Mr Tony Iannello retires from office under rule 19.3 of the Company's constitution and stands for re-election.
- 25 Tony was appointed as a director of ERM Power in July 2010, bringing to the business more than 30 years of banking and energy experience.
- 26 He is the Non-Executive Chairman of HBF Health Ltd and D'Orsogna Ltd, a director of the Water Corporation of Western Australia, and a former member of The Murdoch University Senate. Prior to embarking on a career as a non-executive director, Tony was the Managing Director of Western Power Corporation until its separation into four separate businesses. Previously, he also held a number of senior executive positions at BankWest.
- 27 In the last three years, he has also held directorships of a range of listed companies, including AusNet Services Limited (from June 2006 to July 2015), Energia Minerals Limited (from March 2010 to October 2014), and Empire Oil & Gas NL (since 2013) of which he is also Chairman.



- 28 Tony is currently the Chairman of ERM Power's Remuneration Committee and a member of ERM Power's Audit and Risk Committee and Nomination Committee.

Directors' recommendation

- 29 The Board (with Mr Iannello abstaining) unanimously supports the re-election of Mr Tony Iannello as a director.

Resolution 4: Election of Mr Albert Goller

- 30 Mr Albert Goller retires from office under rule 19.2(b) of the Company's constitution and stands for election.
- 31 Albert was appointed as a director of ERM Power in January 2015, bringing considerable management and marketing expertise, garnered through a very successful executive career in Germany, Canada, the USA and Australia at the global multinational conglomerate Siemens AG. He was Chairman and Managing Director of Siemens Ltd in Australia between 2002 and 2012.
- 32 Commencing his career as an electronics engineer with Siemens in Germany in 1973, Albert held a number of senior executive positions throughout the world including President and CEO of Siemens Canada Ltd and Head of the Corporate Office for E-business in Munich, Germany. He has a Masters Degree in Information and Telecommunications from Paderborn University in Germany and was consistently nominated as one of Australia's most influential engineers by Engineers Australia magazine between 2004 and 2010.
- 33 Currently a non-executive director, from July 2013 to February 2015 Albert served as the Chair of META, an independent organisation that is funded by the Federal Government and represents the interests of Australian manufacturers across the nation. META had been established to generate innovative thinking and collaboration across manufacturing to target job growth, enhance productivity and increase export opportunities for Australian Manufacturing companies.
- 34 Albert is a member of ERM Power's Audit and Risk Committee, Remuneration Committee and the Nomination Committee.

Directors' recommendation

- 35 The Board (with Mr Goller abstaining) unanimously supports the election of Mr Albert Goller as a director.

Special business

Approval of related party benefits under sign on package

- 36 Mr Jon Stretch was appointed as Managing Director and Chief Executive Officer (**MD&CEO**) of the Company effective 2 February 2015. A summary of the material terms of his employment agreement were announced to the ASX on 30 October 2014.
- 37 Section 208(1) of the Corporations Act provides that a public company must not, without the approval of its shareholders, give a financial benefit to a related party, subject to certain exceptions. A related party under section 228 of the Corporations Act includes directors of ERM Power, a person who was a director in the previous six months, and relatives of directors and their spouses. The giving of a financial benefit is defined under section 229 of the Corporations Act and includes issuing securities or granting an option to a related party.



38 ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities or options under an employee incentive scheme to a director of the company or an associate of a director of the company.

39 Further, ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval (by ordinary resolution) prior to the issue of securities to a related party of the company.

Short term and long term incentive share trust structure

40 ERM Power currently operates both the Short Term Incentive Share Trust (**STIST**) and Long Term Incentive Share Trust (**LTIST**) (**Plans**), where eligible staff members selected by the Board (**Participants**) are provided with units in the Plans (**Units**), with each Unit representing a share in ERM Power held on trust for the Participant.

41 The mechanism to provide the Units requires the establishment of loans granted by the relevant trust that are non-recourse and do not bear interest, thereby creating a financial benefit.

42 Units acquired under the Plans may be subject to vesting conditions. The terms upon which the Units will vest under the Plans are set out in individual letters of offer, which may be a combination of service and performance hurdles, as determined by the directors.

43 Loans are extinguished by the payment of salary from the trustee at the time when an underlying share is transferred or sold.

44 The loans are interest-free whilst the Participant remains involved with the relevant Plan, and are not expected to be repaid until the underlying shares acquired are transferred or sold. As such, Participants receive the full value of the shares acquired on their behalf under the Plans. If the market value of the shares falls below the value of the original loan amount (i.e. if the ERM Power share price falls below the price at which the Units were issued), Participants can surrender their Units in the Plans in full satisfaction of the loan.

