

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 24th November 2014 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.

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 24th November 2014 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 22nd November 2014.

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 22nd November 2014.

AGENDA

Ordinary Business

Accounts and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014 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 2014.”

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 George Venardos

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 George Venardos, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. Resolution 3 – Re-Election of Director – Mr Giles Bourne

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 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Giles Bourne, a Director who was appointed by the Board as an additional Director on 26 August 2014, retires, 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.

DATED: 10 OCTOBER 2014
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 24th November 2014 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 2014 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 2014.

A reasonable opportunity will be provided for discussion of 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 2013, 502,200 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. However, if you do not direct the Chair how to vote, you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

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, and you do not need to mark any further acknowledgement on the Proxy Form.

2. Resolution 2 - Re-Election of Mr George Venardos

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. Accordingly one must retire.

Mr George Venardos, one of the Directors that has been longest in office since his last election, retires by rotation and seeks re-election.

3. Resolution 3 – Re-Election of Director – Mr Giles Bourne

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Under clause 13.4 of the Constitution, any Director so appointed holds office only until the next following general meeting and must then retire and seek re-election by Shareholders. Any such Director shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Giles Bourne, having been appointed by the Board as a Director on 26 August 2014, will retire in accordance with clause 13.4 of the Constitution and, being eligible, seeks election from Shareholders.

4. Resolution 4 - Approval of 10% Placement Facility

4.1 General Comments

ASX Listing Rule 7.1A enables an Eligible Entity 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 \$39million 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.

4.2 Explanation of Listing Rule 7.1A

(a) Shareholder approval

The 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:

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

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**).

4.3 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).

4.4 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
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 50% 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 (\$0.07)	Issue Price (\$0.135)	100% increase in Issue Price (\$0.27)
Current Variable A	10% Voting Dilution	28,774,872 Shares	28,774,872 Shares	28,774,872 Shares

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287,748,721 Shares	Funds raised	\$2,014,241	\$3,884,608	\$7,769,215
50% increase in current Variable A 431,623,081 Shares	10% Voting Dilution	43,162,230 Shares	43,162,230 Shares	43,162,230 Shares
	Funds raised	\$3,021,356	\$5,826,901	\$11,653,802
100% increase in current Variable A 575,497,442 Shares	10% Voting Dilution	57,549,744 Shares	57,549,744 Shares	57,549,744 Shares
	Funds raised	\$4,028,482	\$7,769,215	\$15,538,431

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 287,748,721 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.
- (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 \$0.135, being the closing price of the Shares on ASX on 6 October 2014.

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 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.

The Company will comply with the disclosure obligations under Listing Rule 7.1A.4 and Listing Rule 3.10.5A upon issue of any Equity Securities.

- (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. 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 resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources 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 25 November 2013 (**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 24 November 2013, the Company otherwise issued a total of 2,410,890 Shares and 4,059,000 Options which represents approximately 2.20% of the total diluted number of Equity Securities on issue in the Company on 24 November 2013, which was 294,071,387.

The table below sets out the information relating to issues of Equity Securities issued by Bluglass Limited in the 12 months prior to 24 November 2014.

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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: 21 January 2014 Appendix 3B: 21 January 2014	4,059,000	Note 3	Issue of unlisted incentive options on behalf of executives and employees, to the BluGlass Employee Incentive Plan Pty Limited atf BluGlass Incentive Option Scheme Trust	No issue price (non-cash consideration) Market price on 21.01.2014 of \$0.16	Nil cash consideration. Consideration: Performance based remuneration – options issued under the BluGlass Incentive Plan. Current value ⁵ = Based on a share price of \$0.135 as at 6 October 2014, the current value of non cash consideration is \$507,375
Issue: 14 January 2014 Appendix 3B: 14 January 2014	2,410,890	Note 2	Exercise of unlisted incentive options by the BluGlass Employee Incentive Plan Pty Limited atf BluGlass Incentive Option Scheme Trust .	No issue price (non-cash consideration) Market price on 14.01.14 of \$0.17	Nil cash consideration. Consideration: Issue as a result of the exercise of 1 October 2014 unlisted incentive options due to milestone attainment. Current value ⁵ = \$325,470
Total	6,469,890 Equity Securities (Note 4)	Note 2 Note 3			

Notes:

- 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 market price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- Fully paid ordinary shares in the capital of the Company, ASX Code: BLG (terms are set out in the Constitution).
- Unlisted Options issued with an exercise price of \$0.01 and an expiry date of 1 December 2016, vesting on the following milestones and otherwise in accordance with the terms of the Incentive Option Scheme:
 - Tranche 1 Vesting Criteria:** 67% of an Option holder's options will vest and be exercisable after achievement of both the following performance milestones:
 - a p-GaN layer using the Company's RPCVD technology achieving, on a consistent basis, improved characteristics as compared to p-GaN layers produced using MOCVD technology. The p-type characteristics are to be based on electrical properties, light extraction, and i-v (current – voltage) results from quick LED testing of RPCVD p-GaN compared to MOCVD p-GaN both overgrown on blue MQW GaN MOCVD templates; and

- the Company successfully completing a commercial transaction which directly leads to measureable revenue, the materiality of which is acceptable to the board.
- (ii) **Tranche 2 Vesting Criteria:** 33% of an option holder's options will vest and be exercisable after 24 months continuous service from the date of option issue.
- (iii) **Final Vesting Criteria:** Once all the above performance milestones are met, the Incentive Options will only vest with board approval.
4. Being 2.2% of the total number of Equity Securities on issue as at 24 November 2013.
5. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.135) as the context requires on the ASX on the trading day prior to the date of this Notice. In respect of unquoted Equity Securities, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).
- (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.

5. 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.

GLOSSARY

\$ means Australian Dollars

10% Placement Facility has the meaning given in Section 4.1.

10% Placement Period has the meaning given in Section 4.2(e).

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

ASIC means the Australian Securities and Investments Commission.

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.

GaN means Gallium Nitride.

Incentive Options mean Options issued under the Scheme.

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.

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 2014.

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.