

BLUGLASS LIMITED

ABN 20 116 825 793

NOTICE OF ANNUAL GENERAL MEETING
including
EXPLANATORY STATEMENT
and
PROXY FORM

DATE, TIME AND VENUE OF ANNUAL GENERAL MEETING

Monday 16th November 2015 at 11.00am EST

Grant Thornton, Level 17, 383 Kent Street
SYDNEY NSW 2000

This Notice of Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 9334 2300.

BLUGLASS LIMITED

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Notice of Annual General Meeting and Explanatory Statement

Notice is hereby given that the Annual General Meeting of BluGlass Limited ("the Company") will be held on Monday 16th November 2015 commencing at 11.00am (EST) at Grant Thornton, Level 17, 383 Kent Street, Sydney, NSW 2000.

The Explanatory Statement which accompanies and forms part of this Notice of Meeting describes the matters to be considered at the Annual General Meeting.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the time and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- post, to Security Transfer Registrars:
PO Box 535, Applecross WA 6953, Australia; or
Suite 1, 770 Canning Highway, Applecross WA 6153, Australia;
- facsimile to Security Transfer Registrars on facsimile number (+61 8) 9315 2233; or
- email to Security Transfer Registrars at registrar@securitytransfer.com.au.

so that it is received not later than 11.00am (EST) on Saturday 14th November 2015.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholders has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

The Proxy Form forms part of this Notice of Meeting.

Proxy Forms received later than this time will be invalid.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

VOTING ENTITLEMENT AND SNAPSHOT DATE

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company at 11:00am (EST) on Saturday 14th November 2015.

AGENDA

Ordinary Business

Accounts and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2015.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. Resolution 2 – Re-Election of Director – Mr William Johnson

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

“That, for the purpose of clause 13.2 of the Company's Constitution, ASX Listing Rule 14.4, and for all other purposes, Mr William Johnson, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. Resolution 3 – Re-Election of Director – Mr Greg Cornelsen

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

“That, for the purpose of clause 13.2 of the Company’s Constitution, ASX Listing Rule 14.4, and for all other purposes, Mr Greg Cornelsen, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. Resolution 4 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 4 by a person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of such a person. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair 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.

5. Resolution 5 – Ratification of Placement

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 7,485,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a 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.

6. Resolution 6 – Issue of Incentive Options to Giles Bourne

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

“That, for the purposes of ASX Listing Rule 10.14 and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to issue and allot 1,150,000 Incentive Options to Managing Director Mr Giles Bourne or his nominee under the Incentive Option Scheme on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director who is eligible to participate in the Incentive Option Scheme and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 1 OCTOBER 2015
BY ORDER OF THE BOARD

EMMANUEL CORREIA
COMPANY SECRETARY

EXPLANATORY MEMORANDUM

This Explanatory Statement forms part of a Notice of Meeting convening the Annual General Meeting (“the Meeting”) of Shareholders of BluGlass Limited (BluGlass or the Company) to be held on Monday 16th November 2015 at 11.00am (EST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Accounts and Report

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the Directors’ Report, the Remuneration Report and the Auditor’s report.

Whilst the Company will not provide a hard copy of the Company’s Annual Financial Report to Shareholders unless specifically requested to do so, Shareholders may view the Company’s Annual Financial Report on its website at www.bluglass.com.au.

1. Resolution 1 – Adoption of Remuneration Report

1.1 General

The Corporations Act requires that, at a listed company’s annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ending 30 June 2015.

A reasonable opportunity will be provided for discussion of and questions regarding the Remuneration Report at the Annual General Meeting.

1.2 Voting Consequences

If at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company (**Spill Resolution**) at the second annual general meeting. The additional general meeting of Shareholders will not be required if at the first of those annual general meetings a Spill Resolution was put to vote.

If more than 50% of votes are cast in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors of the Company who were in office when the Directors’ report (as included in the Company’s annual financial report for the most recent financial year) was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

At the annual general meeting for the year ended 30 June 2014, 550,794 votes were cast against adoption of the remuneration report, which was less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

1.3 Proxy Restrictions

Pursuant to the Corporations Act, if you elect a member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member (other than the Chair) as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote on this Resolution*. Where you do not direct the member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1 and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member), you do not need to direct your proxy how to vote on this Resolution as the Chair is able to vote at discretion of the Chair provided the proxy form notes that it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

If you appoint any person not a member of the Key Management Personnel or a Closely Related Party of such a member as your proxy, you do not need to direct your proxy how to vote on this Resolution.

