26 July 2024

June 2024 Quarter Activities Update

Highlights

- Secured A$1.93 million payment from European wafer developer for intellectual property rights transfer
- Engaging with new and existing laser customers, and progressing project tenders with partners
- Reported strongest ever quarterly revenue ($2.78m) in Q4 FY24
- Held expert roundtable on the importance of GaN semiconductors for next-generation applications

Global semiconductor developer BluGlass Limited (**ASX: BLG**) provides the following update and Appendix 4C Quarterly Report for the three months ended 30 June 2024 (Q4 FY24).

IP transfer to European wafer developer

During the quarter, as announced on 8 July 2024[1], BluGlass secured a A$1.93 million payment for the transfer of non-laser-based intellectual property (IP) rights to its European wafer developer customer. Developed by BluGlass under a paid foundry services contract since January 2022, the IP relates to gallium nitride (GaN) growth techniques on the customer's specialty wafers. The agreement excludes BluGlass' proprietary RPCVD, device, or laser IP.

BluGlass' foundry services agreement with this customer is ongoing, focused on developing GaN applications on specialty wafers.

CEO Jim Haden said, "Our epitaxy expertise is a key competitive advantage, complementing our laser business and enabling us to partner with a broad range of industry players on custom GaN solutions. We're continuing to establish ourselves as a partner-of-choice, offering the flexibility to scale foundry services for non-laser applications and development projects to meet specific customer product requirements. We look forward to supporting our long-term foundry customer with their ongoing needs. This IP licensing agreement is a good example of additional opportunities available to BluGlass, providing non-dilutive capital while we scale our laser device and development project revenues."

ME Commons Progress

BluGlass has continued to deliver on all quarterly milestones under its contract with the US Microelectronics Commons' CLAWS Hub. The Company remains on track or ahead of schedule for its fourth-quarter base-year deliverables.

NCSU CLAWS Hub Director Dr. Fred Kish was a plenary speaker at the 2024 International Conference on Compound Semiconductor Manufacturing Technology (CS MANTECH), presenting on the CLAWS' wide-bandgap semiconductor development objectives and achievements including BluGlass' GaN DFB laser development.

While BluGlass has yet to receive a positive or negative update on its CLAWS project proposals, work is continuing on the Company's core development program and this year's call for topics. The Company's CLAWS participation has increased BluGlass' visibility with hub members and the broader quantum sensing and high-speed communication communities.

All members of the CLAWS Hub, including BluGlass, are bound by strict non-disclosure agreements with NCSU and the US Microelectronics Commons.

Customer engagement

During the quarter, BluGlass continued to engage with its existing laser customer base while also progressing discussions with multiple potential customers, and supporting new orders.

BluGlass is also working with partners on tender applications for large revenue-generating contracts. While these application processes are lengthy, and there is no guarantee of success, they have the potential to generate significant revenue over both the short and long term, initially from product development projects and then from follow-on production contracts.

DFB Performance Updates

In April, BluGlass published a technical white paper highlighting performance improvements of BluGlass' gallium nitride (GaN) Distributed Feedback (DFB) lasers, which have demonstrated industry-leading side-mode suppression ratios with power output over 100mW, operating at single-frequency over a range of current densities.

GaN-based DFB lasers are not commercially available in the near UV and visible spectrums. BluGlass' visible DFB laser demonstrations have achieved near-single wavelengths with extremally narrow full width at half-maximum (FWHM) wavelength distribution and high side mode suppression ratio (SMSR), which is the suppression of undesirable wavelengths. These properties are critical to ensure the precise and stable operation required for atomic stimulations and sensing. GaN DFB lasers compact size and wafer-level fabrication make them an ideal candidate to help quantum applications scale up in volume and down in size, for commercial use in next-generation applications such as quantum computers, in-flight LiDAR, robotics, and atomic clocks.

Hosted expert GaN roundtable

BluGlass and ShareCafe continued is market education series during the quarter, hosting an expert roundtable on how GaN semiconductors are supporting next-generation applications across quantum, defence, aviation, robotics and artificial intelligence. Panellists at *The GaN Revolution: Powering the technologies of tomorrow* included Professor Steven DenBaars from the University of California Santa Barbara (UCSB), Dr Michael Schuette from MACOM Technology Solutions, IQE's Dr Hughes Marchand, independent semiconductor professional Dr Steven Duvall, and BluGlass' Dr Josh Brown.

The webinar recording is available at: https://bluglass.com/investor-webcast/

Financials

BluGlass has reported its strongest ever quarterly revenue, generating $2.78 million in Q4 FY24. This included revenues from the NCSU CLAWS contract, foundry services and IP transfer for the European wafer developer, and laser orders.

