BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

FINANCIAL STATEMENTS FOR THE YEAR ENDING

30 JUNE 2019

CONTENTS

	Page
Directors' Report	03
Remuneration Report	12
Auditor's Independence Declaration	22
Financial Statements	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement in Changes in Equity	25
Consolidated Statement of Cash Flow	26
Notes to the Consolidated Financial Statements	27
Directors' Declaration	49
Independent Auditor's Report	50

DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the financial year ended 30 June 2019.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Dr William Johnson
Mr Vivek Rao
Mr Giles Bourne
Mr James Walker
Mr Stephe Wilks

Directors have been in office since the start of the financial year to the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was to further the research and development of Group III nitrides for the development of new processes and equipment to manufacture high efficiency devices such as LEDs and solar cells. The Group is working on achieving its technology milestones using its patented low temperature Remote Plasma Chemical Vapour Deposition (RPCVD) technology to manufacture semiconductor materials. RPCVD has many potential advantages over the current industry technologies.

There were no significant changes in the nature of the Group's principal activities during the financial year.

BLUGLASS 2019 REVIEW OF OPERATIONS

BluGlass is developing a breakthrough semiconductor manufacturing process and hardware, called remote plasma chemical vapour deposition (RPCVD). RPCVD can be used for the production of high-value semiconductor materials and chips used in millions of opto-electronic and power electronic devices across the globe.

The RPCVD technology is a unique low temperature, low pressure, ammonia free manufacturing process offering electronics manufacturers significant performance and cost advantages over traditional deposition technologies.

The semiconductor materials deposited in the RPCVD process (gallium nitride and its alloys) are used in the manufacture of light emitting diodes for overhead and automotive lighting, microLEDs for wearables, virtual reality and augmented reality displays as well as mobile devices and power electronics for electric vehicles and solar farms.

The development of RPCVD reactors and the production of semiconductor materials at the atomic level is incredibly complex, high precision science and technology. The customers and innovators that we work with around the globe are recognised leaders in their fields and believe that RPCVD's low temperature process could be an important part of enabling the high-performance devices of the future.

During the year, BluGlass announced a significant technology breakthrough with the demonstration of RPCVD 'active as grown' tunnel junctions. This demonstration was another world first development by BluGlass, and we are working hard to further this unique capability and prove its commercial potential in novel applications including cascade LEDs (further information on this in the Technology Update below).

Following the recent tunnel junction demonstration and the publication of new RPCVD performance data at the February 2019 *SPIE Photonics West* conference in the US, BluGlass initiated a number of new discussions with potential customers and strategic partners. The Company's management and technology team has been working closely with several industry leaders to advance discussions for the commercialisation and real-world application of RPCVD. The objective of these discussions is to capitalise on the performance advantages of our unique tunnel junction capability. We will do this by selecting suitable partners to assist in the completion of the tunnel junction and cascade LED technology. The technology can then be implemented in high performance LED applications that will help address the performance and cost losses of efficiency droop.

The year in review

BluGlass continued to develop, de-risk and protect its unique technology alongside the expansion of its Sydney manufacturing facility during the 2019 Financial Year.

Significant effort and investment were made during the period to prepare the Company for delivery of its vision: where the RPCVD technology is adopted as a mainstream solution of choice for the development of next generation high brightness LEDs, microLEDs and power electronics applications.

Highlights during the year include: doubling the BluGlass manufacturing facility, making significant advancements towards proving the commercial potential of RPCVD with both the successful customer demonstration of high-performance microLED applications and the successful demonstration of RPCVD tunnel junctions; and gaining a cornerstone US patent.

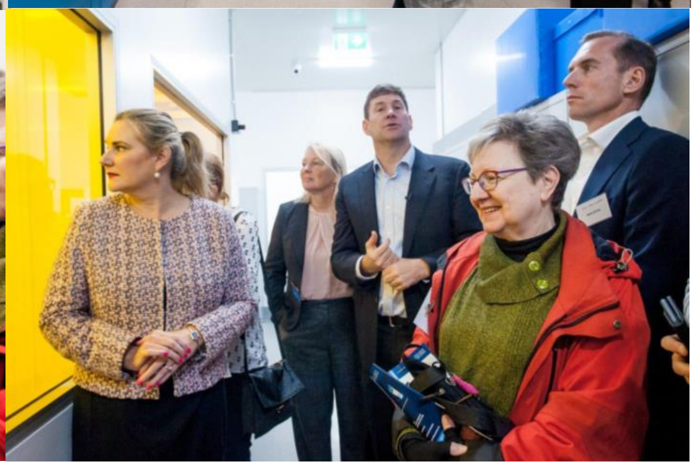
BluGlass facility upgrade and official opening of the Paul Dunnigan Laboratories

A major facility upgrade and expansion was completed in July 2019 providing a much needed and significant increase to our development and manufacturing capacity. The new facility also provides a path to scaling the RPCVD technology.

The Paul Dunnigan Laboratories were officially opened by Susan Dunnigan and Parramatta City Lord Mayor CR Andrew Wilson.

The new laboratories represent an investment of over $6 million in equipment and associated infrastructure and incorporates two new cleanrooms which house two additional semiconductor deposition systems, significantly expanding the Company's operational and manufacturing capacity. The Paul Dunnigan Laboratories are named after BluGlass engineer, the late Paul Dunnigan. The output from these new facilities will be used in commercial contracts, on collaborations with commercial partners, and as part of BluGlass' continuing development of RPCVD for the manufacture of LEDs, microLEDs, laser diodes, power electronics and other optoelectronic devices.

BluGlass Officially Opens the Paul Dunnigan Labs: (L-R) BluGlass NED **James Walker**; Lynda Voltz MP; BluGlass MD, **Giles Bourne**; Councillor **Patricia Prociv**; City of Parramatta Lord Mayor, **Andrew Wilson**; BluGlass Head of Hardware and Facilities, **Denis Timoney**; **Susan Dunnigan**; Senator **Hollie Hughes**; BluGlass CTO **Dr Ian Mann**; **Julie Owens** MP; BluGlass Investor Relations, **Stefanie Winwood**



The two new production bays have been designed so that each cleanroom can be isolated and avoid interruption to the other cleanrooms and development projects. These production bays are capable of housing and supporting a wide variety and size of deposition equipment with a key goal of maintaining flexibility in the RPCVD processes that can occur and are anticipated to be used to build our first sales equipment for customers.

Technology update

Successful BLG-300II commissioning

In July this year BluGlass commissioned the BLG-300II bringing online the newest RPCVD deposition system. This was completed with a successful process transfer from the BLG-300 that has been key to the Company's industry development programs to date, including the recent technology breakthrough in RPCVD tunnel junctions.

The 300II platform has an upgraded plasma source design, that builds on the process and hardware expertise developed by BluGlass to date. The new platform significantly increases our development capacity and is already contributing to both our tunnel junction program as well as being deployed across a number of RPCVD foundry customer programs for prototype wafers for various LED, Laser Diode and other applications.

Tunnel Junctions

In December 2018, BluGlass announced a major technology breakthrough - with the successful demonstration of functioning tunnel junctions, capitalising on the unique low temperature advantages of RPCVD.

BluGlass Chief Technology Officer, Dr. Ian Mann presented a paper on RPCVD for LED applications, including our tunnel junction capabilities, at SPIE Photonics West in San Francisco on 7 February 2019.

Since our December announcement and Photonics West presentation, BluGlass has continued to work towards further improving the performance of our tunnel junction capabilities with effort focused on the development of low-forward-voltage tunnel junctions and implementing RPCVD tunnel junctions in the development of a full cascade LED.

BluGlass has received strong interest from the industry, and a number of potential strategic discussions are ongoing.

Successful customer prototype of high performance microLED applications

In May 2019, BluGlass - with its foundry customer, leading micro-transfer printing company, X-Celeprint - demonstrated high performance microLED display prototypes (pictured) using BluGlass RPCVD technology.

X-Celeprint 2000 cd/m^2 microLED display, using RPCVD p-GaN, showing good colour uniformity quantum efficiency and forward voltage

X-Celeprint is using RPCVD deposition in the development of its active matrix microLED displays. These displays have demonstrated good light output with colour uniformity, quantum efficiency and forward voltage that equals current high-performance commercial applications of 2000cd/m2.

X-Celeprint has been a long-standing customer of BluGlass' foundry services and was the first adopter of RPCVD for microLED demonstrations.

It is very encouraging that our first RPCVD customer is seeing good performance advantages in their product prototypes. X-Celeprint continues to use BluGlass' RPCVD foundry services (early stage, fee-for-service revenue) to advance the technical demonstrations of their active matrix microLED displays. X-Celeprint continue to actively market their unique, cost effective, high performance display technology in the emerging microLED market with the spin-off of their display business, X-Display.

