

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 25th November 2013 at 10.30am EST

Grant Thornton, Level 19, 2 Market 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 25th November 2013 commencing at 10.30am (EST) at Grant Thornton, Level 19, 2 Market 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
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 10.30am (EST) on Saturday 23rd November 2013.

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.

RECENT CHANGES TO VOTING BY PROXY

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes 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 1:00pm (EST) on Saturday 23rd November 2013.

AGENDA

Ordinary Business

Accounts and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

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 year ended 30 June 2013.”

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 vote on this Resolution if:

- (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.

Resolution 2 – Re-Election of Director – Mr Chandra Kantamneni

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

Resolution 3 – 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 calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement be approved.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 3 by a person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary Shares (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.

Resolution 4 - Issue of Incentive Options to George Venardos

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, Section 195(4) and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to issue and allot 465,000 Incentive Options to Director Mr George Venardos 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 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:

- (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

Resolution 5 – Issue of Incentive Options to Greg Cornelsen

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, Section 195(4) and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to issue and allot 267,000 Incentive Options to Director Mr Greg Cornelsen 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 all the Directors 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:

- (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.

Resolution 6 – Issue of Incentive Options to Chandra Kantamneni

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, Section 195(4) and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to issue and allot 267,000 Incentive Options to Director Mr Chandra Kantamneni 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 all the Directors 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:

- (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.

Resolution 7 – Issue of Incentive Options to Dr William Johnson

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, Section 195(4) and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to issue and allot 267,000 Incentive Options to Director Dr William Johnson 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 all the Directors 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:

- (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.

Resolution 8 – Renewal of Incentive Option Scheme

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 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt the Company's Incentive Option Scheme and for the issue of securities under that 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, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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.

Resolution 9 – Ratification of prior issue – Shares

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 11,766,025 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.

DATED: 20 OCTOBER 2013
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 25th November 2013 at 10.30am (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 2013 together with the declaration of the directors, the Directors' Report, the Remuneration Report and the Auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to shareholders unless a shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report 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 2013.

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 financial year ended immediately before the second annual general meeting) 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 2012, 412,630 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 Chandra Kantamneni

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 4 Directors and accordingly one must retire.

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

3. Resolution 3 - Approval of 10% Placement Facility

3.1 General Comments

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share 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 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 \$43 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 to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

3.2 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 3 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 Equity Securities on issue, being the Shares (ASX Code:BLG).

(c) Formula for calculating 10% Placement Facility

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 fully paid ordinary 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 ordinary 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 Rule 7.1 or Listing Rule 7.4. This does not include an issue of Shares under the entity's 15% placement capacity without shareholder approval;

(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 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 shares under Listing Rule 7.1 or Listing Rule 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 285,337,831 Shares and therefore, assuming Resolution 9 is approved and no other securities are issued, has a capacity to issue:

- (i) 42,800,675 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 3, 28,533,783 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be no less than 75% of the VWAP 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.

(f) 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 Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 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 3 will be to allow the Directors 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 3 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 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) If Resolution 3 is approved by Shareholders and the Company issues 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 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%. The number of ordinary 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 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.

BLUGLASS LIMITED

A.B.N. 20 116 825 793

(iii)

Variable 'A' in Listing Rule 7.1A.2	Dilution			
		50% decrease in Issue Price (\$0.075)	Issue Price (\$0.15)	100% increase in Issue Price (\$0.30)
Current Variable A 285,337,831 Shares	10% Voting Dilution	28,553,783 Shares	28,553,783 Shares	28,553,783 Shares
	Funds raised	\$2,141,534	\$4,283,067	\$8,566,135
50% increase in current Variable A 428,006,747 Shares	10% Voting Dilution	42,800,674 Shares	42,800,674 Shares	42,800,674 Shares
	Funds raised	\$3,210,051	\$6,420,101	\$12,840,202
100% increase in current Variable A 570,675,662 Shares	10% Voting Dilution	57,067,566 Shares	57,067,566 Shares	57,067,566 Shares
	Funds raised	\$4,280,067	\$8,560,135	\$17,120,270

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 285,337,831 Shares are on issue as at the date of this Notice.
- (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) That Resolution 9 is approved.
- (v) 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.
- (vi) 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.
- (vii) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1, other than those to be ratified in Resolution 9.
- (viii) 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%.
- (ix) The issue price is \$0.15, being the closing price of the Shares on ASX on 3 September 2013.

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 will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (c) 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.

- (d) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. 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) the 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 substantial Shareholders and/or new Shareholders 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.

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

BLUGLASS LIMITED

A.B.N. 20 116 825 793

The table below sets out the information relating to issues of equity securities issued by Bluglass Limited in the 12 months prior to 25 November 2013.