45 Participants in the Plans are not able to directly exercise the votes that attach to their underlying shares. However, the Plan administrator will contact the Participants prior to any shareholder meetings to seek their voting instructions. A Participant may direct the trustee of the relevant Plan to exercise their vote in the case of a poll at a meeting of ERM Power, but not by a show of hands.

46 Provided any vesting conditions set as terms of issue of Units are fulfilled, the underlying shares may be sold or withdrawn from the Plans at any time. If a Participant leaves ERM Power, any Units that have not already vested at that time may be forfeited. If a Participant ceases employment with ERM Power after the vesting period, and any performance conditions have been satisfied, they have six months to transfer the shares into their own name, or they will be sold on their behalf, with the Board retaining discretion to extend the six month period in certain circumstances.

47 Early vesting, or non-forfeiture on cessation of employment prior to vesting, may occur in the following circumstances, subject to the participant achieving any relevant performance hurdles (such as those set out at paragraph 56 below):

- (a) on a change of control of ERM Power, being a material change in the composition of the Board initiated as a result of a change of ownership of shares and the purchaser of the shares requiring (or agreeing with other shareholders to require) that change in Board composition, or in other circumstances that the Board determines appropriate; or
- (b) on termination of employment due to redundancy, death or permanent disability, or in circumstances that the directors determine appropriate.



- 48 The share issue price under the Plans is calculated as being the volume weighted average price (**VWAP**) at which the shares traded on ASX on the 10 trading days preceding the date of allocation of the award.
- 49 Shares may increase in value, reflecting ERM Power's performance. Through share ownership, Participants can benefit from this increase. Shares may become entitled to dividends. Participants may be eligible to receive dividends declared by the Board from time to time based on the number of Units that a Participant has in the Plans. These dividends, when received, become part of the Participant's income.
- 50 Shares are acquired by the plan administrators for the benefit of Participants using funds contributed by ERM Power. Units are issued to Participants at the prevailing market value of the shares and financed by way of an interest-free, non-recourse loan from the relevant Plan.

Resolution 5: Approval of related party benefit under sign on package – Mr Jon Stretch

- 51 Mr Jon Stretch is a director of ERM Power for the purposes of ASX Listing Rule 10.14.2. Being a director of the Company, Mr Jon Stretch is also a related party of ERM Power for the purposes of Chapter 2E of the Corporations Act.
- 52 The Company intends to issue Mr Jon Stretch:
- (a) Units in the STIST as part of his FY15 short term incentive award; and
 - (b) Units in the LTIST as part of his FY15 long term incentive award,
- in accordance with the terms of Mr Jon Stretch's sign on package and letter of engagement.
- 53 All ERM Power employees who are provided with short term incentive awards for the financial year ended 30 June 2015 (**FY15**) may at the discretion of the Board receive their bonus in the following manner:
- (a) as a cash payment;
 - (b) as Units in the STIST (each Unit representing a share in ERM Power); or
 - (c) as any combination of the above.
- 54 Mr Jon Stretch will be receiving 50% of his short term incentive by way of a cash payment. The balance will be provided as Units in the STIST, subject to shareholder approval, and other conditions, as set out below.
- 55 Eligible employees who are entitled to a long term incentive, in accordance with the terms of the LTIST plan, receive that bonus in the form of Units in the LTIST.
- 56 ERM Power therefore seeks shareholder approval in accordance with ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act to grant Mr Jon Stretch, in respect of the period ended 30 June 2015:
- (a) 76,654 Units in the STIST (each representing a share in ERM Power), in accordance with the terms and conditions of the STIST, vesting on 30 June 2016 subject to Mr Stretch's continued employment with ERM Power until 2 February 2016; and
 - (b) 140,057 Units in the LTIST (each representing a share in ERM Power) in accordance with the terms and conditions of the LTIST, subject to Mr Jon Stretch's continued employment with ERM Power and subject to vesting on achievement of the following Total Security holder Return (**TSR**) performance hurdle. Satisfaction of the TSR vesting condition will be determined by ERM Power's relative TSR performance over the period



from commencement of employment, 2 February 2015 to 30 June 2017, measured against the TSR performance of a comparator group, being those companies in the Standard & Poor's ASX 300 index at the beginning of the performance period.

TSR ranking in each vesting period	Percentage of underlying shares in LTIST that will vest if condition is met
At or below the 50 th percentile	0%
Above the 50 th percentile to less than the 75 th percentile	50% increasing linearly to 100% at the 75 th percentile
At or above the 75 th percentile	100%

The performance hurdle will only be satisfied where the TSR value is positive. If the TSR value is negative, the performance hurdle will not be satisfied, and the underlying shares in the LTIST will not vest.

