



18 July 2008

The Manager
Company Announcements Office
Australian Stock Exchange Limited

Dear Sir / Madam

Key Terms of CEO Contract

Further to the announcement made by BluGlass Limited (BLG) on 16 July 2008 in relation to the appointment of Mr Giles Bourne as the new CEO of the Company, the key terms of the CEO Contract (the Contract) are as follows:

(a) Duration of Contract

The Contract is for an initial period of two years which is able to be extended by mutual consent.

(b) Remuneration

- (i) Fixed Remuneration - The Company will pay a fixed salary of \$299,750 per annum which is inclusive of superannuation and other employment benefits. This salary will be reviewed annually by the Company in line with its salary review policy.
- (ii) Short Term Incentive - The Company may pay an annual performance based cash bonus which is to be no greater than 20% of the fixed salary component. The payment of this bonus will be based on the achievement of pre determined Key Performance Indicators by the CEO.
- (iii) Long Term Incentive . The CEO will be issued a total of 3 million options to acquire Ordinary Shares in the Company on the key terms and conditions as set out in Appendix A.

(c) Termination

The Contract may be terminated by the Company without cause by giving the CEO 3 months written notice. The Contract may be terminated by the CEO without cause by giving the Company 6 months written notice.

In the event that the contract is terminated by the Company by giving 3 months notice, the CEO will be entitled to 3 months salary as a termination payment. If the Company chooses to dispense with the three months notice period then the CEO will be entitled to a termination payment equal to 6 months salary.

The Contract also allows the Company to terminate the employment of the CEO with 1 months notice period in certain circumstances such as a serious and continuing breach of the terms of the Contract, gross negligence and misconduct.

(d) Non Compete Clauses

After termination of the Contract for any reason, Mr Bourne may not be involved in a business that competes with Bluglass for a period of up to 6 months

Appendix A – Key Option Terms

The terms and conditions of the Options are as follows:

- a) Each Option entitles the holder, when exercised, to one (1) Share;
- b) Subject to paragraphs (c) and (d) below, the Options are exercisable at any time on or prior to 5.00pm (EST) on 31 May 2013 (**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 Options are exercised to the registered office of the Company.
- c) The Option exercise price will be the 90 day volume weighted average price of the Company's shares as trading on ASX prior to the date of this Agreement (per Option);
- d) Subject to (e) below, the Options will vest and only be exercisable in tranches as follows:
 - (i) 1,000,000 Options may only be exercised if, during the term of the Contract, the Company has, in the opinion of the Chairman, established and proven fabrication capacity with associated marketing, distribution and support services for its equipment and technology;
 - (ii) 1,000,000 of the Options may only be exercised if, during any one financial year during the term of the Contract, the Company has generated at least \$10,000,000 in revenues through the sale and licensing of its technology, equipment and products; and
 - (iii) 1,000,000 of the Options may only be exercised if, prior to the Expiry Date and following the achievement of Milestones (i) and (ii) above, the volume-weighted average price of the Company's shares as traded on ASX has exceeded \$2.00 for 20 consecutive Business Days;
- e) In the event:
 - (i) Any third party acquires greater than a 50% interest in the Company's issued shares (by way of takeover, scheme of arrangement or any other means); or
 - (ii) The Company sells a majority of its assets to a third party,Any unvested Options will immediately vest and must be exercised within 90 days thereafter (otherwise they will immediately lapse);
- f) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised;
- g) The Options are not transferable;
- h) If the Contract is terminated by the Company with cause under clause 14.1, all of the Options that have not vested will immediately lapse;

- i) 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 Options if the Company's Shares are listed on ASX at that time.
- j) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue the holder will receive notice in accordance with the requirements of the Listing Rules; and
- k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

The terms of the Options will otherwise be governed by the Company's Incentive Option Scheme and, to the extent of any inconsistency, the terms of the Incentive Option Scheme shall prevail.