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
28 August 2013	373,333	Note 2	Exercise of unlisted incentive options by Directors George Venados	Issue Price - \$0.00 Market price on 27.08.13 of \$0.14	Issue as a result of the exercise of 13 October 2014 unlisted incentive options due to milestone attainment. Nil cash consideration
1 May 2013	325,000	Note 2	Exercise of unlisted incentive options by Directors George Venados, William Johnson, Chandra Kantamneni and Greg Cornelsen	\$0.17 issue price (option exercise price) being approximately a 10.5% discount to the market price on 30/04/2013 of \$0.19	Issue as a result of the exercise of 1 May 2013 unlisted incentive options. \$55,250 raised and used for general working capital purposes
18 April 2013	916,334	Note 2	Exercise of unlisted incentive options by the BluGlass Employee Incentive Plan Pty Limited atf BluGlass Incentive Option Scheme Trust	Issue price - \$0.00 Market price on 17.04.13 of \$0.20	Issue as a result of the exercise of 18 Jan 2016 unlisted incentive options due to milestone attainment. Nil cash consideration.
21 February 2013	30,000	Note 2	Exercise of unlisted incentive options by various employees	\$0.17 issue price (option exercise price) being approximately a 20.9% discount to the market price on 20/02/2013 of \$0.215	Issue as a result of exercise of 1 May 2013 unlisted incentive options. \$5,100 raised and used for general working capital purposes
18 January 2013	2,749,000	Note 3	Issue of unlisted incentive options on behalf of executives and employees, to the BluGlass Employee Incentive Plan Pty Limited atf	Nil	Nil cash consideration. Based on a share price of \$0.15 as at 3 September 2013, the current value of non cash consideration is \$412,350

BLUGLASS LIMITED

A.B.N. 20 116 825 793

			BluGlass Incentive Option Scheme Trust		
31 December 2012	12,375,000	Note 2	Issue to shareholder applicants under Company's Share Purchase Plan	\$0.20 issue price being approximately a 9.09% discount to the market price on 28/12/2012 of \$0.22	\$2,353,205 raised and used for the commercialisation of the Company's RPCVD technology and general working capital purposes
17 December 2012	15,000	Note 2	Exercise of unlisted incentive options by various employees	\$0.17 issue price (option exercise price) being approximately a 12.8% discount to the market price on 16/12/2012 of \$0.195	Issue as a result of exercise of 1 May 2013 unlisted incentive options. \$2,550 raised and used for general working capital purposes
13 December 2012	2,768,444	Note 2	Exercise of unlisted incentive options by various employees with Shares issued on their behalf to BluGlass Employee Incentive Plan Pty Limited atf BluGlass Incentive Option Scheme Trust	Issue price - \$0.00 Market price on 13.12.12 - \$0.20	Issue as a result of the exercise of 13 October 2014 unlisted incentive options due to milestone attainment. Nil cash consideration.
7 December 2012	11,766,025	Note 2	Issue to unrelated institutional investors, being - Sandhurst Trustees Limited ACF Australian New Horizons Fund A/c; and - HSBC Custody Nominees (Australia) Limited - A/C 2	\$0.20 issue price being a 0% discount to the market price on 06/12/2012 of \$0.20	\$2,353,205 raised and used for the commercialisation of the Company's RPCVD technology and general working capital purposes
6 December 2012	950,000	Note 2	Exercise of unlisted incentive options by various employees	\$0.17 issue price (option exercise price) being approximately a 15% discount to the market price on 06/12/2012 of \$0.20	Exercise of 1 May 2013 unlisted incentive options due to milestone attainment. \$161,500 raised and used for general working capital purposes
Total	32,268,136 Equity Securities (Note 4)	Note 2 Note 3			

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).
2. Fully paid ordinary shares in the capital of the Company, ASX Code: BLG (terms are set out in the Constitution).
3. Unlisted Options issued with a nil exercise price and an expiry date of 18 January 2016, vesting on the following milestones and otherwise in accordance with the terms of the Incentive Option Scheme:
 - (i) one third will vest when a P Gan lawyer with MOCVD equivalent quantities is achieved and verified;
 - (ii) one third will vest when a Beta machine is placed with a customer or similar commercial milestones with the directors retaining discretion to ascertain the attainment of this milestone; and
 - (iii) one third will vest upon 24 months continuous service with the Company from the date of issue of the Options.
- (f) 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 Listing Rule 7.1A.4; and
 - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (g) 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 particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting.
4. Being 12.0% of the total number of Equity Securities on issue as at 25 November 2012.

4. Resolutions 4 to 7- Issue of Director Incentive Options

4.1 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**") atf BluGlass Incentive Option Scheme Trust ("**the Trust**") on behalf of Company executives, staff, directors and officers of the Company.