2. Resolutions 2 and 3 - Re-Election of Mr William Johnson and Mr Greg Cornelsen

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third, rounding up if in doubt) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has 5 Directors, four of which are taken into account in determining the number of Directors to retire, so at least one Director must retire by rotation. In addition, two Directors, Mr William Johnson and Mr Greg Cornelsen, were last re-elected at the 2012 AGM, and so must retire and stand for re-election at this AGM.

Mr William Johnson and Mr Greg Cornelsen, the Directors that have been longest in office since their last election, retire by rotation and seek re-election.

William (Bill) Johnson, is a seasoned CEO with extensive business development/M&A, technological leadership, and successful hands-on leadership roles in operations ranging from high technology start-ups to Fortune 500 high technology companies. He is the former President and Chief Executive Officer of SPP Process Technology Systems (SPTS), a manufacturer of capital equipment for the semiconductor and related industries.

Bill has held technical, marketing, and executive management positions with Ford Motor Co.

Scientific Research Laboratories (1973-1978), Perkin-Elmer Corp. (1978-1986), Ulvac Corp. (1987-1991), Varian Associates (1992-1994), Intevac Inc. (1994-1996), Oryx Instruments and Materials Corp. (1996-1999). From 2003-2006, he was founder and managing director of Crane Ridge Associates, a firm providing consulting and M&A guidance to select high tech clientele; his association with Sumitomo Precision Products began in 2007, and he was the architect for the formation of SPTS through the acquisition of assets of Aviza Technology.

Greg Cornelsen is an economics and business development specialist and a successful businessman having held leadership positions in both large Australian based multinationals and start-up operations. A former international rugby union player, with 25 caps for the Australian Wallabies, he is a committee member of the Australian Barbarian Rugby Club and the Chairman of the Australian Schools Rugby Foundation. His rugby and business backgrounds have allowed him to develop an extensive network within the Australian business community.

Greg is a long-time passionate supporter of sustainable practises and clean technologies having grown up on a family station that employed revolutionary broad acre sustainable practises. Greg has always understood the importance of the BluGlass technology for both the LED and solar industries. He is instrumental in steering the Board's sub committees.

Messrs Johnson and Cornelsen have served as a director's of the Company for 5.5 years and 9.5 years respectively. The Board considers each of Messrs Johnson and Cornelsen to be Independent Directors of the Company

The Directors (other than Mr William Johnson and Mr Greg Cornelsen) recommend that Shareholders vote in favour of the re-election of William Johnson and Mr Greg Cornelsen as Directors.

3. Resolution 4 - Approval of 10% Placement Facility

3.1 General Comments

ASX Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An Eligible Entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million or less. The Company is an Eligible Entity as it is not included in the S&P/ASX 300 and has a market capitalisation of approximately \$21 million at the date of this Notice.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities the Company may issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

The effect of Resolution 4 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

3.2 Explanation of Listing Rule 7.1A and information required by Listing Rule 7.3A

(a) Shareholder approval

A company's ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

(b) **Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company currently has 1 class of quoted Equity Securities on issue, being the Shares (ASX Code:BLG).

(c) **Formula for calculating 10% Placement Facility**

ASX Listing Rule 7.1A.2 provides that an Eligible Entity which has obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(A) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the previous 12 months;

(C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of Shares under the entity's 15% placement capacity without shareholder approval; and

(D) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are *not* issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or ASX Listing Rule 7.4.

(d) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be no less than 75% of the volume weighted average market price for Equity Securities in the same class calculated over the 15 Trading Days on which trades in the class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(e) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (ii) the date of the approval by Shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

or such longer period if allowed by ASX (**10% Placement Period**).