- 57 If this resolution is approved, Mr Jon Stretch will acquire the STIST and LTIST Units. The mechanism to provide the Units requires the establishment of loans by the relevant trust (based on the market value of the shares at the time of issue) that are non-recourse and do not bear interest, thereby creating a financial benefit. Loans are subsequently extinguished by the payment of salary from the trustee at the time when the underlying shares are transferred or sold.
- 58 The reason for providing these financial benefits is to appropriately remunerate Mr Jon Stretch in accordance with the Company's short term and long term incentive schemes, and to align the interests of Mr Jon Stretch with those of shareholders.

Determination of the number of Units

- 59 The number of Units to be awarded under the STIST was determined by reference to the same price that the FY2015 STIST award was made to all other participants of the Company, being the VWAP over the 10 trading days following the day of release of the FY15 Financial Report, from 24 August to 4 September 2015 (inclusive), such that the value of \$166,500 at \$2.1721 per Unit, provides for an award of 76,654 Units.
- 60 The number of Units to be awarded under the LTIST was determined by reference to the same price that the FY2015 LTIST award was made to all other participants of the Company, being the VWAP over 10 trading days from 9 to 22 September 2014 (inclusive), such that the value of \$250,000 at \$1.7850 per Unit provides for an award of 140,057 Units.

Valuation of the financial benefit

- 61 The value to be awarded under the STIST and LTIST, having regard to the likelihood of achieving the performance conditions set out at paragraph 56(b) above, is calculated in a manner consistent with AASB 2 (Share-based Payment), determined using a Monte Carlo simulation (using a Black-Scholes framework). The model inputs to determine the value are set out in the Company's annual report. The indicative fair value is as follows:

Number of Units (each a share in ERM) to be issued	Indicative fair value
76,654 in the STIST	\$163,273
140,057 in the LTIST	\$175,071
	Based on a price of \$2.13 per share, being the closing price on 17 September 2015 and calculated in a manner consistent with the principles described in AASB 2 (Share-based Payment), taking into account the probability of the Units issued under the LTIST vesting.

Mr Jon Stretch's interests in ERM Power and remuneration package

- 62 Mr Jon Stretch currently has no relevant interest (either directly or indirectly) in any shares or options in ERM Power.
- 63 If shareholders approve this resolution, the effect will be to dilute the holdings of existing shareholders by an equivalent amount, as follows:

Shareholders	Current share capital ¹		Share capital on issue of shares	
	Number	Percent	Number	Percent
Mr Jon Stretch	Nil	0.00%	216,711	0.09%
Other shareholders	244,121,770	100.00%	244,121,770	99.91%
Total	244,121,770	100.00%	244,338,481	100.00%

- 64 Mr Jon Stretch's total remuneration for the period 2 February 2015 (the date of commencement of his employment) to 30 June 2015 is as follows:

Fixed remuneration	
Salary	\$333,334 (based on an annual fixed salary of \$800,000, inclusive of tax and superannuation)
Short term incentive	100% (Fixed for FY2015) of Salary paid in cash and securities as determined by the directors
At risk remuneration (subject to performance conditions)	
Long term incentive	Up to 75% (maximum) of Salary paid in securities with vesting conditions as determined by the directors

- 65 The Units to be provided in the STIST and the LTIST, if approved, relate to Mr Jon Stretch's remuneration for the period 2 February 2015 to 30 June 2015.

Other information

- 66 Additional information required to be provided to shareholders in connection with the resolution to approve the granting of a financial benefit to Mr Jon Stretch in accordance with the ASX Listing Rules and the Corporations Act is set out below:

Information required	Disclosure
Date by which the securities will be issued	The Units in the STIST and the LTIST (and the underlying shares) will be issued within one month after the date of approval.
The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the STIST and the LTIST	Mr Jon Stretch. Participation in the STIST and the LTIST is only open to those employees (including executive directors) who are invited by the directors to receive a short term or long term incentive (as relevant). No other members of the Board, all of whom are non-executive directors, are eligible to participate in the STIST or the LTIST. ERM Power's policy is that non-executive directors do not receive performance-based remuneration that have performance hurdles attached, as it may lead to bias in their decision-making and compromise their objectivity.

¹ As at 17 September 2015, and excludes any shares to be issued after that date under the ERM Power dividend reinvestment plan, STIST, LTIST or otherwise.

Prior issue of securities to persons referred to in ASX Listing Rule 10.14 under the STIST and the LTIST since the plans were last approved

Mr Jon Stretch has not been issued with any Units in the STIST or the LTIST since the STIST and the LTIST were last approved on 30 October 2014.