The Company has delivered three consecutive years of topline revenue growth, reflecting the early benefits of its growth strategy and growing laser project, foundry service, and laser product revenues.

BluGlass' quarterly research and development expenses were $2.2 million, inclusive of salaries, materials, and fabrication costs. Payments to related parties during the quarter were $108k, comprising Chair and Non-Executive Director fees.

At the end of the financial year, the cash balance was $5.43 million, before the receipt of the $1.93 million IP transfer received in July 2024, NCSU CLAWS receivable of ~$670k, in addition to its expected R&D rebate of ~$5.5-$5.7 million for development work completed in FY24.

Activity Undertaken	Amount paid during the quarter $'000
Laser Diode product development	$2,178
RPCVD development	$29
Total direct expenditure	**$2,207**

Outlook

BluGlass will continue to focus on its commercial and technical roadmaps in FY25, growing laser and project revenues, optimising its Silicon Valley fab, and bringing innovative new products to market. The Company is well-positioned for growth within the constrained GaN laser market, offering greater manufacturing and packaging flexibility as well as novel architectures that improve laser performance and facilitate next-generation applications.

In parallel, BluGlass is continuing to collaborate with industry and academic partners to develop new technologies, solve customer challenges, and support increased adoption of GaN across high-growth industries.

This announcement has been approved for release by the BluGlass Board.

1. https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02825653-2A1534535&v=70bc033a22188bdfefb8a0b8ad3c24897ef2837d

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About BluGlass

BluGlass Limited (ASX:BLG) is a leading supplier of GaN laser diode products to the global photonics industry, focused on the industrial, defense, bio-medical, and scientific markets.

Listed on the ASX, BluGlass is one of just a handful of end-to-end GaN laser manufacturers globally. Its operations in Australia and the US offer cutting-edge, custom laser diode development and manufacturing, from small-batch custom lasers to medium and high-volume off-the-shelf products.

Its proprietary low temperature, low hydrogen, remote plasma chemical vapour deposition (RPCVD) manufacturing technology and novel device architectures are internationally recognised, and provide the potential to create brighter, better performing lasers to power the devices of tomorrow.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
BluGlass Limited	
ABN	**Quarter ended ("current quarter")**
20 116 625 793	30 June 2024

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	629	2,183
1.2	Payments for		
	(a) research and development	(937)	(6,018)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing	(8)	(116)
	(d) leased assets	(332)	(1,266)
	(e) staff costs	(1,968)	(8,318)
	(f) administration and corporate costs	(341)	(1,516)
1.3	Dividends received (see note 3)		
1.4	Interest received	-	63
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	2	(134)
1.7	Government grants and tax incentives	-	7,307
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(2,955)**	**(7,815)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(146)	(1,466)
	(d) investments		
	(e) intellectual property		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(f) other non-current assets (security deposits)		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(146)**	**(1,466)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,684	10,161
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(451)	(770)
3.5	Proceeds from borrowings	-	3,705
3.6	Repayment of borrowings	-	(2,556)
3.7	Transaction costs related to loans and borrowings	28	(82)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**5,261**	**10,458**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,277	4,258
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,955)	(7,815)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(146)	(1,466)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,261	10,458
4.5	Effect of movement in exchange rates on cash held	(3)	(1)
4.6	**Cash and cash equivalents at end of period**	**5,434**	**5,434**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	5,246	3,089
5.2	Call deposits	188	188
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,434**	**3,277**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	108
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,149	1,149
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	**1,149**	**1,149**

7.5	**Unused financing facilities available at quarter end**	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered or are proposed to be entered into after quarter end, include a note providing details of those facilities.	

A secured loan agreement from Radium Capital was obtained in the previous quarter. With an annual interest rate of 15% and a maturity date of 31 December 2024. Borrowed against FY24 Quarter 1 R&D rebate.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,955)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,434
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,434
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	*1.8*

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The company expects to have sufficient funds to meet its operating cashflows for the following reasons:
1) The company received $1.93 million in July-24 from Jun-24 sales collections;
2) The company will generate revenue from its product and project sales;
3) The company will receive a significant R&D grant for the year ending 30 June 2024 in Q1/Q2 of FY2025. And can also borrow against it if needed.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, please refer to 8.6.1

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes - with the $1.93 million receivables collected in July, the anticipated product and project sales and access to R&D grant and funding, the company believes it will have sufficient working capital to meet its operational and business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 26 July 2024

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.