3.3 Effect of Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Company to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

3.4 Other specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities in that class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting at which the approval under ASX Listing Rule 7.1A is obtained; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the potential dilution of existing holders of Shares on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100% and the voting dilution impact of such an increase. The number of Shares, calculated in accordance with the formula set out in ASX Listing Rule 7.1A(2), to be included in variable "A", may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

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- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the Share price on the date of the Notice of Meeting, and the economic dilution of such a change.

| Variable 'A' in Listing Rule 7.1A.2 | Dilution | 50% decrease in Issue Price (\$0.03) | Issue Price (\$0.06) | 100% increase in Issue Price (\$0.12) |
|--|---------------------|--------------------------------------|----------------------|---------------------------------------|
| Current Variable A 326,601,721 Shares | 10% Voting Dilution | 32,660,172 Shares | 32,660,172 Shares | 32,660,172 Shares |
| | Funds raised | \$979,805 | \$1,959,610 | \$3,919,221 |
| 50% increase in current Variable A 489,902,582 Shares | 10% Voting Dilution | 48,990,258 Shares | 48,990,258 Shares | 48,990,258 Shares |
| | Funds raised | \$1,469,708 | \$2,939,415 | \$5,878,831 |
| 100% increase in current Variable A 653,203,442 Shares | 10% Voting Dilution | 65,320,344 Shares | 65,320,344 Shares | 65,320,344 Shares |
| | Funds raised | \$1,959,610 | \$3,919,221 | \$7,838,441 |

The table has been prepared on the following assumptions.

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) That a total of 326,601,721 Shares are on issue as at the date of this Notice of Meeting.
- (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting. All Shareholders should consider the dilution caused by their own shareholding depending on the specific circumstances.
- (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (v) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
- (vi) The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- (vii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (viii) The issue price is [\$0.06], being the closing price of the Shares on ASX on [29 Sep 2015.]

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
 - (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.
- (b) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new assets and investments (including expenses associated with such an acquisition) which will compliment the Company's existing projects and add value to the Company's Shareholders where the Directors consider it appropriate to do so. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards the development and commercialisation of its RPCVD technology and/or for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.
- (c) The Company's allocation policy for the issue of Equity Securities under the 10% Placement Facility will be dependent on the prevailing market conditions at the time of any proposed placement(s). The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the purpose of the issue;
 - (ii) alternative methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (iii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iv) the circumstances of the Company, including but not limited to, the financial situation and solvency of the Company;
 - (v) prevailing market conditions at the time of issue; and
 - (vi) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing Shareholders and/or new investors who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (d) Information required by ASX Listing Rule 7.3A.6.

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 24 November 2014 (**Previous Approval**).

The Company has not issued any Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 16 November 2014, the Company otherwise issued a total of 38,853,000 Shares and Nil Options which represents approximately 13.50% of the total diluted number of Equity Securities on issue in the Company on 24 November 2014, which was 287,748,721.

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The table below sets out the information relating to issues of Equity Securities issued by Bluglass Limited in the 12 months prior to 16 November 2015.

| Date of Appendix 3B | Number of Equity Securities | Class of Equity Securities and summary of terms | Names of recipients or basis on which recipients determined | Issue price of Equity Securities and discount to market price ¹ on the trading day prior to the issue | If issued for cash – the total cash consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration |
|--|---|---|--|--|---|
| Issue: 10 June 2015 Appendix 3B: 10 June 2015 | 31,368,000 | Ordinary Shares | Shares issued pursuant to Shareholder Purchase Plan | Issue Price \$0.0625 per share Market price on 10 June 2015 of \$0.07 This represents a discount of approximately 11 % | Cash Consideration of \$1,960,000 Funds applied toward the commercialisation of the Company's RPCVD technology, the costs of product evaluation by third parties and general working capital |
| Issue: 5 August 2015 Appendix 3B: 5 August 2015 | 7,485,000 | Ordinary Shares | Shares issued pursuant to Sophisticated Investor Placement – approximately 12 investors in total | Issue Price \$0.0625 per share Market price on 5 August 2015 \$0.085 This represents a discount of approximately 26.5% | Cash Consideration of \$467,812 Funds applied toward the commercialisation of the Company's RPCVD technology, the costs of product evaluation by third parties and general working capital |
| Total | 38,853,000 Equity Securities (Note 3) | Note 2 | | Note 1 | |

Notes:

1. Market price means the closing price on ASX on the day prior to issue of the Equity Securities (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the closing market price on the Trading Day on which the relevant Equity Securities were issued.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: BLG (terms are set out in the Constitution).
3. Being 13.50% of the total number of Equity Securities on issue as at 24 November 2014.

- (e) When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:
- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with ASX Listing Rule 7.1A.4; and
 - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (f) A voting exclusion statement is included in the Notice of Meeting. At the date of this Notice of Meeting, the Company has not approached any existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of the Equity

Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting for Resolution 4.

