

# Appendix 4D

## Interim Report

### BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2015

*Corresponding period was the six months ended 31 December 2014*

### Results for announcement to the market

#### RESULTS

		\$A	%		\$A
Revenues from ordinary activities	Down	(549,950)	27	to	1,458,946
Loss from ordinary activities after tax attributable to members	Up	(206,842)	13	to	(1,757,972)
Loss for the period attributable to members	Up	(206,842)	13	to	(1,757,972)

#### EPS

Earnings per Security (cents per share)	31 Dec 2015	31 Dec 2014
Basic loss per share (cents per share)	(0.55) cents	(0.54) cents
Diluted loss per share (cents per share)	(0.55) cents	(0.54) cents

#### Net Tangible Asset Backing

31 Dec 2015

31 Dec 2014

Per Ordinary Security (cents per share)	1.37 cents	1.69 cents
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#### Dividend Payable

No dividends have been paid or declared during the period.

#### Dividend Re-investment Plan

There is no dividend re-investment plan in operation.

#### Control gained over entities having material effect

	NIL
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#### Loss of control of entities having material effect

Name of entity (or group of entities)	NIL
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#### Details of associates and joint venture entities

Name of entity (or group of entities)	NIL
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*This report is based on the Half Year Financial Report which has been subject to review by the Auditors. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the Interim Financial Report for the Half Year Ended 31 December 2015 and the 30 June 2015 Annual Financial Report.*

# BRIGHTER FUTURE LOWER TEMPERATURE

INTERIM FINANCIAL REPORT FOR THE  
HALF YEAR ENDED 31 DECEMBER 2015

BLUGLASS LIMITED and CONTROLLED ENTITIES  
ABN 20 116 825 793

  
**BLUGLASS**

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## **DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the half year ended 31 December 2015.

### **Directors**

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

Mr George Venardos

Mr Greg Cornelsen

Mr Chandra Kantamneni

Dr William Johnson

Mr Giles Bourne

### **Principal Activities**

The principal activity of the consolidated entity during the half year was the further development and commercialisation of novel technology for the manufacture of epitaxially grown gallium nitride at low temperature. BluGlass is also engaged in research activities in developing other high efficiency nitride devices.

All research and development activities are conducted in BluGlass Limited. There were no other significant changes in the nature of the consolidated entity's principal activities during the half year.

### **Operating Results**

Revenue has decreased by \$549,950 down 27.4% to \$1,458,946 due to the following factors:

- Receipt of \$192,479 from the Commonwealth Clean Technology grant, down 77% on last year.
- Receipt of the operational foundry revenue \$138,222 down 29% from prior year.
- Accrual of \$1,000,000 for the Research and Development Tax Rebate, applicable for the six month period, accrued on the same basis as the prior year.

Gross expenditure has decreased by \$343,108, down 9.6% due to the following factors:

- Employee benefits expense down 9.7% to \$1,255,294 (2014: \$1,390,122), and no staff bonus was paid during the period.
- Research and Development consumables and repair expense is down 24% due to lower repair expenses and more efficient use of consumables to \$414,322 (2014: \$544,574).

The consolidated loss for the period amounted to \$1,757,972 up 13.3% (2014: \$1,551,130).

The company's net assets as at 31 December 2015 were \$12,927,983 (30 June 2015: \$13,952,385).

The Statement of Financial Position does not include a value for the increasing number of patents granted during the period since listing on the ASX in 2006 as all research and development costs are expensed as incurred and not capitalised.

### **Dividends Paid or Recommended**

No dividends were paid or declared during the period.

## REVIEW OF OPERATIONS

The half year ended 31 December 2015 has seen BluGlass make some material commercial progress along with important technical advancement that is attracting growing interest from different areas of the semiconductor value chain.

The Company is currently involved in a number of discussions with respect to a potential strategic transaction. Should any of these discussions lead to terms being agreed, the Board will advise shareholders accordingly.

### **In Summary the key achievements during the half year were:**

In July 2015 we welcomed SPP Technologies (SPT), a wholly owned subsidiary of Sumitomo Precision Products, to our share register. SPT are active in the Japanese compound semiconductor industry, delivering advanced equipment and process technologies such as plasma etch, plasma enhanced CVD (PECVD) and sacrificial layer etch in Japan. BluGlass is pleased to have this useful ally on our register as we progress towards commercialisation.

In September 2015, BluGlass received a significant foundry order from one of our existing key foundry customers of approximately \$300,000; to be delivered over six months. This customer is developing a specialty LED application and BluGlass is supplying the green and blue LED wafers for their innovative product.