Maximum number of securities that may be acquired by Mr Jon Stretch if Resolution 5 is approved

76,654 Units in the STIST.
140,057 Units in the LTIST.

- 67 Other than as set out in this Explanatory Memorandum, the directors are not aware of any additional information that shareholders should consider before making a decision to vote on this resolution.

Directors' recommendation

- 68 The Board believes that the provision of Units and loans by the trustee to Mr Jon Stretch pursuant to Resolution 5 is reasonable and appropriate having regard to the circumstances of the Company and Mr Jon Stretch's responsibilities as MD&CEO, is commensurate with current market practice, and is therefore in the best interests of the Company and its shareholders. Accordingly, the Board (with Mr Jon Stretch abstaining) recommends that shareholders approve the grant of Units and loan by the trustee to Mr Jon Stretch and the corresponding grant of shares to the STIST and the LTIST plan trustees to be held on his behalf.

Note: If you appoint a director or member of the key management personnel as your proxy for this resolution, you **MUST** direct your proxy how to vote, otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

Resolution 6: Approval of related party benefit under sign on package – Mr Jon Stretch

- 69 The purpose of Resolution 6 is to have shareholders approve the proposed grant to Mr Jon Stretch of rights to receive shares in the Company (**Performance Rights**).
- 70 ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including Performance Rights) to a related party of the Company. If Resolution 6 is passed, Performance Rights will be granted to Mr Jon Stretch, who is a related party of the Company. Accordingly, approval for the grant of these Performance Rights is required pursuant to ASX Listing Rule 10.11.
- 71 Approval under ASX Listing Rule 7.1 is not required in order to grant the Performance Rights to Mr Jon Stretch, as approval is being sought under ASX Listing Rule 10.11. As such, shareholders should note that the grant of securities to Mr Jon Stretch will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.
- 72 Similarly, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless:
- (a) the giving of the financial benefit falls within one of the exceptions; or
 - (b) prior shareholder approval is obtained to the giving of the financial benefit.
- 73 A related party under the Corporations Act includes a director of the Company, and a financial benefit includes the Company paying money or issuing securities. Accordingly, the Company is seeking shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.
- 74 The reason for the proposed giving of this financial benefit is to provide deferred commencement retention remuneration and to appropriately remunerate Mr Stretch with an incentive to align his interests with those of shareholders.



Key terms of Performance Rights

- 75 Subject to Mr Jon Stretch's continuing employment with the Company, the Performance Rights will vest on 2 July 2016 (**Vesting Date**).
- 76 There will be no issue price payable by Mr Jon Stretch for each of the 383,216 Performance Rights which the Company proposes to grant him. The grant of the Performance Rights is subject to Mr Jon Stretch's continuous full-time employment with ERM Power, or a related body corporate of ERM Power, throughout the vesting period.
- 77 On the Vesting Date (subject to the vesting conditions being satisfied), each Performance Right will, at the election of the Board, convert into:
- (a) shares in ERM Power or Units in the STIST that confer a beneficial interest in ERM Power shares (**New Equity Securities**), whereby:
 - (i) if the issue price of New Equity Securities is equal to or greater than the notional issue price of \$1.5657, the number of New Equity Securities to be issued shall be equal to the number of Performance Rights held; or
 - (ii) if the issue price of New Equity Securities is less than the notional issue price of \$1.5657, the number of New Equity Securities shall be determined by the original value of \$600,000 divided by the issue price of New Equity Securities,whereby the issue price of New Equity Securities is determined as the 10 day VWAP prior to the Vesting Date of the Performance Rights, if issued as Units in the STIST, or cost price, if purchased on market; or
 - (b) a cash payment; determined by the number of Performance Rights held multiplied by the greater of:
 - (i) the 10 day VWAP prior to the Vesting Date; or
 - (ii) the notional issue price of each Performance Right, being \$1.5657.
- 78 If Mr Jon Stretch resigns his employment with ERM Power, or a related body corporate of ERM Power, or is terminated for cause prior to the Vesting Date, the Performance Rights will lapse, and any entitlement to a cash payment or New Equity Securities will be forfeited.
- 79 Early vesting of the Performance Rights may occur on termination of Mr Jon Stretch's employment due to redundancy, death or permanent disability, or in other circumstances that the Board determines appropriate.
- 80 The Performance Rights will not be quoted on ASX and are not capable of being assigned or transferred without the consent of the Board - any purported assignment or transfer of the Performance Rights without the consent of the Board will result in the Performance Rights lapsing immediately.
- 81 The Performance Rights do not confer any rights on the holder to receive notice of, or vote at, shareholder meetings, nor do they give the holder any right to participate in surplus funds in a winding up of ERM Power, or any other rights of a shareholder.
- 82 If there is a reorganisation of the Company's capital before the Performance Rights are provided, the number of Performance Rights will be reorganised in an appropriate manner as determined by the Board so that the total number of Performance Rights as a proportion of the issued capital in the Company is not diluted or increased, but such that Mr Jon Stretch does not receive a benefit that other holders of ordinary shares do not receive.