Scaling Project & AIXTRON Collaboration

BluGlass is building its largest RPCVD platform to date – compatible with modern LED manufacturing lines and capable of multiple 6" wafers. The newest RPCVD chamber design will be capable of 6x6" wafers (or 42x2"). The AIXTRON AIX 2800 G4 MOCVD planetary style deposition system is significantly advanced in its RPCVD retrofit design and build.

The G4 was selected as the best fit to provide the best possible RPCVD uniformity over a commercial deposition area, with its dual rotation style of deposition. In January of this year BluGlass announced that it has entered into a collaboration with the AIX G4 manufacturer AIXTRON SE, a global leading manufacturer of semiconductor equipment.

This collaboration aims to expedite and successfully deliver the scaling project on the G4, and for AIXTRON to evaluate the performance potential of RPCVD for its customers. We are very pleased to have the support from AIXTRON for this major and complex scaling project of our technology. This is an important step towards demonstrating the commercial viability of RPCVD in large scale manufacturing.

AIXTRON's Group Innovation Officer, Dr Ken Teo, said of the collaboration "At AIXTRON, we are constantly striving to bring novel technologies onto our platforms in order to provide our customers with advanced capabilities. We want to explore the potential of RPCVD technology for low temperature deposition of nitride layers which may open up new possibilities for opto-electronic devices. We look forward to working with BluGlass in integrating RPCVD and evaluating the technology".

This collaboration also forms part of the BluGlass strategy to develop an equipment partnership to enable the mass production of RPCVD deposition equipment and deliver our unique technology to market at scale.

EpiBlu update - custom service business

BluGlass' service arm, EpiBlu attracts new customers and new collaboration partners to the business, who are working on innovative nitride applications that could benefit from the low temperature advantages of our unique RPCVD technology. It also provides early stage revenues that are predicted to grow significantly in the coming financial years. This forms an important part of our industry acceptance and marketing strategy for our technology. BluGlass and EpiBlu have featured at several key industry events as speakers and exhibitors during the year including the International Workshop on Nitrides, SPIE, Photonics West. CS International Conference and Display Week.

Intellectual Property update

The BluGlass Intellectual Property Portfolio is one of the most important factors to BluGlass' future success, critical to maximising the value for shareholders and facilitating licensing and commercialisation of the RPCVD technology. BluGlass continues to place strong emphasis on growing and strengthening our patent portfolio from hardware and process patents to novel application filings.

In July the Company announced that the United States Patent and Trademark Office has issued US Patent 10,355,165, Buried Activated p-(Al,In)GaN Layers. This proprietary technology has significant performance potential in a number of applications including high-brightness LEDs, micro-LEDs, laser diodes, solar cells, and other optoelectronic and power electronics devices.

This important application patent adds an important cornerstone to BluGlass' intellectual property portfolio, further protecting the commercialisation value of our unique RPCVD process, hardware and competitive advantages.

Our growing strategic patent portfolio, now comprising 66 internationally granted patents across nine patent families continues to underpin the commercialisation prospects of our RPCVD technology across a range of market segments.

The Year Ahead

As we head into the new financial year, BluGlass' immediate focus remains on advancing the commercial and strategic discussions with the industry on the adoption of the RPCVD technology and continuing to develop and demonstrate the commercial potential of our cutting-edge technology in a number of rapidly growing market applications.

While we continue to work towards commercialising the competitive advantages of our technology our focus remains on the following areas to maximise the opportunity of delivering RPCVD across multiple market segments at scale:

- development of the RPCVD technology to create a commercially viable manufacturing technique
- scaling the technology to customer ready adoption
- joint development of applications with industry customers and partners for high-performance LEDs, microLEDs and power electronics applications
- continued protection of associated intellectual property using global patents

As outlined at the Company's 2018 AGM, BluGlass continues to deliver on its strategy to create significant revenues and monetise the RPCVD technology via a combination of:

- licensing and royalty payments based on the growing IP portfolio
- retrofitting installed MOCVD equipment on customer sites
- equipment partnership (JV / strategic partnership) with one of the major equipment manufacturers
- RPCVD custom epitaxy and foundry services.

The BluGlass Board and Management look forward to keeping the market up-to-date on the progress and development by the Company in the year ahead.

FINANCIAL SUMMARY

The consolidated loss for the period increased 276% to $14,420,767 (2018: $3,840,262).

The net assets of the consolidated entity decreased by $13,745,426 to $11,643,573 (2018: $25,388,999) mainly due to the IP valuation impairment.

Revenue and other income has decreased by $63,727 to $2,747,336. Material variations in revenue received are as follows:

- Revenue for the provision of foundry services to third parties of $424,555 (down 41%) was received for the year compared to $713,826 in the 2018 financial year.
- Revenue from the R&D tax rebate increased by $147,046 (up 8%) to $2,087,142 compared to $1,940,096 received in the 2018 financial year.

Gross expenditure has increased by $10,516,778, up 158% to $17,168,103 due to the following factors:

- The most significant reason for the major increase in gross expenditure is the non-cash impairment of the originally acquired IP from Macquarie University at the time of the Group's initial public offering in 2006, the value of the acquired IP has now been fully impaired with an impairment expense of $8,695,000. Refer below for further commentary.
- Share based payments costs increased by $617,918 to $674,141 (2018: $56,223).
- Consumables reseach and development costs increased by $586,358 up 51% to $1,744,556 (2018: $1,158,198) during the year due to the increased use of the tools for research and development.
- Research and development consultant costs increased by $139,074 up 39% to $491,986 (2018: $352,912).

Net cash required for operations averaged $410,918 per month, (2018: $292,873). The increase is mainly due to the increase in research and development consumables and consultant costs.

Since listing on the ASX in 2006 the Group's policy has been to expense all research and development costs as incurred. Accordingly, the Statement of Financial Position does not include a value for the increasing number of patent applications and patents granted since this date.

Accounting standards require that the originally acquired Intangible Assets, being the Intellectual Property associated with Patents 1 & 2 acquired from Macquarie University in 2006, be tested annually to ensure no impairment to the carrying value has occurred.

Management's and the Director's view is that these patents are no longer fundamental enablers to the Groups' RPCVD technology and the business model that Bluglass intends to adopt is no longer reliant upon Patents 1 and 2.

The acquired IP was therefore assessed to be fully impaired and therefore an impairment of $8.695m was recommended by the Directors and recorded in the statement of profit or loss at 30 June 2019. Refer to note 12 for further information.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the developments reported elsewhere in this report, there were no significant changes in the state of affairs during the year.

DIVIDENDS PAID OR RECOMMENDED

No dividends were declared in 2019 or 2018.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no reportable financial matters subsequent to the end of the Financial Year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

BluGlass will position itself to take advantage of the growing LED, power electronics and solar markets in order to maximise shareholder return.

BluGlass will continue to validate the RPCVD technology as the company works towards its industry acceptance goals in order to commercialise the technology.

These developments, together with the current strategy of continuous improvement and innovation are expected to assist in the acheivement of the Group's long-term goals and development of its business opportunities.

ENVIRONMENTAL AND SAFETY ISSUES

The BluGlass RPCVD technology uses some materials classified under the Dangerous Goods Act. All materials and consumables are handled in compliance with relevant regulatory environmental, health and safety codes, as do all facility emissions.

The company has in place WHS procedures and a Safety Manager who reports weekly to the Managing Director on all safety and environmental related matters. BluGlass meets and exceeds all state and federal WHS statutory requirements.

There were no reportable incidents during the period. Reviews of site operations during the period has led to the implementation of new operational procedures. Bluglass has also recently adopted a cloud based WHS reporting and management system as part of its ongoing commitment to site safety.

INFORMATION ON DIRECTORS

DR. WILLIAM JOHNSON

Non Executive Chairman
BS-Phy, MS-EE, PhD

Former Directorships (last 3 years)	President and CEO SPTS Pty Ltd
Special Responsibilities	Remuneration and Nominations Committee member, Audit and Risk Committee member

Experience and Expertise

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

Bill has held technical, marketing, and executive management positions with Ford Motor Co. Scientific Research Laboratories (1973-1978), Perkin-Elmer Corp. (1978-1986), Ulvac Corp. (1987-1991), Varian Associates (1992-1994), Intevac Inc. (1994-1996), Oryx Instruments and Materials Corp. (1996-1999). From 2003-2006, he was founder and managing director of Crane Ridge Associates, a firm providing consulting and M&A guidance to select high tech clientele; his association with Sumitomo Precision Products began in 2007, and he was the architect for the formation of SPTS through the acquisition of assets of Aviza Technology. Since then Bill was instrumental in leading the all equity based management buy-out of SPTS in mid 2011 which saw Bridgepoint, a leading European Private Equity company become a major owner in the company, and again with the sale of SPTS to Orobtech Limited in 2014.