In addition to this foundry order, BluGlass has recently secured two new customers, both of which are interested in using RPCVD p-GaN in their product development. The first, an LED customer has already committed to trial RPCVD in their product development. In February 2016 BluGlass also announced that it had received a purchase order from a laser diode customer, developing a unique design that requires low temperature RPCVD p-GaN in order to work most effectively and improve the device performance. This will be the first RPCVD laser diode prototype that we have produced. If successful this will lead to repeat business and will be a further demonstration of the versatility and performance advantages of low temperature RPCVD.

One of the significant achievements during the half year (November 2015) was commencing a collaborative evaluation with a tier-1 LED manufacturer. BluGlass was approached by this LED company and has subsequently commenced a collaborative project to test a custom application of RPCVD which is targeting the improvement of LED performance and cost for a specialty application. BluGlass has invested considerable effort into this project which is advancing with good initial results utilising both of its RPCVD systems.

Also in November last year, we announced that the Veeco Instruments evaluation of RPCVD for green LEDs has moved to the next iteration following positive initial results on 2 inch wafers. The next part of the evaluation is involving greater collaboration between BluGlass and Veeco and focuses on demonstrating good green LED performance on larger size wafers.

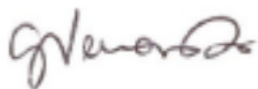
The initial evaluation of RPCVD for power electronics for Veeco has shown that the low temperature overgrowth of p-GaN has the potential for a significant performance advantage. This is a very good indicator for BluGlass in its power electronics application development.

One of the particular challenges with power electronics that is important to all of our technology demonstrations is to show thickness uniformity across larger wafers. To this end, BluGlass has modelled and designed an upgrade to the existing BLG-300 RPCVD chamber that is now being machined and assembled by specialist external providers. The new chamber incorporates a new metal-organic injection arrangement to improve the thickness uniformity to a commercial standard sought by parties evaluating the RPCVD technology. The new chamber builds on the existing performance results we are achieving. The new chamber is scheduled to be installed and operational next quarter.

BluGlass is advancing its existing evaluation agreements with two of the industry leaders. From a successful evaluation of the RPCVD technology we envision BluGlass entering into a strategic partnership (licensing / joint venture / joint development) with one or more industry players to take the RPCVD technology to market.

The progress during the half year continues to build a solid position for the Company as we pursue the commercialisation of our breakthrough RPCVD platform technology, and demonstrate to the industry its performance capability and versatility. We are very encouraged that the level of interest from the industry continues to grow, including beyond our current evaluations, and we look forward to keeping our shareholders informed as all of these discussions progress.

**Director George Venardos**



Dated this 22<sup>nd</sup> day of February 2015

**Director Giles Bourne**



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**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 review of BluGlass Limited for the half-year ended 31 December 2015, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



G S Layland  
Director - Audit & Assurance

Sydney, 22 February 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	Consolidated Group	
		31.12.2015	31.12.2014
		\$	\$
Revenue		1,291,804	1,784,287
Other Income		167,142	224,609
Employee benefits expense		(1,255,294)	(1,390,122)
Professional fees		(95,151)	(116,942)
Board and secretarial fees		(157,634)	(140,377)
Corporate compliance & legal expenses		(37,891)	(34,532)
Consultant fees		(221,292)	(183,487)
Rent expense		(129,160)	(125,000)
Travel and accommodation expense		(37,210)	(36,914)
Engineering, consumable & repairs expense		(414,322)	(544,574)
Depreciation expense		(340,750)	(388,796)
Share based payment		(260,266)	(301,272)
Other expenses		(267,948)	(298,010)
<b>Loss before income tax</b>		<b>(1,757,972)</b>	<b>(1,551,130)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(1,757,972)</b>	<b>(1,551,130)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(1,757,972)</b>	<b>(1,551,130)</b>
<b>Loss attributable to:</b>			
-- members of the parent entity		(1,757,972)	(1,551,130)
		(1,757,972)	(1,551,130)
<b>Total Comprehensive loss attributable</b>			
-- members of the parent entity		(1,757,972)	(1,551,130)
		(1,757,972)	(1,551,130)
<b>Earnings/(loss) per share</b>			
Basic earnings/(loss) per share (cents per share)		(0.55)	(0.54)
Diluted earnings/(loss) per share (cents per share)		(0.55)	(0.54)

These financial statements should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