- 83 If a change of control or other event occurs such that the shares of ERM Power are no longer quoted on ASX, the vesting price will be the average price at which fully paid ordinary shares in ERM Power were acquired during the relevant takeover, scheme of arrangement or other control transaction which resulted in ERM Power being removed from the official list of ASX. If there is a change of control, takeover, merger, bonus issue, rights issue or a reconstruction of ERM Power, the Board will determine whether any prejudice will result to the value of the Performance Rights and if amendments are required to the terms and conditions of the Performance Rights.
- 84 The Board may amend the terms and conditions of the Performance Rights at any time, provided that where the proposed amendment is prejudicial to the rights of Mr Jon Stretch, his consent is obtained in relation to the particular amendment.
- 85 If Resolution 6 is not approved by shareholders, the Company intends to pay a cash bonus of \$600,000 to Mr Jon Stretch on or about 4 July 2016. The payment will be made as soon as reasonably practicable after the Vesting Date (net of any relevant withholding taxes).

Valuation of the financial benefit

- 86 The notional issue price for each Performance Right is \$1.5657, the VWAP at which ERM Power shares were traded on ASX during the 10 trading days preceding the date of his Executive Services Agreement, being the period 16 to 29 October 2014 (inclusive).
- 87 The number of Performance Rights to be awarded was determined by dividing \$600,000 by the notional issue price referred to at paragraph 86 above, for an award of 383,216 Performance Rights.
- 88 The current market value of the financial benefit to be approved under this resolution will be determined by the market price at the time of approval. By way of example, if the Units were approved on 17 September 2015, based on a closing price of \$2.13, the value of the financial benefit would be \$816,250.

Mr Jon Stretch's interests in ERM Power and remuneration package

- 89 Mr Jon Stretch currently has no relevant interest (either directly or indirectly) in any shares and options in ERM Power.
- 90 If shareholders approve this resolution, the effect will be to dilute the holdings of existing shareholders by an equivalent amount, as follows:

Shareholders	Current share capital ²		Share capital on issue of shares	
	Number	Percent	Number	Percent
Mr Jon Stretch	216,711	0.09%	599,927	0.25%
Other shareholders	244,121,770	99.91%	244,121,770	99.75%
Total	244,338,481	100.00%	244,721,697	100.00%

- 91 Mr Jon Stretch's total remuneration for the period 2 February 2015 to 30 June 2015 is set out at paragraph 64 above.

² As at 17 September 2015, assuming that Resolution 5 is approved by shareholders and excludes any shares to be issued after that date under the ERM Power dividend reinvestment plan, STIST, LTIST or otherwise.

Other information

- 92 Additional information required to be provided to shareholders in connection with the resolution to approve the granting of a financial benefit to Mr Jon Stretch in accordance with the ASX Listing Rules and the Corporations Act is set out below:

Information required	Disclosure
Related party and relationship in relation to the Company	The related party is Mr Jon Stretch. He is a related party by virtue of being a director of the Company.
Maximum number of Performance Rights to be granted	383,216 Performance Rights.
Date by which the Performance Rights will be granted	The Performance Rights will be granted within one month after the date of approval, Subject to Mr Jon Stretch's continuing employment with the Company, the Vesting Date for the Performance Rights will be 2 July 2016.
Consideration	The Performance Rights will be granted for nil cash consideration, and no funds will be raised from the grant of the Performance Rights. Further, no cash will be payable at the time the vesting conditions are met (if met) and the Performance Rights are automatically exercised.
Terms	The Performance Rights will be granted on, and subject to, the terms described above.

- 93 Other than as set out in this Explanatory Memorandum, the directors are not aware of any additional information that shareholders should consider before making a decision to vote on this resolution.

Directors' recommendation

- 94 The Board believes that the grant of Performance Rights to Mr Jon Stretch pursuant to Resolution 6 is reasonable and appropriate having regard to the circumstances of the Company and Mr Jon Stretch's responsibilities as MD&CEO, is commensurate with current market practice, and is therefore in the best interests of the Company and its shareholders. Accordingly, the Board (with Mr Jon Stretch abstaining) recommends that shareholders approve the grant of Performance Rights to Mr Jon Stretch.