MR. GILES BOURNE

Managing Director and Chief Executive Officer

B.A. (Hons), MBA, FAICD

Special Responsibilities	BluGlass Chief Executive Officer

Giles is a senior executive with over 20 years of international business development experience gained in the clean-tech, technology and manufacturing sectors. He is a specialist in developing offshore business opportunities, securing inward expansion investment, setting up domestic and international partnerships, JV's and licensing deals for Australian corporations.

Giles' focus at BluGlass is to provide leadership as well as developing sales and marketing structures to support the commercialisation of BluGlass' RPCVD technology for LEDs, microLEDs, power electronics and other high efficiency opto-electronic devices.During his time at BluGlass, Giles has lead the team to secure a strategic partnership with global semiconductor equipment company SPTS Technologies, secured more than $40M in Government and Private Investment and supported the technology team to its proof of concept milestone. Giles has continued to develop international strategic partnerships in multiple nitride industry sectors as the path to the commercialisation of BluGlass' unique, patented RPCVD technology.

MR. VIVEK RAO

Non Executive Director *MS-EE, BSc-Elec*

Special Responsibilities:	Audit and Risk Committee member and Remuneration and Nominations Committee Chair
Current Directorships	Non Executive Director- Revasum Limited

Experience and Expertise:

Vivek Rao is the Executive Vice President & Chief Operations Officer of SPT Microtechnologies (a Division of SPP Technologies). Vivek is a seasoned semiconductor professional with more than 20 years in the semiconductor capital equipment industry in various managerial and technical leadership roles and brings to the BluGlass board a strong understanding of BluGlass' target markets and customers, he joins the board as a Non-Executive Director.

MR. JAMES WALKER	**Non Executive Director** *B Comm, FCA, GAICD*
Special Responsibilities:	Remuneration and Nominations Committee member, Audit and Risk Committee Chair
Former Directorships in last 3 years	Managing Director- DroneShield Limited

Experience and Expertise:
James Walker is a seasoned executive, with a track record in successfully commercialising cutting-edge technology in emerging markets.

He has headed a number of Australian and international technology companies, including as Chief Executive Officer of DroneShield (ASX: DRO), Chief Financial Officer of Seeing Machines (AIM: SEE) and held leadership positions in a number of high growth companies.

James is an entrepreneurial and passionate executive who thrives on commercialising technology and building new global markets. He brings a wealth of experience to the BluGlass Board with over twenty years' executive and board experience, where he has built and scaled-up businesses across a wide range of global technology industries; from software, mining technology services, automotive, aviation, biotechnology, drone detection and security sectors.

MR. STEPHE WILKS	**Non Executive Director** *BSC, LLM*
Current Directorships	Non Executive Director- Brainchip Holdings Limited
Special Responsibilities:	Remuneration and Nominations Committee member, Audit and Risk Committee member
Former Directorships in last 3 years	Non Executive Director- Dubber Holdings Limited
	Non Executive Director- Datadot Technologies Limited

Experience and Expertise:

Stephe Wilks is a professional company Director, with a long record leading successful global technology companies in high growth and disruptive industries. He has headed several Australian and international technology companies, including as Regional Director (Asia and Japan) Regulatory affairs for BT Asia Pacific, Managing Director of XYZed Pty Ltd (an Optus company) Chief Operating Officer of both Nextgen Networks and Personal Broadband Australia, and as Consulting Director of NM Rothschild and Sons.

Stephe was the Chair of Australia's largest private IT services company, Interactive, where he remains a non-executive director. He also serves as non-executive director of Sirion Global (part of HellosWire IoT satellite group). His extensive finance, strategic management, M&A and public affairs add signifcant value to the BluGlass board.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Emmanuel Correia

Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel is a co founder of Peloton Capital and has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Big 4 accounting firms and boutique corporate finance houses.

Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public company directorships and his key areas of expertise include Initial Public Offerings and secondary capital raisings, corporate strategy and structuring merger and acquisitions. Emmanuel is currently a non executive director of Orminex Limited, Argent Resources Limited and Canyon Resources Limited.

REMUNERATION REPORT 2018-2019 (AUDITED)

INTRODUCTION

The Directors of BluGlass Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2019. This Remuneration Report forms part of the Directors Report and is subject to audit by the external auditor in accordance with the Corporations Act 2001.

The Report details the nature and amount of remuneration for the company's non-executive directors and the executive team who by definition are the company's **Key Management Personnel**. The Key Management Personnel are the key people accountable for directing the affairs of the company and its controlled entities.

The people who currently hold these Key Management Personnel positions are listed in the table below

NON-EXECUTIVE DIRECTORS		EXECUTIVES	
Wlliam Johnson	Chairman	Giles Bourne	Managing Director & CEO
Vivek Rao	Director	Ian Mann	Chief Technology Officer
James Walker	Director		
Stephe Wilks	Director		

During the period the Remuneration and Nominations Committee comprised 4 independent directors, William Johnson, Vivek Rao (Committee chairman), James Walker and Stephe Wilks. The Committee met once during the year.

REMUNERATION STRATEGY

The remuneration policy of BluGlass Limited has been designed to align shareholder objectives with the strategic business objectives of BluGlass. This is achieved by providing;

1. a competitive market related fixed remuneration component,
2. a small component of short term incentives and
3. long-term incentives based on key performance areas affecting the consolidated entity's ability to commercialise its technology milestones when achieved.

The remuneration policy, setting the terms and conditions for the directors and executives was developed by the remuneration committee and approved by the Board after seeking professional advice from independent external consultants.

The Board of BluGlass Limited aims for the remuneration strategy to attract and retain the appropriate executives and directors to run and manage the consolidated entity.

The ability to attract the best staff is achieved via ensuring all staff as well as executives and directors have access to a meaningful and rewarding long term incentive scheme currently in the form of an employee option scheme in association with an employee share trust that creates goal congruence between directors, executives and shareholders.

The Directors are currently reviewing the employee option plan so that it continues to maintain the alignment between directors, executives and shareholders.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration and nominations committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No such advice has been obtained during the year.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the company's employee option scheme.

The current remuneration of non-executive directors is:

Position	Remuneration $
Chairman	90,000
Director	60,000
Committee Chairperson	5,000
Committee member	2,500

A non-executive director's remuneration thus comprises the base board fee, any applicable committee chairman fee and the 9.5% superannuation levy contribution. Individual board fees were increased on 1 June 2018.

		SHORT TERM	**POST EMPLOYMENT**	**LONG TERM INCENTIVES**	**TOTAL REMUNERATION**	
		Board and Committee fees	**Superannuation**	**Share Based Payments (performance rights)**	**Total**	**% of remuneration that is non-cash**
		$	**$**	**$**	**$**	
Directors						
William Johnson	**2019**	**95,000**	**-**	**17,552**	**112,552**	**15.6**
	2018	75,000	-	-	75,000	-
Vivek Rao	**2019**	**65,036**	**6,178**	**17,552**	**88,766**	**19.8**
	2018	5,381	511	-	5,892	-
James Walker	**2019**	**67,500**	**6,412**	**17,552**	**91,464**	**19.2**
	2018	43,125	4,097	-	47,222	-
Stephe Wilks*	**2019**	**63,750**	**6,056**	**17,552**	**87,358**	**20.1**
	2018	5,000	475	-	5,475	-
Gregory Cornelsen (retired 1 March 2018)	**2019**	**-**	**-**	**-**	**-**	**-**
	2018	31,784	3,020	-	34,804	-
Chandra Kantamneni (retired 24 May 2018)	**2019**	**-**	**-**	**-**	**-**	**-**
	2018	38,815	3,687	-	42,502	-
Total	**2019**	**291,286**	**18,646**	**70,208**	**380,140**	**-**
Total	2018	199,105	11,790	-	210,895	-

EXECUTIVE REMUNERATION

The Board's policy for determining the nature and amount of remuneration for executives of the consolidated entity is as follows.

All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, access to a limited short term cash incentive scheme and to the longer term incentive scheme via options. Short term incentives are only paid once predetermined annual key performance indicators have been met and are capped at 20% of base salary. Longer term incentives may be paid in the form of options or rights and are intended to align the interests of the key management personnel and company with those of shareholder. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The remuneration and nominations committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from similar industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of specific BluGlass technology and commercial milestones being achieved and the efficient conduct of the Company's operations. All bonuses and incentives are linked to these predetermined performance criteria or milestones. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to reward executives for performance that will result in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements under the employee incentive scheme.

Executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options issued during the year are valued at the closing share price at grant date less the exercise price where appropriate.

EXECUTIVE TOTAL REMUNERATION

		SHORT TERM		POST EMPLOY-MENT	LONG TERM INCENTIVES		TOTAL REMUN-ERATION	% OF REMUNERATION	
		Cash Salary	KPI Related Incentive	Superannuation	Share Based Payments		Total	Perform-ance based	Share based
					Options	Performance rights			
Executives		$	$	$	$	$	$	%	%
Giles Bourne	**2019**	**326,453**	**-**	**23,347**	**-**	**228,538**	**578,338**	**0.0**	39.5
	2018	315,836	45,000	28,875	130,000	-	519,711	8.7	25.0
Ian Mann	**2019**	**290,944**	**-**	**20,806**		**219,016**	**530,766**	**0.0**	41.3
	2018	264,390	35,000	28,278	130,000	-	457,668	7.6	28.4
Stuart Uhlhorn (retired 20 October 2017)	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	59,621	-	22,714	-	-	82,335	-	-
Total	**2019**	**617,397**	**-**	**44,153**	**-**	**447,554**	**1,109,104**		
Total	2018	639,847	80,000	79,867	260,000	-	1,059,714		

The value of share based payments in the above table reflects the full market price of the underlying BluGlass share price at the date of issue less exercise price and may not reflect the current market value of the shares granted. Additionally no discount for uncertainty has been assigned to these valuations, which do carry the risk of not meeting vesting hurdles.

CONTRACTED EXECUTIVE REMUNERATION

The company secretary, Emmanuel Correia is contracted to BluGlass from Cardrona Energy Pty Ltd. The contract includes provisions that the contract may be terminated by either party with one months' notice. Payments for services to Cardrona were $79,200 in 2019 (2018: $79,200). As a contracted position the company secretary does not form part of the BluGlass' executive team.

EMPLOYMENT CONTRACTS OF EXECUTIVES

The employment terms and conditions of the CEO and other executives are formalised in contracts of employment. All executives are permanent employees of BluGlass Limited.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of one months' notice prior to termination of contract. The CEO's contract is subject to 3 months' notice. Termination payments are determined by the remuneration and the nominations committee if a termination payment is deemed appropriate. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

PERFORMANCE BASED REMUNERATION

As part of the executive remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, and cover financial and non-financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved and the period of employment for the period. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

The IP portfolio at the end of 30 June 2019 now includes 63 granted patents in various countries, covering six separate patent families. In addition there are 14 patent applications in various stages filed in numerous countries.

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Revenue $'000	4,112.7	3,532.9	2,809.9	2,801.9	2,811.1	2,747.3
Net Loss $'000	2,898.4	3,173.9	3,427.6	3,660.6	3,840.3	14,420.8
Share price at year-end cents	13	6	21	26	30	16
Patents lodged	2	3	-	9	1	6
Patents Granted	14	5	9	14	2	18

BluGlass' potential value exists in it being able to finalise its research and development programmes and to then commercialise its IP portfolio into the growing markets for LED, GaN on silicon and high efficiency solar cell manufacturing equipment.

OPTIONS AND PERFORMANCE RIGHTS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2019

Rights, approved at the 2018 AGM and issued on 17 November 2018, were granted to executives and non-executive directors as remuneration during the year. Executives were granted 16,000,000 performance rights with the following market milestones

- 31.25% vest upon the company's 30 day VWAP share price is at at least $0.60
- Another 31.25% will vest upon the company's 30 day VWAP share price of at least $0.70
- A further 25% will vest upon the company's 30 day VWAP share price of at least $0.80
- The final 12.5% will vest upon the company's 30 day VWAP share price of atleast $0.90

Executives and non-executive directors were also granted 2,786,258 rights with the following non-market based milestones;

- The Company enters into a meaningful commercial agreement utilizing the technology and intellectual property developed in the Lumileds collaboration
- The Company demonstrating that the RPCVD hardware technology process is licensed to two or more commercial partners with recurring royalty or revenue.

All executives and non executives must remain in employment. There have been no alterations from prior periods.

	Grant Details						Overall					
	Date	No.		Value per right $		Value $	Exer-cised no.	Lap-sed no.	Ves-ted no.	Ves-ted %	Unve-sted %	Lap-sed %
Non-Executive Directors		Market based	Non-market based	Market based	Non-market based						30/06/2019	
William Johnson	17/11/2018	-	300,000	-	0.285	17,552	-	-	-	-	100	-
Vivek Rao	17/11/2018	-	300,000	-	0.285	17,552	-	-	-	-	100	-
James Walker	17/11/2018	-	300,000	-	0.285	17,552	-	-	-	-	100	-
Stephe Wilks	17/11/2018	-	300,000	-	0.285	17,552	-	-	-	-	100	-
Executives												
Giles Bourne	17/11/2018	8,000,000	874,500	0.1080	0.285	228,538	-	-	-	-	100	-
Ian Mann	17/11/2018	8,000,000	711,758	0.1080	0.285	219,016	-	-	-	-	100	-
							-	-	-	-		

MOVEMENT IN SHAREHOLDINGS OF KMP AS AT 30 JUNE 2019

	Total	Direct	* BLG ESS	Movement		Total	Direct	* BLG ESS
Non-Executives directors		**Opening Balance**		On	Off		**Closing Balance**	
William Johnson	**757,415**	477,415	280,000	280,000	-	**757,415**	757,415	-
James Walker	**53,540**	53,540	-	-	-	**53,540**	53,540	-
Vivek Rao	**-**	-	-	-	-	**-**	-	-
Stephe Wilks	**-**	-	-	-	-	**-**	-	-
Executives								
Giles Bourne	**3,332,956**	468,623	2,864,333	583,333	-	**3,332,956**	1,051,956	2,281,000
Ian Mann	**1,795,540**	65,540	1,730,000	-	-	**1,795,540**	65,540	1,730,000

* BLG ESS means vested options that have not yet been withdrawn from Employee Share Scheme Trust by the beneficiary.

OPTIONS AND PERFORMANCE RIGHTS HELD BY KMP AS AT 30 JUNE 2019

			Movement						
Non-Executives directors	**Opening Balance**	**Vested in O/B**	**Vested in period**	**Total Vested**	**Exercised**	**Granted in period**	**Closing Balance**	**Vested and exercisable %**	**Unves-ted %**
William Johnson	240,000	-	240,000	240,000	-	300,000	540,000	44.4	55.6
Vivek Rao	120,000	-	120,000	120,000	-	300,000	420,000	28.6	71.4
James Walker	-	-	-	-	-	300,000	300,000	-	100
Stephe Wilks	-	-	-	-	-	300,000	300,000	-	100
Executives									
Giles Bourne	1,000,000	-	-	-	-	8,874,500	9,874,500	-	100
Ian Mann	1,000,000	-	-	-	-	8,711,758	9,711,758	-	100

Options and performance rights vested when the vestng criteria described above have been met. Options and performance rights are then converted into ordinary shares and held in the BluGlass Employee Share scheme Trust until they are elected to be withdrawn by the beneficiary.

For clarity the vested options held as shares in the Trust are also disclosed in the KMP's shareholding above as they can be exercised and withdrawn at any time once vested.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

Options totalling 120,000 were exercised during the year by the Company's employee share trust, BluGlass Employee Incentive Plan Pty Ltd. When options that have been granted as compensation in prior periods meet the requisite vesting conditions they are exercised by the trust into shares. These shares are then held in the share trust for the eligible employees until employees exercise their right to withdraw the shares from the trust. During the year 1,651,333 shares were withdrawn from the trust.

APPROVAL OF 2018 REMUNERATION REPORT

A resolution seeking approval of the 2018 Remuneration Report was tabled at the November 2018 Annual General Meeting. The resolution was passed at that meeting with the vote in favour recorded of 97%.

REMUNERATION ADVISORS

No remuneration advisors were engaged during the year or any formal remuneration advice was received during the year.

- END OF REMUNERATION REPORT – AUDITED -

DIRECTORS' REPORT cont.

MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors were held. Attendances by each director during the year were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			Audit & Risk Committee		Remuneration & Nominations Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
William Johnson	7	7	2	2	1	1
Giles Bourne	7	7	-	-	-	-
Vivek Rao	7	7	1	1	1	1
James Walker	7	7	2	2	1	1
Stephe Wilks	7	7	1	1	-	-

INDEMNITIES GIVEN TO AND INSURANCE PREMIUMS PAID FOR AUDITORS AND OFFICERS

The Group has entered into Deeds of Indemnity, Insurance and Access with each of the directors and the Company Secretary. Each deed provides officers with the following:

- A right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- Subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Group and its related bodies corporate that they may incur while acting in their capacity as an officer of the Group or a related body corporate, except where that liability involves a lack of good faith, and for defending certain legal proceedings; and the requirement that the Group maintains appropriate directors' and officers' insurance for the officer.
- No liability has arisen under these indemnities as at the date of this report.
- The Company has paid premiums of $40,175 (2018: $31,000) to insure each of the directors, secretary and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director or officer of the company, other than conduct involved in a wilful breach of duty in relation to the company.
- The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

OPTIONS

At the date of this report, the unissued ordinary shares of BluGlass Limited under option are as follows:

Options

At the date of this report, the unissued ordinary shares of BluGlass Limited under option/rights are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
23/11/2016	1/12/2019	0.01	480,000
13/11/2017	1/12/2020	0.28	2,000,000
17/12/2018	17/12/2021	-	20,160,112
			22,640,112

During the year ended 30 June 2019, 120,000 ordinary shares of BluGlass Limited were issued on the exercise of options.

CORPORATE GOVERANCE POLICY AND STATEMENT

The Groups Corporate Governance statement can be viewed on the company's website at www.bluglass.com.au

DIVERSITY POLICY

BluGlass has established a Diversity Policy that outlines the Company's commitment to diversity and the active steps the Company will take in implementing the policy, commensurate with a company of its size and the industry with which it operates. A copy of the Diversity Policy is contained in Annexure 7 of the Company's Corporate Governance Statement, a copy of which is available on the Company's website.

Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. Due to the Company's current size and level of activity there has been limited opportunity with which to measure the Company's commitment to its diversity policy during the 2019 financial year. During the year there was minimal staff movement and no change to the Company's executive team. The board discusses its diversity policy at board meetings were potential changes to the work force is discussed.

It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

Ethnic Diversity

Total Staff	Australian and NZ	Asian	Americas	European
25	11	5	4	5

Gender Diversity

	Male	Female
Total Staff	18	7
Senior Executives	2	-
Senior Research Staff	3	1
Non-Executive Directors	4	-

DIVERSITY POLICY (Cont)

Educational Diversity

Total Staff	PhD	Masters	Bachelor	Other Qualifications	No Qualifications
25	9	10	20	3	2

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party of taking responsibility on behalf of that company for all or any part of those proceedings.

NON-AUDIT SERVICES

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted b the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- the non audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards..

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for ausit and non-audit services provided during the year are set out in Note 5 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by s307C of the Corporation Act 2001 for the year ended 30 June 2019 has been received and can be found on page 24 and forms part of the Directors' Report.

This Directors' Report incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

William Johnson

Chairman
28 August 2019

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Bluglass Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Bluglass Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 28 August 2019

PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity	
		2019	2018
		$	$
Revenue	2	424,555	713,826
Other income	2	2,087,142	1,940,096
Finance income	2	235,640	157,141
Employee benefits expense	16	(3,032,419)	(2,939,896)
Professional fees		(134,958)	(129,344)
Board and secretarial fees		(382,721)	(282,358)
Corporate compliance & legal expense		(131,807)	(174,335)
Consultant fees		(491,986)	(352,912)
Rent expense		(317,428)	(281,483)
Travel and accommodation expense		(249,355)	(210,736)
Consumables		(1,744,556)	(1,158,198)
Depreciation and amortisation expense		(177,834)	(191,147)
Impairment expense	12	(8,695,000)	-
Share based payment expense		(674,141)	(56,223)
Other expenses		(1,135,899)	(874,693)
Loss before income tax	3	**(14,420,767)**	**(3,840,262)**
Income tax expense	4	-	-
Loss for the period		**(14,420,767)**	**(3,840,262)**
Other comprehensive income			
Total comprehensive income		**(14,420,767)**	**(3,840,262)**
Loss attributable to:			
- Members of the parent entity		(14,420,767)	(3,840,262)
- Non-controlling interest		-	-
		(14,420,767)	(3,840,262)
Total Comprehensive Income attributable to:			
- Members of the parent entity		(14,420,767)	(3,840,262)
- Non-controlling interest		-	-
		(14,420,767)	(3,840,262)
Earnings Per Share			
Basic loss per share (cents per share)	6	(3.45)	(0.99)
Diluted loss per share (cents per share)	6	(3.45)	(0.99)

The financial statements should be read in conjunction with the following notes.

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Entity	
		2019 $	2018 $
Current Assets			
Cash and cash equivalents	7	6,116,427	15,353,774
Trade and other receivables	8	2,262,133	2,253,440
Inventories	9	137,140	53,890
Other current assets	10	42,651	54,602
TOTAL CURRENT ASSETS		**8,558,351**	**17,715,706**
Non-Current Assets			
Property, plant and equipment	11	5,394,925	258,966
Intangible assets	12	-	8,695,000
TOTAL NON-CURRENT ASSETS		**5,394,925**	**8,953,966**
TOTAL ASSETS		**13,953,276**	**26,669,672**
Current Liabilities			
Trade and other payables	14	473,456	529,701
Short-term provisions	15	529,975	433,368
TOTAL CURRENT LIABILITIES		**1,003,431**	**963,069**
Non-Current Liabilities			
Long-term provisions	15	1,306,272	317,604
TOTAL NON-CURRENT LIABILITIES		**1,306,272**	**317,604**
TOTAL LIABILITIES		**2,309,703**	**1,280,673**
NET ASSETS		**11,643,573**	**25,388,999**
Equity			
Issued capital	17	67,412,994	67,380,834
Reserves	18	(203,957)	(653,638)
Accumulated losses		(55,565,464)	(41,338,197)
TOTAL EQUITY		**11,643,573**	**25,388,999**

The financial statements should be read in conjunction with the following notes.

CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital	Share-Based Payments Reserve	Other Reserves	Accumulated Losses	Total
	$	$	$	$	$
Consolidated Entity					
Balance at 1 July 2017	56,630,407	1,157,633	(982,452)	(38,103,777)	18,701,811
Profit for the year	-	-	-	(3,840,262)	(3,840,262)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(3,840,262)**	**(3,840,262)**
Transactions with owners in their capacity as owners					
Shares issued during the year (Note 17)	11,227,948	-	-	-	11,227,948
Share transaction costs during the year	(811,721)	-	-	-	(811,721)
Share options issued (Note 22)	-	56,223	-	-	56,223
Exercise of share option	334,200	(279,200)	-	-	55,000
Transfer to reserve		(605,842)		605,842	-
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2018	**67,380,834**	**328,814**	**(982,452)**	**(41,338,197)**	**25,388,999**
Balance at 1 July 2018	**67,380,834**	**328,814**	**(982,452)**	**(41,338,197)**	**25,388,999**
Profit for the year	-	-	-	(14,420,767)	(14,420,767)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(14,420,767)**	**(14,420,767)**
Transactions with owners in their capacity as owners					
Shares issued during the year (Note 17)	-	-	-	-	-
Share transaction costs during the year	-	-	-	-	-
Share options issued (Note 22)	-	674,141	-	-	674,141
Transfer to retained earnings	-	(193,500)	-	193,500	-
Exercise of share options	32,160	(30,960)	-	-	1,200
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2019	**67,412,994**	**778,495**	**(982,452)**	**(55,565,464)**	**11,643,573**

The financial statements should be read in conjunction with the following notes.

CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity	
		2019	**2018**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		424,555	713,826
Research and development tax rebate		2,087,142	1,940,096
Interest received		235,640	157,141
Payments to suppliers and employees		(7,678,351)	(6,325,534)
Net cash used in operating activities	**21**	**(4,931,014)**	**(3,514,471)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,307,533)	(113,913)
Net cash used in investing activities		**(4,307,533)**	**(113,913)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		-	10,416,227
Proceeds from options exercised		1,200	55,000
Net cash provided by financing activities		**1,200**	**10,471,227**
Net increase in cash held		(9,237,347)	6,842,843
Cash at beginning of financial year		15,353,774	8,510,931
Cash at end of financial year	**7**	**6,116,427**	**15,353,774**

The financial statement should be read in conjunction with the following notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers BluGlass Limited as a consolidated entity (“Group”). BluGlass Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity BluGlass Limited have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 27th August 2019 by the directors of the company.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

Basis of Preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). BluGlass Limited is a for-profit entity for the purpose of preparing financial statements.