4. Resolution 5 – Ratification of Placement

4.1 General

On 5 August 2015, the Company issued 7,845,000 Shares at an issue price of \$0.0625 per Share to raise \$467,812.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the proposed ratification of Shares:

- (a) 7,485,000 Shares were issued;
- (b) the issue price was \$0.0625 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated investors who are clients of Insync Equity Services and APP Securities Pty Ltd. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used for providing funds to further progress the development and commercialisation of the Company's technology as well as the Company's share of the cost of any joint evaluation of the Company's technology by Vecco Instruments Inc.

5. Resolution 6- Issue of Director Incentive Options

5.1 General Comments

The Company has established the BluGlass Incentive Option Scheme ("**Incentive Option Scheme**" or "**Scheme**") for the issue of Incentive Options to be held by BluGlass Employee Incentive Plan Pty Limited ("**Trustee**") as trustee for the BluGlass Incentive Option Scheme Trust ("**the Trust**") on behalf of Company executives, staff, directors and officers of the Company. The Scheme was adopted by Shareholders on 25 November 2013.

These Incentive Options, and any Shares issued as a result of the exercise of the Incentive Options, will only vest on the attainment of predefined performance criteria as summarised further below. The terms of the Incentive Option Scheme are summarised in **Schedule C**.

It is proposed that, subject to Shareholder approval, a total of 1,150,000 Options (**Incentive Options**) will be issued to the Trustee, to be held in trust on behalf of Mr Giles Bourne (or their respective nominees) ("**Related Party**"). These Incentive Options, and any Shares issued as a result of the exercise of the Incentive Options, will only vest to the specified Director on the attainment of predefined performance criteria.

5.2 Related Party Transaction

Under the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Incentive Options to the Trust to hold on trust for the Related Party, under the Scheme, requires the Company to obtain Shareholder approval because this constitutes giving a financial benefit and, as a Director, Mr Giles Bourne is a related party of the Company.

It is the view of Directors that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue the Incentive Options to the Trust to hold on trust for the Related Party in accordance with section 208 of the Corporations Act.

5.3 ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that a company must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition:

- (a) a director of the company;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

If Resolution 6 is passed, Incentive Options will be issued to the Trust to hold on trust for Mr Giles Bourne. Therefore, the Company requires Shareholder approval in accordance with ASX Listing Rule 10.14 to issue the Incentive Options to the Trust to hold on trust for Mr Giles Bourne (or his respective nominees).

5.4 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.14)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Incentive Options:

- (a) the related party is Mr Giles Bourne and he is a related party by virtue of being a Director of the Company;

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- (b) the maximum number of Incentive Options (being the nature of the financial benefit being provided) to be granted to the Related Party (or his nominees) is:

| | |
|--------------|-----------|
| Giles Bourne | 1,150,000 |
|--------------|-----------|

- (c) Incentive Options to be issued will be options to acquire Shares in the capital of the Company, which if exercised, will be issued on the same terms and conditions as the Company's existing Shares;

- (d) the Incentive Options will be granted to the Related Party (or their nominees) no later than 12 months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Incentive Options will be issued on one date;

- (e) the Incentive Options will be granted for nil cash consideration, accordingly no funds will be raised;

- (f) no loan has or will be provided to the Related Parties in relation to the issue or subsequent exercise of the Incentive Options;

- (g) since the Scheme was last approved by Shareholders on 25 November 2013, the following Incentive Options have been issued to directors or their associates for nil cash consideration:

- (i) in November 2013, 465,000 Incentive Options were issued to Mr Venardos and 267,000 Incentive Options were issued to each of Messrs, Cornelsen, Kantamneni and Johnson.

- (h) the following are the key terms of the Incentive Options to be granted to the Related Party:

- (i) the Incentive Options have an exercise price of \$0.01 per Incentive Option;

- (ii) the Incentive Options have an expiry date of 1 December 2018;

- (iii) the Incentive Options have the following attached vesting criteria:

- the Related Party being employed for a continuous period of 24 months from the date of issue of the Incentive Options; and
- achievement of one or more of the following significant events, to the ultimate satisfaction and discretion of the Board:
 - RPCVD overgrown green LED consistently outperforms the Company's MOCVD grown green LEDs;
 - the Company enters into a commercial arrangement with an equipment or device manufacturer (e.g. Joint Development Agreement, Joint Venture or Strategic Partnership) focussed on commercialising the RPCVD technology; or
 - Demonstrated RPCVD p-AlGaIn properties comparative or better than MOCVD performance; and

Final vesting criteria: Once one or more of the above performance vesting criteria are met, the Incentive Options will only vest with final Board approval.