Note: If you appoint a director or member of the key management personnel as your proxy for this resolution, you **MUST** direct your proxy how to vote, otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

Approval of related party benefits under Long Term Incentive Plan

Resolution 7: Approval of related party benefit under Long Term Incentive (LTI) Plan – Mr Jon Stretch

- 95 Mr Jon Stretch is a director of ERM Power for the purposes of ASX Listing Rule 10.14.2. Being a director of the Company, Mr Jon Stretch is also a related party of ERM Power for the purposes of Chapter 2E of the Corporations Act.
- 96 The Company intends to issue Mr Jon Stretch Units in the LTIST as part of his long term incentive bonus for FY16 in accordance with the Company's long term incentive scheme. Mr Jon Stretch's participation in the LTIST is on the same terms as all other eligible employees of ERM Power.
- 97 ERM Power therefore seeks shareholder approval in accordance with ASX Listing Rule 10.14 and Chapter 2E of the Corporations Act to grant Mr Jon Stretch, in respect of the period ended 30 June 2016, 253,980 Units in the LTIST (each representing a share in ERM Power) in accordance with the terms and conditions of the LTIST, subject to Mr Jon Stretch's continued employment



with ERM Power and subject to vesting on achievement of the TSR performance hurdle. The performance hurdle will only be satisfied where the TSR value is positive. If the TSR value is negative, the performance hurdle will not be satisfied, and the underlying shares in the LTIST will not vest.

- 98 Satisfaction of the TSR vesting condition will be determined by ERM Power's relative TSR performance over the period from 1 July 2015 to 30 June 2018, measured against the TSR performance of a comparator group, being those companies in the Standard & Poor's ASX 300 index at the beginning of the performance period according to the schedule below.

TSR ranking in each vesting period	Percentage of underlying shares in LTIST that will vest if condition is met
At or below the 50 th percentile	0%
Above the 50 th percentile to less than the 75 th percentile	50% increasing linearly to 100% at the 75 th percentile
At or above the 75 th percentile	100%

The performance hurdle will only be satisfied where the TSR value is positive. If the TSR value is negative, the performance hurdle will not be satisfied, and the underlying shares in the LTIST will not vest.

- 99 If this resolution is approved, Mr Jon Stretch will acquire the LTIST Units. The mechanism to provide the Units requires the establishment of loans by the relevant trust (based on the market value of the shares at the time of issue) that are non-recourse and do not bear interest thereby creating a financial benefit. Loans are subsequently extinguished by the payment of salary from the trustee at the time when the underlying shares are transferred or sold.
- 100 The reason for providing these financial benefits is to appropriately remunerate Mr Jon Stretch in accordance with the Company's long term incentive scheme, and to align the interests of Mr Jon Stretch with those of shareholders.

Determination of the number of Units

- 101 The number of Units to be awarded under the FY2016 LTIST was determined as 75% of Mr Jon Stretch's fixed annual salary, that is, \$600,000 divided by the same price that the FY2016 LTIST award was made to all other participants of the Company, being the VWAP over 10 trading days from 17 June 2015 to 30 June 2015 (inclusive). At \$2.3624 per unit, this provides for an award of 253,980 Units (rounded up to the closest whole number).

Valuation of the financial benefit

- 102 The value to be awarded under the LTIST, having regard to the likelihood of achieving the performance conditions set out at paragraph 98 above, is calculated in a manner consistent with AASB 2 (Share-based Payment), determined using a Monte Carlo simulation (using a Black-Scholes framework). The model inputs to determine the value are set out in the Company's annual report. The indicative fair value is as follows:

Number of Units (each a share in ERM) to be issued under the FY16 LTIST	Indicative fair value
253,980	\$358,112 Based on a price of \$2.13 per share, being the closing price on 17 September 2015 and calculated in a manner consistent with the principles described in AASB 2 (Share-based Payment), taking into account the probability of the Units issued under the LTIST vesting.

Mr Jon Stretch's interests in ERM Power and remuneration package

103 Mr Jon Stretch currently has no relevant interest (either directly or indirectly) in any shares and options in ERM Power.