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

Notwithstanding the loss for the financial year and the negative cashflows from operations, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that the Group will be able to continue as a going concern, on the following basis:

- The Group has cash and cash equivalents of $6,116,427 as at 30 June 2019 (2017: $15,353,774). As at that date, the Group had net current assets of $7,554,920 (2018: $16,752,637) and net assets of $11,643,573 (2018: $25,388,999). The Group has performed a detailed cash flow forecast, and determined that it has adequate cash resources in place to fund its operations for the next 12 months, even in the absence of obtaining additional funding;
- If required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of $11 million in the previous 12 month reporting period and the Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required;
- If required, the Group has the ability to finance the research and development tax rebate to have access to the funding earlier this will improve the liquidity of the Group; and
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors have prepared the financial report on a going concern basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Accounting Policies

(a) **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by BluGlass Limited at the end of the reporting period. BluGlass controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year they were controlled. A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

In preparing the consolidated financial statements all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

Non-controlling interests, presented as part of equity, represents the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries and the non-controlling interests bond on their respective ownership interests.

(b) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (revenue) and deferred tax expense (revenue).

Current income tax expense charged to the profit and loss is the tax payable on taxable income calculated using applicable tax rates enacted, or substantially enacted, as at reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

BluGlass Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. BluGlass Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 21 September 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) **Inventories**

Inventories are measured at the lower of cost and net realisable value.

(d) **Plant and Equipment**

Each class of plant and equipment is carried at cost as indicated, less,where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) **Plant and Equipment(cont.)**

The depreciable amount of all fixed assets including building and capitalised lease assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Furniture and Fittings	Depreciation Rate
Plant and equipment	10%
Leasehold improvements	20-100%
Plant and equipment	33.33%
Computer hardware and software	33.33%

The assets' residual values and useful livesare reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss statement.

(e) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) **Financial Instruments**

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) **Financial Instruments (cont.)**

Classification and subsequent measurement of financial assets (cont.)

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. Classifications are determined by both

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments under AASB 139.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) **Financial Instruments (cont.)**

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below. The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Accounting policies applicable to comparative period (30 June 2018)

Classification and subsequent measurement of financial assets Until 30 June 2018, the group classified its financial assets in the following categories:

- loans and receivables

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(g) **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) **Intangibles**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks and intellectual property have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 5 to 10 years. All new patent and trademark costs are expensed during the year they are incurred.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) **Intangibles (cont.)**

Intellectual property

Intellectual property (IP) which represents in process research is recognised at cost of acquisition. IP has a finite life once the asset is ready for use. Once the asset is ready for use the asset will be carried at cost less any accumulated amortisation and any impairment losses.

(i) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent and controlled entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(j) **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The Group operates an equity-settled share-based payment employee share and option scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using the Cox-Ross-Rubenstein Binomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) **Revenue and Other Income**

Revenue arises mainly from foundry income. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract for foundry income is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers and upon acceptance of the customer.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(n) **Accounting policies applicable to prior period (30 June 2018)**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(o) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(q) **Borrowing Costs**

Borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(r) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) **Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates — Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. See Note 12: Intangible assets for further disclosure of impairment.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) **Critical accounting estimates and judgments (cont.)**

Key estimates — Share options

The company issued options under the BluGlass Limited employee incentive option scheme. The options granted in the year were valued using the BluGlass share price at the date of grant. The prior year options were valued the same as they are currently valued. The key inputs to the pricing model are disclosed on Note 22. In addition to the pricing, key judgements revolve around the likelihood of vesting and estimated vesting date where there are vesting conditions. These judgements impact the expense recorded for the period.

Key estimates — Deferred Taxes

Deferred taxes have not been recognised on the Company's tax losses due to the uncertainty in relation to the timing of the losses being utilised in the future.

(s) **Adoption of New and Revised Accounting Standards**

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2018. Information on the more significant standard(s) is presented below.

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated in accordance with the transition guidance.

While this represents significant new guidance, the implementation of this new guidance did not have an impact on the timing or amount of revenue recognized by the Group during the year.

AASB 9 Financial Instruments

AASB 9 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018. AASB 9 also contains new requirements on the application of hedge accounting. The new standard AASB 9 improves decision usefulness of the financial statement by better aligning hedge accounting with the risk management activities of an entity by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The adoption of AASB 9 did not have an impact on the Group.

Other amended standard adopted by the Group which do not have a material impact on the financial statements

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers to Investment Property, Annual Improvements 2017-2016 Cycle and other Amendments
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Accounting Standards issued but not yet effective and not adopted early by the Group

- AASB 16 Leases replaces AASB 117 Leases and some lease related interpretations which becomes mandatory for the Group's 30 June 2020 consolidated financial statements.
  - Requires all leases to be accounted for 'on-Statement of Financial Position' by lessees, other than short-term and low value asset leases.
  - Provides new guidance on the application of the definition of lease and on sale and lease back accounting.
  - Largely retains the existing lessor accounting requirements in AASB117.
  - Requires new and different disclosures about leases.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) **Accounting Standards issued but not yet effective and not adopted early by the Group (cont.)**

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- Lease assets and financial liabilities on the Statement of Financial Position will increase by an estimated $2,357,891 (based on the facts at the date of the assessment).
- Financial liabilities will increase by $1,628,190.
- Profit before tax is expected to decrease by $248,859 as the depreciation expense and interest expense on future payments is expected to be greater than the minimum lease payments for that period.
- There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- Operating cash outflows will be lower and financing cash inflows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

The Group does not plan to adopt these standards early.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2019	**2018**
	$	**$**
Revenue		
— Other revenue - foundry revenue recognised at point in time	424,555	713,826
Total Revenue	424,555	713,826
Other Income		
— Research and development tax rebate	2,087,142	1,940,096
Total other income	2,087,142	1,940,096
Finance Income		
— interest received from bank	235,640	157,141
Total finance income	235,640	157,141

NOTE 3: LOSS FOR THE YEAR

	Consolidated Entity	
Expenses:	**2019**	**2018**
	$	**$**
Rental Expense on operating leases		
— Minimum lease payments	317,428	281,483
Share based payments	674,141	56,223

NOTE 4: INCOME TAX EXPENSE

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
(a) The components of tax expense comprise:		
— Current tax	-	-
— Deferred tax	-	-
	-	-
(b) The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss before income tax at 27.5% (2018: 27.5%)		
— consolidated entity	(3,965,711)	(1,056,072)
Add:		
Tax effect of:		
— share based payments during year	185,389	16,867
— Impairment expense	2,391,125	-
— other non-allowable items	139,029	50,054
	2,220,543	66,921
Add:		
Income tax benefit not brought to account	(1,250,168)	(989,151)
Income tax benefit attributable to the entity		-
Accumulated tax losses not brought to account	8,813,071	7,562,903

NOTE 5: AUDITORS' REMUNERATION

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Remuneration of the auditor for:		
— auditing or reviewing the financial reporting	65,300	65,500
— Other services	6,500	7,500
	71,800	73,000

NOTE 6: LOSS PER SHARE

		Consolidated Entity 2019 $	2018 $
(a)	Loss attributable to members of the parent entity	14,420,767	3,840,262
(b)	Basic and diluted loss per share (cents per share)	3.45	0.99
		No.	No.
(c)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	418,345,209	389,368,754

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Entity 2019 $	2018 $
Cash at bank and in hand	38,224	640,875
Short-term bank deposits	6,078,031	14,712,524
Petty cash	172	375
	6,116,427	15,353,774

The effective interest rate on short-term bank deposits was 2.43% (2018: 1.9%), these deposits have an average maturity of less than 14 days.

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2019 $	2018 $
Research and Development Tax Rebate	2,100,000	2,000,000
Trade receivables	30,000	105,556
Other receivables	132,133	147,884
	2,262,133	2,253,440

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value. No impairment of receivables is deemed to exist. There were no bad debts during the year (2018: nil).

NOTE 9: INVENTORIES

	Consolidated Entity 2019 $	2018 $
CURRENT		
Consumables at cost	137,140	53,890
	137,140	53,890

NOTE 10: OTHER CURRENT ASSETS

	Consolidated Entity	
	2019	**2018**
	$	**$**
CURRENT		
Prepayments	28,135	25,220
Security deposit	14,516	14,516
Other receivables	-	14,866
	42,651	54,602

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value. No impairment of receivables is deemed to exist. There were no bad debts during the year (2018: nil).