- (i) the full terms and conditions of the Incentive Options are set out in **Schedule A**;

- (j) the value of the Incentive Options and the pricing methodology is set out in **Schedule B**;

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- (k) any person who is in the full-time or part-time employment of, or is a director of, or is a consultant to, the Company or any subsidiary (if any) is entitled to participate in the Incentive Option Scheme. As at the date of this Notice of Annual General Meeting, Mr Giles Bourne is eligible to participate in the Incentive Option Scheme;
- (l) as at the date of this Notice of Meeting, the Related Party has the following relevant interest in the following Company securities:

| Related Party | Shares | Options |
|-----------------|-----------|---------|
| Mr Giles Bourne | 1,424,566 | 974,000 |

- (m) the remuneration and emoluments paid (or to be paid) by the Company to the Related Party for the previous two financial years and current financial year to date (inclusive of superannuation and equity based remuneration) is as follows;

| Related Party | Current financial year to date | Financial year Ended 30 June 2015 | Financial year Ended 30 June 2014 |
|-----------------|--------------------------------|-----------------------------------|-----------------------------------|
| Mr Giles Bourne | \$76,157 | \$330,000 | \$481,800 |

- (n) if all of the Incentive Options are granted under Resolution 6 to the Related Party and are exercised, a total of 1,150,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 326,601,721 to 327,751,721 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.35%;
- (o) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

| | Price | Date |
|---------|--------|----------------------|
| Highest | \$0.14 | 14 & 17 October 2014 |
| Lowest | \$0.06 | 19, 22, 26 June 2015 |
| Last | \$0.06 | 29 September 2015 |

- (p) the primary purpose of the grant of Incentive Options to the Related Party is to provide cost effective consideration to the Related Party for their ongoing commitment and contribution to the Company as Managing Director of the Company; and
- (q) the Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed. The vesting performance criteria attached to the Incentive Options and the Shares issued as a result of the exercise of any of the Incentive Options aims to ensure that significant value is created prior to the Incentive Options or Shares (as a result of the exercise of the Incentive Options) vest to the Related Party.

5.5 Directors' recommendations

Mr Greg Cornelson recommends that Shareholders vote in favour of Resolution 6 for the following reasons:

- (a) the issue of Incentive Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Party; and

- (b) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed.

Each of Mr William Johnson, Mr George Vernardos and Mr Chandra Kantamneni recommend that Shareholders vote in favour of Resolution 6 for the reasons set out in sections 5.5(a) and 5.5(b).

Mr Giles Bourne declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. No other Director has a material personal interest in the outcome of Resolution 6.

The Board is not aware of any information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

6. Enquiries

Shareholders are invited to contact the Company Secretary on (+61 2) 9334 2300 if they have any queries in respect of the matters set out in these documents.

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GLOSSARY

\$ means Australian Dollars

10% Placement Facility has the meaning given in Section 3.2.

10% Placement Period has the meaning given in Section 1.1(e).

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company or **Bluglass** means BluGlass Limited ABN 20 116 825 793.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a current director of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

EST means Eastern Standard Time as observed in Sydney, New South Wales.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security which the ASX decides to classify as an equity security.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Incentive Options has the meaning given in section 5.1..

Incentive Option Scheme or **Scheme** has the meaning given in section 5.1.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company or, if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

LED means light-emitting diode.

Meeting means the meeting convened by the Notice.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

MOCVD means Metal Organic Chemical Vapour Deposition.

MQW means Multi Quantum Well.

p-GaN means positive charge Gallium Nitride.

Option means an option to acquire a Share.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2015.

Related Party has the meaning given in section 5.1.

Resolutions means the resolutions set out in the Notice of Meeting or any one of them, as the context requires.

RPCVD means Remote Plasma Chemical Vapour Deposition.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Spill Meeting has the meaning given to that term in section 1.2 of the Explanatory Statement.

Spill Resolution has the meaning given to that term in section 1.2 of the Explanatory Statement.

Trading Days has the same meaning as in the ASX Listing Rules.

Trust has the meaning given in section 5.1.