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 1,266,000 Options (**Incentive Options**) will be issued to the Trustee, to be held in trust on behalf of Messrs George Venardos, Greg Cornelsen, Chandra Katamneni, and Dr William Johnson (or their respective nominees) ("**Related Parties**"). These Incentive Options, and any Shares issued as a result of the exercise of the Incentive Options, will only vest to the specified Directors on the attainment of predefined performance criteria.

Note that under Resolution 9 the Company is seeking shareholder approval to the renewal of the Scheme for the purposes of ASX Listing Rule 7.2 (Exception 9).

4.2 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 Parties, under the Scheme, requires the Company to obtain Shareholder approval because this constitutes giving a financial benefit and, as Directors, Messrs George Venardos, Greg Cornelsen, Chandra Kantamneni, and Dr William Johnson are related parties of the Company.

Because each of the Directors (or their nominees) may receive Incentive Options at the Meeting, the Directors are not able to consider whether that the exceptions set out in Sections 210 to 216 of the Corporations Act apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue the Incentive Options to Messrs Venardos, Cornelsen, Kantamneni and Johnson in accordance with section 195 of the Corporations Act.

4.3 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 Resolutions 4 to 7 are passed, Incentive Options will be issued to Messrs George Venardos, Greg Cornelsen, Chandra Kantamneni, and Dr William Johnson, Directors of the Company. Therefore, the Company requires Shareholder approval to issue the Incentive Options to the Related Parties (or their respective nominees).

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

Pursuant to and in accordance with the requirements of Sections 217 to 227 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 parties are Messrs Venardos, Cornelsen, Kantamneni, and Johnson (**Related Parties**) and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Incentive Options (being the nature of the financial benefit being provided) to be granted to each Related Party (or their nominees) is:

George Venardos	465,000
Greg Cornelsen	267,000

Chandra Kantamneni	267,000
William Johnson	267,000

- (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 Parties (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 1 November 2010, the following Incentive Options have been issued to directors or their associates for nil cash consideration:
- (i) in November 2011, 560,000 Incentive Options were issued to Mr Venardos, 280,000 Incentive Options were issued to Messrs, Cornelsen, Kantamneni and Johnson.
- (h) the following are the key terms of the Incentive Options to be granted to the Related Parties:
- (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 2016;
- (iii) Tranche 1 Vesting Criteria: 67% of an Option holder's Incentive 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;
- (iv) Tranche 2 Vesting Criteria: 33% of an Incentive Option holder's Incentive Options will vest and be exercisable after 24 months continuous service from the date of Incentive Option issue;
- (v) Final Vesting Criteria: Once all the above performance milestones are met, the Incentive Options will only vest with 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;
- (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, all of the Directors, being Mr George Venardos, Mr Greg Cornelsen, Mr Chandra Kantamneni, and Dr William Johnson are eligible to participate in the Incentive Option Scheme;
- (l) each Related Party has the following relevant interest in the following Company securities:

Related Party	Shares	Options
Mr George Venardos	1,353,451	186,667
Mr Greg Cornelsen	1,027,941	280,000
Mr Chandra Kantamneni	192,647	280,000
Dr William Johnson	150,000	280,000

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

Related Party	Financial year Ended 30 June 2014	Financial year Ended 30 June 2013	Financial year Ended 30 June 2012
Mr George Venardos	\$76,300	76,300	137,900
Mr Greg Cornelsen	\$54,500	54,500	85,300
Mr Chandra Kantamneni	\$46,100	43,600	74,400
Dr William Johnson	\$46,100	40,000	74,400

- (n) if all of the Incentive Options are granted under Resolutions 4 - 7 to the Related Parties and are exercised, a total of 1,266,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 285,337,831 to 286,603,831 (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 0.44%;
- (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	\$0.31	26 November 2012
Lowest	\$0.10	24 October 2012
Last	\$0.15	3 September 2013

- (p) the primary purpose of the grant of Incentive Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company as a Directors of the Company;

- (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; and
- (r) the Board acknowledges the grant of Incentive Options to the Related Parties, who are non executive Directors, is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Incentive Options to the Related Parties reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

4.5 Directors' recommendations

- (a) Mr Venardos declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. However, in respect of Resolutions 5, 6 and 7, Mr Venardos recommends that Shareholders vote in favour of those Resolutions for the following reasons:
 - (i) 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 Parties; and
 - (ii) 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;
- (b) Mr Cornelsen declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. However, in respect of Resolutions 4, 6 and 7, Mr Cornelsen recommends that Shareholders vote in favour of those Resolutions for the reasons set out in subparagraphs (a)(i) and (a)(ii);
- (c) Mr Kantamneni declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. However, in respect of Resolutions 4, 5 and 7, Mr Kantamneni recommends that Shareholders vote in favour of those Resolutions for the reasons set out in subparagraphs (a)(i) and (a)(ii); and
- (d) Dr Johnson declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. However, in respect of Resolutions 4, 5 and 6, Dr Johnson recommends that Shareholders vote in favour of those Resolutions for the reasons set out in subparagraphs (a)(i) and (a)(ii).