NOTE 11: PROPERTY PLANT AND EQUIPMENT

	Consolidated Entity	
Property plant and equipment	**2019**	**2018**
	$	**$**
Plant and equipment		
At cost	7,982,152	6,238,257
Accumulated depreciation	(6,238,213)	(6,110,131)
Total plant and equipment	1,743,939	128,126
Leased plant and equipment		
At cost	1,006,170	1,006,170
Accumulated depreciation	(1,006,170)	(1,006,170)
	-	-
Leasehold improvements		
At cost	6,204,726	3,676,775
Accumulated depreciation	(3,594,153)	(3,587,671)
Total leasehold improvements	2,610,573	89,104
Lease make good provision		
At cost	1,235,000	200,000
Accumulated deprciation	(228,741)	(200,000)
Total lease make good provsion	1,006,259	-
Furniture and fittings		
At cost	150,583	146,094
Accumulated depreciation	(147,626)	(142,298)
Total furniture and fittings	2,957	3,796
Computer equipment		
At cost	366,554	335,355
Accumulated depreciation	(335,357)	(297,415)
Total computer equipment	31,197	37,940
Total property, plant and equipment	5,394,925	258,966

NOTE 11: PROPERTY PLANT AND EQUIPMENT (CONT.)

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Leased Plant and Equipment	Plant and Equipment	Lease Make Good	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Total
	$	$	$	$	$	$	$
Consolidated Entity:							
Balance at 30 June 2018	-	128,126	-	89,104	3,796	37,940	258,966
Additions	-	1,743,895	1,035,000	2,527,951	4,489	31,199	5,342,534
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	(128,082)	(28,741)	(6,482)	(5,328)	(37,942)	(206,575)
Balance at 30 June 2019	-	1,743,939	1,006,259	2,610,573	2,957	31,197	5,394,925

NOTE 12: INTANGIBLE ASSETS

	Consolidated Entity	
	2019	2018
	$	$
In process research and development:		
Cost	12,130,080	12,130,080
Accumulated impairment	(12,130,080)	(3,435,080)
Net carrying value	-	8,695,000

The Group obtained a valuation of the acquired intellectual property (“IP”) from an independent valuer Glasshouse Advisory Pty Ltd to assist the Directors in assessing impairment of the acquired IP. The methodology used by the independent valuer to determine the value of the acquired intellectual property was an income based approach, in particular a discounted cash flow (DCF) method incorporating a licensing royalty based business and a manufacturing business that reflects a market based commercial royalty stream. In addition to this a relief from royalty approach was undertaken that assumed that if the business did not own the identifiable intangible asset under consideration it would have to pay a royalty to the owner of the intangible asset.

The revenue projections were based on management cash flow projections the life of the patents covering a variety of revenue scenarios that included a combination of manufacturing and royalties income. These cash flow projections were appropriately probability adjusted to reflect managements best estimate. The market information was drawn from industry sources and the Group’s current level of technology development.

A pre-tax discount rate of 71.4% (2018:16%) was applied by management representing an appropriate Company risk premium in relation to these cashflows. The Directors’ believe that the business model that it intends to adopt is not reliant on the acquired IP and was given a low relative importance factor to the overall valuation of the business.

Directors’ are of the view that these patents are no longer fundamental enablers to the Groups’s RPCVD technology and the business model that Bluglass intends to adopt is no longer reliant upon Patents 1 and 2.

The acquired IP was therefore assessed to be fully impaired and therefore an impairment of $8.7m was determined by the Directors and recorded in the statement of profit or loss at 30 June 2019.

NOTE 13: CONTROLLED ENTITIES

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2019	**2018**
Parent Entity:			
BluGlass Limited	Australia	-	-
Subsidiaries of BluGlass Limited:			
Gallium Enterprises Pty Ltd	Australia	100	100
BluSolar Pty Ltd	Australia	100	100
BluGlass Deposition Technologies Pty Ltd	Australia	100	100
BluGlass Research Pty Ltd	Australia	100	100
EpiBlu Technologies Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2019 $	**2018 $**
CURRENT		
Trade payables	212,713	92,661
Contract liabilities	53,517	-
Sundry payables and accrued expenses	207,226	437,040
	473,456	529,701

The carrying values of trade payables, sundry and accrued payables are considered to be reasonable approximation of fair value.

NOTE 15: PROVISIONS

	Consolidated Entity	
	2019 $	**2018 $**
Current		
Employee Benefits	529,975	433,368
Total Current Provisions	**529,975**	**433,368**
Non-Current		
Lease Make Good	1,235,000	200,000
Employee Benfits	71,272	117,604
Total Non-current provisions	**1,306,272**	**317,604**
	1,836,247	**750,972**

NOTE 15: PROVISIONS (CONT.)

	Lease Make Good $	Employee Benefits $	Total $
Consolidated Group			
Opening balance at 1 July 2018	200,000	550,972	750,972
Additional provisions	1,035,000	205,087	1,240,087
Amounts used	(228,741)	(154,812)	(383,553)
Balance at 30 June 2019	1,006,259	601,247	1,607,506

NOTE 16: EMPLOYEE BENEFITS EXPENSE

	Consolidated Entity	
	2019 $	2018 $
Wages, Salaries	2,811,743	2,703,023
Share-based payments	674,141	56,223
Superannuation	220,676	236,873
	3,706,560	2,996,119

NOTE 17: ISSUED CAPITAL

	Consolidated Entity	
	2019 $	2018 $
418,307,072 (2018: 382,461,266) fully paid ordinary shares	67,412,994	67,380,834
	67,412,994	67,380,834

The company has authorised share capital amounting to 418,427,072 ordinary shares.

Ordinary Shares	No.	$
At the beginning of reporting period	418,307,072	67,380,834
Shares issued during the year		
— 7 March 2019	120,000	32,160
At reporting date	418,427,072	67,412,994

NOTE 17: ISSUED CAPITAL (CONT.)

(a) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

For information relating to the BluGlass Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, refer to Note 22 Share-based Payments.

(c) Capital Management

Management controls the capital of the consolidated entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's capital comprises ordinary share capital.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

NOTE 18: RESERVES

(a) **Share based payments**

The reserve records items recognised as expenses on valuation of employee share options and shares. The company has elected to reclassify amounts representing expired options to accumulated losses.

(b) **Other Reserves**

This reserve is used to recognise the difference between purchase consideration paid and the non-controlling interest carrying value.

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	Consolidated Entity	
	2019	**2018**
	$	**$**
(a) **Operating Lease Commitments:**		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
— not later than 12 months	268,222	233,972
— Between 12 months and 5 years	715,260	701,915
— greater than 5 years	-	136,484
	838,400	1,072,372

The lease was renewed for an additional term of five years from February 2018. The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 3.0% per annum. The lease does not allow for subletting of any lease areas.

NOTE 20: OPERATING SEGMENTS

(a) **Business and geographical segments**

The Group identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of research and development activities. The Group's operation has one main risk profile and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the product or service;
- the distribution method; and any external regulatory requirements

Applying the above criteria, the Group only has one operating division being the research and manufacture of Gallium Nitride (GaN).

The Group operates in one geographical area being in Australia. The Group did not undertake any new operations and it did not discontinue any of its existing operations during the year.

NOTE 21: CASH FLOW INFORMATION

	Consolidated Entity	
	2019 $	2018 $
(a) **Reconciliation of Cash Flow from Operations with Loss after Income Tax**		
Loss after income tax	(14,420,767)	(3,840,262)
Non-cash flows in loss		
Depreciation expense	177,834	191,147
Share based payment	674,141	56,223
Impairment expense	8,695,000	-
Other non-cash items	28,741	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(8,693)	58,163
Decrease/(increase) in other assets	11,951	(94,998)
(Increase)/decrease in inventories	(83,250)	49,953
(Decrease)/increase in trade and other payables and accruals	(56,246)	66,793
Increase/ (decrease) in provisions	50,275	(1,490)
Cash flow from operations	(4,931,014)	(3,514,471)

NOTE 22: SHARE-BASED PAYMENTS

The following share-based payments existed at 30 June 2019:

	Consolidated Entity			
	2019		2018	
	Number of options and performance rights	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	4,100,000	0.32	8,770,000	0.09
Granted	20,160,112	-	2,000,000	0.28
Forfeited	-	-	-	-
Exercised	(120,000)	0.01	(5,500,000)	0.01
Expired	(1,500,000)	0.50	(1,170,000)	0.01
Outstanding at year-end	22,640,112	0.02	4,100,000	0.32
Exercisable at year-end	480,000	0.01	-	-

The options outstanding and performance at 30 June 2019 had a weighted average exercise price of $0.02 (2018: $0.32) and a weighted average remaining contractual life of 2.5 years.

The life of the options and performance rights is based on the historical exercise patterns, which may not eventuate in the future.

The fair values of the granted perfromance rights were determined by the vesting conditions of the rights.

The non-market condition performance ights were valued at the price of the BluGlass share price at the date they were granted with the probability of the performance rights vesting according to management. These performance rights were valued at $0.295.