Trustee has the meaning given in section 5.1.

SCHEDULE A – TERMS OF INCENTIVE OPTIONS

The terms and conditions of the Incentive Options are as follows and as otherwise provided in the Incentive Option Scheme:

- (a) each Incentive Option entitles the holder, when exercised, to one (1) Share;
- (b) subject to paragraphs (d) and (e) below, the Incentive Options are exercisable at any time on or prior to 5.00pm (EST) on 1 December 2018 (Expiry Date) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Incentive Options are exercised to the registered office of the Company;
- (c) the amount payable upon exercise of each Incentive Option will be \$0.01 (**Exercise Price**);
- (d) subject to (e) below, the Incentive Options and any Shares issued on the exercise of the Incentive Options will vest on the attainment of:
 - the Related Party being employed for a continuous period of 24 months from the date of issue of the Incentive Options; and
 - Achievement of one or more of the following significant events, to the ultimate satisfaction and discretion of the Board:
 - RPCVD overgrown green LED consistently outperforms the Company's MOCVD grown green LEDs;
 - the Company enters into a commercial arrangement with an equipment or device manufacturer (e.g. Joint Development Agreement, Joint Venture or Strategic Partnership) focussed on commercialising the RPCVD technology; or
 - Demonstrated RPCVD p-AlGaIn properties comparative or better than MOCVD performance; and
- (i) **Final Vesting Criteria:** Once all the above performance milestones are met, the Incentive Options will only vest with Board approval.
- (e) in the event:
 - (i) any third party acquires greater than a 50% interest in the Company's issued shares (by way of takeover, Incentive Option Scheme of arrangement or any other means); or
 - (ii) the Company sells a majority of its assets to a third party,any unvested Incentive Options or Shares issued on the exercise of the Incentive Options will immediately vest and must be exercised within 90 days thereafter (otherwise they will immediately lapse);
- (f) an Incentive Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Incentive Option can be exercised;
- (g) all Shares allotted upon the exercise of Incentive Options will upon allotment rank pari passu in all respects with other Shares;
- (h) the Incentive Options are not transferable;
- (i) Incentive Options will not be quoted on the ASX. However an application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of the Incentive Options if the Company's Shares are listed on ASX at that time;
- (j) there are no participating rights or entitlements inherent in the Incentive Options and Incentive Option holders will not be entitled to participate in new issues of capital offered to Shareholders

during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Incentive Option holders the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue; and

- (k) if at any time the issued capital of the Company is reconstructed, all rights of an Incentive Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

SCHEDULE B – VALUATION OF INCENTIVE OPTIONS

The Company obtained a valuation of the Incentive Options to be issued to the Directors of Bluglass by PKF, Chartered Accountants. A summary of the valuation and methodology is outlined below:

These options, or rights, will be over ordinary shares in the company that will vest subject to certain pre-determined criteria as outlined in Schedule A. Our valuation is based on the methodology set out below:

At the point of assessment, for tax purposes, the options would be valued under the preserved rules set out under the former Division 13A of Part III of the Income Tax Assessment Act 1936 and the Australian Tax Office Guide to market valuation. The options would also be valued in accordance with AASB 2 *Share-Based Payments*.

We have determined that the value of the options will be calculated as follows;

WVAP of BLG shares times 60%

Where;

WVAP is the weighted value of the average closing price of BluGlass Limited shares over the ten trading days immediately prior to the issue.

Our methodology

To determine the value of a right to acquire a share, we consider;

- the value of the underlying share,
- the cost (if any) to acquire the share on vesting of the right, and
- the terms and conditions specific to the right.

In valuing a listed share a “point-in-time” valuation, such as the closing price on a particular day, is sometimes appropriate but a number of factors need to be taken into account before employing this method. These include;

- Liquidity,
- Volatility,
- Valuation changes resulting from company capital structural events or changes in retained earnings, and
- The period to which the valuation is applied.

Having consideration for these factors in the case of BluGlass Limited, we prefer a volume weighted average price (VWAP) in setting a base line for the valuation of the options granted. To achieve an appropriate VWAP on the date the options are issued, we will use the closing price over the ten previous trading days.

The cost to acquire the share, upon the vesting of the option, is 1 cent.