104 If shareholders approve this resolution, the effect will be to dilute the holdings of existing shareholders by an equivalent amount, as follows:

Shareholders	Current share capital ³		Share capital on issue of shares	
	Number	Percent	Number	Percent
Mr Jon Stretch (and his related entities)	599,927	0.25%	853,907	0.35%
Other shareholders	244,121,770	99.75%	244,121,770	99.65%
Total	244,721,697	100.00%	244,975,677	100.00%

105 Mr Jon Stretch's total remuneration for the year ending 30 June 2016 is as follows:

Fixed remuneration	
Salary	\$800,000 (fixed and inclusive of superannuation and tax)
At risk remuneration (subject to performance conditions)	
Short term incentive	Up to 100% (maximum) of Salary paid in cash or securities as determined by the directors
Long term incentive	Up to 75% (maximum) of Salary paid in securities with vesting conditions determined by the directors

Other information

106 Additional information required to be provided to shareholders in connection with the resolution to approve the granting of a financial benefit to Mr Jon Stretch in accordance with the ASX Listing Rules and the Corporations Act is set out below:

Information required	Disclosure
Date by which the securities will be issued	The Units in the LTIST (and the underlying shares) will be issued within one month after the date of approval.
The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the LTIST	Mr Jon Stretch. Participation in the LTIST is only open to those employees (including executive directors) who are invited by the directors to receive a long term bonus. No other members of the Board, all of whom are non-executive directors, are eligible to participate in the LTIST. ERM Power's policy is that non-executive directors do not receive performance-based remuneration that have performance hurdles attached, as it may lead to bias in their decision-making and compromise their objectivity.

³ As at 17 September 2015, assuming that Resolutions 5 and 6 are approved by shareholders, and that the Performance Rights vest with New Equity Securities issued in July 2016, and excludes any other shares to be issued after 17 September 2015 under the ERM Power dividend reinvestment plan, STIST, LTIST or otherwise.

Prior issue of securities to persons referred to in ASX Listing Rule 10.14 under the LTIST since the plans were last approved

Mr Jon Stretch has not been issued with any Units in the LTIST since the LTIST was last approved on 30 October 2014.

Maximum number of securities that may be acquired by Mr Jon Stretch if Resolution 7 is approved

253,980 Units in the LTIST.

- 107 Other than as set out in this Explanatory Memorandum, the directors are not aware of any additional information that shareholders should consider before making a decision to vote on this resolution.

Directors' recommendation

- 108 The Board believes that the grant of Units and non-recourse loan to Mr Jon Stretch pursuant to Resolution 7 will provide appropriate incentives to the MD&CEO to maximise returns to shareholders and constitutes appropriate remuneration. Accordingly, the Board (with Mr Jon Stretch abstaining) recommends that shareholders approve the grant of Units and loan to Mr Jon Stretch and the corresponding grant of shares to the LTIST plan trustee to be held on Jon's behalf.

Note: If you appoint a director or member of the key management personnel as your proxy for this resolution, you **MUST** direct your proxy how to vote, otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

Prospective approval for entitlements under Long Term Incentive Plan/s

Resolution 8: Prospective approval for entitlements under Long Term Incentive Plan/s

- 109 Section 200B of the Corporations Act restricts the benefits which can be given in connection with the retirement from office or cessation of employment of certain officers of ERM Power or a related body corporate, unless an exemption applies or approval is obtained from shareholders.
- 110 Further, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless:
- (a) the giving of the financial benefit falls within one of the exceptions; or
 - (b) prior shareholder approval is obtained to the giving of the financial benefit.
- 111 A related party under the Corporations Act includes a director of the Company, and a financial benefit includes the Company paying money or issuing securities.
- 112 Accordingly, the Company is seeking shareholder approval in accordance with the requirements of section 200B and Chapter 2E of the Corporations Act.
- 113 ERM Power's policy in relation to leaving entitlements is to treat departing employees and key management Personnel (**KMP**) appropriately and in accordance with applicable laws, market practice and Company policy. To ensure that ERM Power is able to meet this objective, shareholder approval is sought in respect of the termination entitlements outlined below.
- 114 Shareholders are not being asked to approve any change or increase in the remuneration or benefits or entitlements for KMP, or any variations to the existing discretions of the Board and the Remuneration Committee. This approval is in relation to the Company's existing obligations and to preserve the discretion of the Board and Remuneration Committee to determine the most appropriate leaving package under the relevant employment agreements, incentive plans and retirement plans. Approval of these benefits does not guarantee that any specific individual will receive them.