The market condition performance rights were valued at $0.108 using the monte-carlo valuation method that takes into account factors specific to the share incentive plan. Market conditions include achieving a VWAP share price of:

- $0.60 for 31.25% of the rights
- $0.70 for 31.25% of the rights
- $0.80 for 25% of the rights
- $0.90 for the final 12.5% of the rights

The following principal assumptions were used in valuing the market condition rights:

Valuation Assumptions

Grant Date	17 December 2018
Vesting period ends	17 December 2021
Share price at date of grant	$0.285
Volatility	74.4%
Risk free investment rate	2.5%

Included under employee benefits and expense in the income statement relating to share-based payment is $674,141 (2018: $56,223) and relates, in full, to equity-settled share-based payment transactions.

NOTE 23: RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2019	**2018**
	$	**$**
The totals of remuneration paid to key management personnel of the group during the year are as follows:		
Short term employment benefits	908,683	918,952
Post-Employment benefits	62,799	91,657
Share-based payments	517,763	260,000
	1,489,245	1,270,609

Key Management Personnel have had no other transactions with the group during the year, and the group has no other related parties.

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to a subsidiary and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity	
		2019	**2018**
Financial Assets		**$**	**$**
Cash and cash equivalents	7	6,116,427	15,353,774
Trade and other receivables	8	2,262,133	2,253,400
		8,378,560	17,607,174
Financial Liabilities			
Trade and other payables	14	473,456	529,708
		473,456	529,708

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The ARC meets regularly and minutes are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk. Other risks include foreign currency risk, liquidity risk, credit risk, and commodity and equity price risk.

The maximum exposure to financial risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

NOTE 24: FINANCIAL RISK MANAGEMENT (cont.)

(a) **Credit Risk**

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

(b) **Price Risk**

The group has no exposure to commodity price risk.

(c) **Liquidity Risk**

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements.

As at 30 June 2019 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
30 June 2019	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
	$	**$**	**$**	**$**
Trade and other payables	473,456	-	-	-
Total	473,456	-	-	-

	Current		Non-Current	
30 June 2018	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
	$	**$**	**$**	**$**
Trade and other payables	529,701	-	-	-
Total	529,701	-	-	-

NOTE 24: FINANCIAL RISK MANAGEMENT (cont.)

(d) **Market Risk**

(i) *Foreign Exchange Risk*

The group does not have any material foreign exchange risk exposure to any single asset or liability or group of assets or liabilities under financial instruments entered into by the consolidated entity.

(ii) *Interest Rate Risk*

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2019 $	**2019 %**	**2018 $**	**2018 %**
Consolidated Entity				
Financial Assets:				
Cash	38,396	0.5	641,250	1.0
Investments in term deposits and bank bills	6,076,031	1.4	14,712,524	1.9
Total Financial Assets	6,116,427		15,353,774	

All other financial assets and liabilities are non-interest bearing.

(iii) *Financial instrument composition and maturity analysis*

All trade and sundry payables are expected to be paid within the next 45 days.

(iv) *Net Fair Values*

All financial assets and liabilities at 30 June 2019 have maturities of less than 45 days and carrying value represents net fair value.

(v) *Sensitivity analysis*

The consolidated and parent entity do not have projected exposure to foreign currency risk or price risk and no material projected exposure to interest rate risk.

NOTE 25: CONTINGENT LIABILITIES

Contingent liabilities includes, the lease for 74 Asquith Street is supported by a The Commonwealth Bank of Australia ("CBA") bank guarantee for $138,000. Collateral for the bank guarantee is a set-off against cash invested with the CBA for $138,000. The CBA also holds a Guarantee against the company credit cards of $50,000.

NOTE 26: EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant events have occurred after Statement of Financial Position date.

NOTE 27: BLUGLASS LTD PARENT COMPANY INFORMATION

	2019	2018
	$	**$**
Parent entity		
Assets		
Current assets	8,548,935	17,690,615
Non-current assets	9,912,561	13,471,602
Total assets	18,461,496	31,162,217
Liabilities		
Current liabilities	956,421	1,217,988
Non-current liabilities	3,497,727	2,191,456
Total liabilities	4,454,148	3,409,444
Net Assets	14,007,348	27,752,773
Equity		
Issued capital	67,412,994	67,380,834
Accumulated Losses	(53,201,689)	(38,974,423)
Share based payments reserve	778,495	328,814
Other reserve	(982,452)	(982,452)
Total Equity	14,007,348	27,752,773
Financial performance		
Loss for the year	(14,420,767)	(3,840,262)
Other comprehensive income	-	-
Total comprehensive income	(14,420,767)	(3,840,262)

Refer to Note 19 for Capital and Leasing commitments and Note 25 for Contingent Liabilities.

NOTE 28: COMPANY DETAILS AND PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business of the company is:

BLUGLASS LIMITED
74 ASQUITH STREET
SILVERWATER NSW 2128
Ph: +61 2 9334 2300

DIRECTORS' DECLARATION

1. In the opinion of the directors of BluGlass Limited:

> **a.** the consolidated financial statements and notes of BluGlass Limited are in accordance with the Corporations Act 2001, including
>
> > **i** giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
> >
> > **ii** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
>
> **b.** there are reasonable grounds to believe that BluGlass Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

William Johnson	Giles Bourne
Chairman	Managing Director and Chief Executive Officer
28 August 2019	28 August 2019

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Bluglass Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Bluglass Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment (Note 12)	
At 30 June 2019, the Group has recorded the remaining intangible asset on the Statement of Financial Position from the prior period at a carrying value of $nil following an impairment of $8.7m during the year. The asset related to Intellectual Property (IP) associated with the acquisition of Gallium Enterprise and represents in process research relating to core technology. The asset is not currently ready for use. AASB 138 *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. AASB 136 *Impairment of Assets* requires an entity to test for impairment, at least annually, the carrying amount of an intangible asset that is not yet available for use. A valuation was undertaken in the current year for the asset and an impairment write down of $8.7m was recognised in the Statement of Profit or Loss. This area is a key audit matter due to the subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138 and in relation to the impairment testing required by AASB 136.	Our procedures included, amongst others: • assessing management's determination of the Group's Cash Generating Units based on our understanding of the nature of the Group's business; • obtaining and documenting an understanding of the processes and controls in place over the risk of impairment; • obtaining management's valuation of IP prepared by management's independent expert and evaluating the appropriateness of the valuation methodology applied; • evaluating the qualifications and expertise of management's expert in order to assess their professional competence and capabilities as it relates to the work undertaken; • obtaining from management available evidence to assess the key assumptions within the model for reasonableness; • performing a sensitivity analysis on the key assumptions, including discount rates and forecasted revenues; • testing the mathematical accuracy of the model; • considering the reasonableness of the revenue and cost forecasts against current year actuals; • reviewing historical reliability of budgets and forecasts to evaluate management's estimation process; and • assessing the adequacy of disclosures in the financial statements.
Research and Development Rebate (Note 2 and Note 8)	

The Group accounts for the Research and Development (R&D) rebate tax incentive as a Government Grant.
 	
This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to the calculation and recognition of the R&D rebate tax incentive income and receivable.
	Our procedures included, amongst others:
	
	• obtaining and documenting, through discussions with management, an understanding of the process to estimate the claim;
	• evaluating the competence, capabilities and objectivity of management's expert;
	• utilising an internal R&D tax specialist in:
	  o reviewing the methodology used by management for consistency with the R&D tax offset rules; and
	  o considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to

Grant Thornton

	assess whether the expenses included in the estimate were likely to meet the eligibility criteria. • inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; • comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim; • comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; • considering the entity's history of successful claims; • inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and • assessing the adequacy of the relevant disclosures in the financial statements.
Share-Based Payments (Note 18 and Note 22)	
During the year, the Group granted 20,160,112 performance rights to key management personnel. The Group engaged a valuation expert during the current period to provide a valuation of these share-based payments which included market and non-market vesting conditions. This area is a key audit matter due to the inherent subjectivity involved in the Group making judgements relating to the key inputs and assumptions used to value the performance rights, including market-based assumptions, historical volatility, and the risk free rate of return.	Our procedures included, amongst others: • testing the reasonableness of the performance rights valuation; • evaluating the qualifications and expertise of management's expert in order to assess their professional competence and capabilities as they relate to the work undertaken; • reviewing the assumptions applied by the expert for reasonableness and historical accuracy; • agreeing key inputs to the relevant terms within the share based payments; • assessing the reasonableness of the valuation provided by management's expert by utilising our internal valuation expert to develop an independent estimate; and • assessing the adequacy of the Group's disclosures in in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 18 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Bluglass Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 28 August 2019