5. Resolution 8 – Renewal of Incentive Option Scheme

Resolution 8 seeks Shareholders approval for the renewal of the Company's Incentive Option Scheme ("Scheme") in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

The Scheme was approved by Shareholders for adoption by the Board on 5 September 2006 and last approved on 1 November 2010.

Resolution 8 is an ordinary resolution requiring it to be passed by a simple majority of the votes cast by Shareholders entitled to vote on it.

The Directors unanimously recommend that Shareholders vote in favour of the resolution.

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 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which Shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 8 is passed, the Company will be able to issue Incentive Options under the Scheme to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

A total of 8,301,667 Incentive Options have been issued under the Incentive Option Scheme since the Scheme was last approved by Shareholders on 1 November 2010. Of these Incentive Options issued, 4,243,556 have not expired and are still on issue.

Incentive Options to be issued pursuant to the Scheme are for services rendered to date and going forward for existing directors, officers, employees and applicable consultants as well as providing an incentive component of remuneration packages for those officers to be appointed.

Any future issues of Incentive Options under the Scheme to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolutions 4 to 7 for the issue of Incentive Options to Directors pursuant to the Scheme.

A summary of the key terms and conditions of the Scheme is set out in Schedule C. In addition, a copy of the Scheme is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Scheme can also be sent to Shareholders upon request to the Company Secretary (Emmanuel Correia). Shareholders are invited to contact the Company if they have any queries or concerns.

6. Resolution 9 – Ratification of Prior Issue – Shares

(a) General

On 7 December 2012, the Company issued 11,766,025 Shares at an issue price of \$0.20 per Share to raise \$2,353,205.

Resolution 9 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares ("Ratification").

A summary of ASX Listing Rule 7.1 is set out under Resolution 8 above.

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.

(b) **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 Ratification:

- (i) 11,766,025 Shares were issued:
- (ii) the issue price was \$0.20 per Share;
- (iii) 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;
- (iv) the Shares were issued to institutional investors. None of these subscribers are related parties of the Company; and
- (v) the funds raised from this issue were used for the commercialisation of the Company's RPCVD technology, the further development of the Company's solar initiative and for general working capital purposes

7. 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 3.1.

10% Placement Period has the meaning given in Section 3.2(f).

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

ASIC means the Australian Securities and Investments Commission.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

ASX means ASX Limited.

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).

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.

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

Equity Securities means a Share, an Option, a convertible security or 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.

Group means the Company or an Associated Body Corporate.

Incentive Options mean Options issued under the Scheme.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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.

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 2013.

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 holder of a Share.

Scheme or Incentive Option Scheme means the incentive option scheme the subject of Resolution 9 and as summarised in Schedule C.

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.

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 2016 (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 in tranches as follows:
 - (i) **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.
- (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 Buglass by Lawler Partners, Chartered Accountants. A summary of the valuation methodology is outlined below:

These Incentive Options, or rights, will be over ordinary Shares in the Company, that will vest subject to certain pre-determined criteria. Our valuation is based on the rules set out in Division 83A of the Income Tax Assessment Act of 1997 and the Australian Tax Office Guide to market valuation.

The value of each Incentive Option has been calculated as follows;

Value of an Incentive Option = VWAP x 60.0%

Where;

VWAP is the weighted value of the average closing price of Buglass Limited fully paid ordinary shares over the ten trading days to 3 September 2013. For the ten days ended 3 September 2013 the BLG VWAP was \$0.146, resulting in each Incentive Option being attributed a value of \$0.086 less the \$0.01 payable to acquire the share. This would result in a value of the Incentive Options today of **\$0.076**.

Valuation methodology

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

- (a) the value of the underlying share,
- (b) the cost (if any) to acquire the share on vesting of the right, and
- (c) 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;

- (d) Liquidity,
- (e) Volatility,
- (f) Valuation changes resulting from company capital structural events or changes in retained earnings, and
- (g) 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 \$0.01 per share.

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

BLUGLASS LIMITED

A.B.N. 20 116 825 793

determine a specific number for an estimate we see no reason the midpoint of the range cannot be used.

Summary of Incentive Option Values per Director:

Director	Number of Incentive Options proposed to be Issued	Value of Incentive Options proposed to be Issued
George Venardos	465,000	\$35,340
Chandra Kantamneni	267,000	\$20,292
Greg Cornelsen	267,000	\$20,292
William Johnson	267,000	\$20,292

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.