- 115 This approval is limited to where Board discretion is exercised or vesting entitlements are granted to participants under the terms of the LTIST.
- 116 Such approval will afford the Company certainty about its ability to maintain its existing remuneration arrangements and otherwise satisfy contractual and legal obligations.
- 117 The approval is sought in relation to particular long term incentive awards which may be delivered to Participants through the Company's LTIST plan. If shareholder approval is obtained, it will give the Board flexibility in regards to unvested long-term incentives of Participants who cease employment with ERM Power.
- 118 Approval is sought in relation to both current and future personnel who hold or have held during the three years prior to cessation of employment a managerial or executive office in the Company or a related body corporate.
- 119 It is intended that this approval will remain valid for a period of three years. This approval will apply during this period to incentive plans and retirement plans that provide for the treatment on cessation of holding office as follows:

Circumstance	Potential benefit / treatment
Death, serious injury, disability or serious illness that results in the Participant leaving ERM 'early'	All LTIST Units will vest.
Resignation or termination for cause	All unvested LTIST Units will be forfeited.
Redundancy, retirement or termination by mutual agreement	The exiting Participant will continue hold existing LTIST awards, subject to the performance conditions and other relevant terms of the grant, however if the Participant subsequently dies during the life of the LTIST plan, the LTIST Units would immediately vest, per the first circumstance described above.

- 120 Specifically, the Company is asking shareholders to approve that:
- (a) any benefits and entitlements (including any termination benefits) given under the Company's Long Term Incentive Share Trust;
 - (b) to any current or future personnel who hold or during the three years prior held a managerial or executive office in the Company or a related body corporate; and
 - (c) in connection with that person's cessation of employment in the Company or a related body corporate, as set out at paragraph 119 above.

be permitted for the purposes of sections 200B and 200E of the Corporations Act.

Valuation of the financial benefit

- 121 The value of the potential termination benefits cannot be ascertained in advance, as they are dependent on a number of matters which will likely affect calculation of the value.
- 122 For example, the value of a benefit given under the LTIST will depend on factors including but not limited to:
- (a) the Company's share price at the time of vesting;
 - (b) the circumstances in which the Participant ceases to hold office;
 - (c) the Participant's particular entitlement to 'retirement' or 'employment cessation' benefits;
 - (d) the Participant's 'base' remuneration at the time they cease to hold office;

- (e) the length of the Participant's service;
- (f) the number of other equity entitlements held by the Participant immediately prior to their ceasing office;
- (g) the performance of the Participant up until the date on which they cease to hold office; and
- (h) any other factors that the Board considers to be relevant when exercising its discretion.

Directors' recommendation

- 123 The Board (with Mr Jon Stretch who has a material personal interest, abstaining) recommends that shareholders vote in favour of this resolution.



ERM Power Limited
ABN 28 122 259 223

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
ERM Power Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



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PROXY FORM

I/We being a member(s) of ERM Power Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:30am on Thursday, 29 October 2015 at Christie Conference Centre, Katana Room, Level 2, 320 Adelaide Street, Brisbane QLD 4000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Directors' remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of related party benefits: FY15 STIST and LTIST under sign on package to Mr Jon Stretch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of director – Mr Trevor St Baker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of related party benefits: Performance Rights under sign on package to Mr Jon Stretch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of director – Mr Antonino Mario (Tony) Iannello	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of related party benefits: FY16 LTIST under long term incentive plan to Mr Jon Stretch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of director – Mr Albert Goller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Prospective approval for entitlements under Long Term Incentive Plan/s	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:30am on Tuesday, 27 October 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

ERM Power Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**



ERM Power Limited
ABN 28 122 259 223

LODGE YOUR QUESTIONS

ONLINE
www.linkmarketservices.com.au

BY MAIL
ERM Power Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



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Please use this form to submit any questions about ERM Power Limited (“the Company”) that you would like us to respond to at the Company’s 2015 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum. If your question is for the Company’s auditor it should be relevant to the content of the auditor’s report, or the conduct of the audit of the financial report.

This form must be received by the Company’s share registrar, Link Market Services Limited, by **Tuesday, 27 October 2015**.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible and, where appropriate, will give a representative of the Company’s auditor, the opportunity to answer written questions submitted to the auditor. However, there may not be sufficient time available at the meeting to address all topics raised. Please note that individual responses will not be sent to shareholders.

My question relates to *(please mark the most appropriate box)*

- | | | |
|---|--|---|
| <input type="checkbox"/> Performance or financial reports | <input type="checkbox"/> A resolution being put to the AGM | <input type="checkbox"/> General suggestion |
| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

Blank area for writing the question.

- | | | |
|---|--|---|
| <input type="checkbox"/> Performance or financial reports | <input type="checkbox"/> A resolution being put to the AGM | <input type="checkbox"/> General suggestion |
| <input type="checkbox"/> Remuneration Report | <input type="checkbox"/> Sustainability/Environment | <input type="checkbox"/> Other |
| <input type="checkbox"/> My question is for the auditor | <input type="checkbox"/> Future direction | |

Blank area for writing the question.

QUESTIONS