The options issued to the Directors will vest, and the Directors will be able to receive the shares held in the ESS trust, upon the achievement of certain milestones. These milestones vary in difficulty and therefore likelihood to be achieved. Having full consideration for the factors associated with the milestones, we believe a discount of 30% to 50% on the value of the shares is appropriate due to the possibility the rights will not vest. In this type of valuation a band is most appropriate, but to determine a specific number for an estimate we see no reason the midpoint of the range cannot be used.

If the assessment was done today, 1 September 2015, the VWAP would be 7.39 cents. It would follow that the value of the options would be 4.43 cents less the 1 cent payable to acquire the share. This would result in a value of the options today of **3.43** cents.

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Summary of Incentive Option Values per Director:

| Director | Number of Incentive Options proposed to be Issued | Value of Incentive Options proposed to be Issued – with Discount Applied | Value of Incentive Options proposed to be issued - with No Discount Applied |
|-----------------|--|---|--|
| Giles Bourne | 1,150,000 | \$39,445 | \$73,485 |

Note: The valuation noted above are not necessarily the market prices that the Incentive Options could be traded at and they are not automatically the market prices for taxation purposes

SCHEDULE C – SUMMARY OF INCENTIVE OPTION SCHEME

(a) **Eligibility**

The Board may invite full or part time employees and directors of, and consultants to, the Company or an Associated Body Corporate of the Company to participate in the Scheme (**Eligible Participant**).

Eligible Participants do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

(b) **Offer of Incentive Options**

The Scheme will be administered by the Board which may, in its absolute discretion, offer Incentive Options to any Eligible Participant from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Participant's length of service with the Group;
- (ii) the contribution made by the Eligible Participant to the Group;
- (iii) the potential contribution of the Eligible Participant to the Group; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Incentive Options**

The number of Incentive Options to be offered to an Eligible Participant will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

(d) **Conversion**

Each Incentive Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Incentive Options issued under the Scheme will be issued for no consideration.

(f) **Exercise price**

The exercise price for Incentive Options offered under the Scheme will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Incentive Option granted under the Scheme.

(h) **Exercise of Incentive Options**

A participant in the Scheme will be entitled to exercise their Incentive Options in respect of which the exercise conditions have been met provided the Incentive Options have not lapsed and the exercise of the Incentive Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Incentive Options by delivering an exercise notice to the Company secretary along with the Incentive Options certificate, and paying the applicable exercise price of the Incentive Options multiplied by the number of Incentive Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Scheme ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability, permanent retirement from the workforce or redundancy) prior to the lapse of the Incentive Options, and the exercise conditions attaching to the Incentive Options have been met, the participant's Incentive Options will lapse immediately and all rights in respect of those Incentive Options will thereupon be lost.

(j) **Death, permanent disability, retirement or redundancy**

If the participant in the Scheme dies, becomes permanently disabled, permanently retires from the workforce as an employee or director of, or consultant to, the Company or is made redundant by the relevant member of the Group prior to the lapse of the Incentive Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Incentive Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Incentive Options and the date which is six months after the date of the cessation event.

(k) **Lapse of Incentive Options**

Incentive Options held by a participant in the Scheme will lapse immediately if:

- (i) the holder ceases to be an employee or director of, or consultant to, the Company or an Associated Body Corporate and the exercise conditions have not been met;
- (ii) the exercise conditions attaching to the Incentive Options are unable to be met;
- (iii) the Incentive Options have not been exercised by the date which is two years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Incentive Options; or
- (iv) the holder ceases to be an employee or director of, or consultant to, the Company or an Associated Body Corporate and the exercise conditions have been met, after a period of 60 days after the ceasing date.

(l) **Participation in Rights Issues and Bonus Issues**

The Incentive Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Incentive Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Incentive Options will be adjusted for bonus issues made prior to the exercise of the Incentive Options in accordance with the ASX Listing Rules.

(m) **Reorganisation**

The terms upon which the Incentive Options will be granted will not prevent the Incentive Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) **Limitation on offers**

If the Company makes an offer under the Scheme where:

- (i) the total number of Shares to be received on exercise of Incentive Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or

- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) **Trigger event**

If any of the following events occur:

- (i) the Company is subject to a takeover bid;
- (ii) the Company proposes a scheme of arrangement with its members pursuant to section 411 of the Corporations Act; or
- (iii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,

then the Board may:

- (i) determine that Incentive Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or
- (ii) use its reasonable endeavours to procure that an offer is made to holder of Incentive Options on like terms to the terms proposed in such event.