	<b>Consolidated Group</b>	
	<b>31.12.2015</b>	<b>30.06.2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,796,697	2,528,849
Trade and other receivables	1,000,000	2,050,812
Consumables	84,363	76,919
Other current assets	109,036	57,373
<b>TOTAL CURRENT ASSETS</b>	<b>3,990,096</b>	<b>4,713,953</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,036,450	1,376,286
Intangible assets	8,695,000	8,695,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,731,450</b>	<b>10,071,286</b>
<b>TOTAL ASSETS</b>	<b>13,721,546</b>	<b>14,785,239</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	158,990	242,554
Short-term provisions	209,852	186,651
<b>TOTAL CURRENT LIABILITIES</b>	<b>368,842</b>	<b>429,205</b>
<b>Non-current Liabilities</b>		
Long-term provisions	424,721	403,649
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>424,721</b>	<b>403,649</b>
<b>TOTAL LIABILITIES</b>	<b>793,563</b>	<b>832,854</b>
<b>NET ASSETS</b>	<b>12,927,983</b>	<b>13,952,385</b>
<b>EQUITY</b>		
Issued capital	44,992,591	44,519,279
Reserves	709,028	448,760
Accumulated Losses	(32,773,636)	(31,015,654)
<b>TOTAL EQUITY</b>	<b>12,927,983</b>	<b>13,952,385</b>

These financial statements should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Issued Capital	Share based payments Reserve	Other Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	42,673,992	940,513	(982,452)	(27,832,404)	14,799,655
Total comprehensive loss for the period	-	-	-	(1,551,130)	(1,551,130)
Transactions with owners in their capacity as owners:					
Stock options issued	-	301,274	-	-	301,274
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>42,673,992</b>	<b>1,241,787</b>	<b>(982,452)</b>	<b>(29,383,534)</b>	<b>13,549,793</b>
<b>Balance at 1 July 2015</b>	44,519,279	1,431,212	(982,452)	(31,015,654)	13,952,385
Total comprehensive loss for the period	-	-	-	(1,757,972)	(1,757,972)
Transactions with owners in their capacity as owners:					
Share options issued	514,987	-	-	-	514,987
Share Transaction costs during this year	(41,683)	-	-	-	(41,683)
Share options issued	-	260,266	-	-	260,266
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>44,992,583</b>	<b>1,691,478</b>	<b>(982,452)</b>	<b>(32,773,626)</b>	<b>12,927,983</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	<b>Consolidated Group</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from grants	192,479	833,895
Interest & other income received	1,266,467	1,175,001
Payments to suppliers and employees	(1,663,489)	(1,829,476)
<b>Net cash provided (used) by in operating activities</b>	<b>(204,543)</b>	<b>179,420</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(913)	(29,444)
<b>Net cash (used) in investing activities</b>	<b>(913)</b>	<b>(29,444)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares net of transaction costs	473,304	-
<b>Net cash provided by financing activities</b>	<b>473,304</b>	<b>-</b>
Net (decrease)/increase in cash held	267,848	149,976
Cash and cash equivalents at beginning of period	2,528,849	2,445,235
<b>Cash and cash equivalents at end of period</b>	<b>2,796,697</b>	<b>2,595,211</b>

These financial statements should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015****Note 1: Nature of Operation**

The principal activity of the consolidated entity during the half year was the further development and commercialisation of novel technology for the manufacture of epitaxially grown gallium nitride at low temperature. BluGlass is also engaged in research activities in developing a high efficiency nitride solar cell prototype.

**Note 2: Basis of Preparation**

These general purpose financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial reporting standard IAS34 Interim Financial Reporting. The group is a for profit entity for financial reporting purposes under Australian Accounting standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of BluGlass Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2015, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

**Significant Accounting Policies**

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015.

The financial statements of BluGlass Limited for the half year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 22 February 2016.

**Going Concern**

Notwithstanding the accumulated losses for the company and the consolidated entity, the directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the company and consolidated entity. The directors have prepared the financial statements on a going concern basis, as the directors have a number of strategies in progress to generate revenues from operations and maintain the company in a cashflow positive position.

**Note 3: Loss for the Period**

	<b>Consolidated Group</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Grant revenue	192,479	833,895
R&D Tax rebate	1,000,000	1,000,000

**Note 4: Dividends**

There were no dividends paid or declared during the period.

**Note 5: Operating Segments**

The consolidated group operates and reports in one business and geographic segment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015****Note 6: Losses Per Share**

Both the basic and diluted losses per share have been calculated using the losses attributable to shareholders of the Parent Company (BluGlass Limited) as the numerator, i.e. no adjustments to losses were necessary during the six (6) month period to 31 December 2015 and 2014.

The weighted average number of shares for the purposes of the calculation of diluted losses per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic losses per share as follows:

	<b>6 months to 31-Dec-2015 \$'000s</b>	<b>6 months to 31-Dec-2014 \$'000s</b>
Weighted average number of shares used in basic earnings per share	322,255,579	287,748,721
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>322,255,579</b>	<b>287,748,721</b>

**Note 7: Contingent liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**Note 8: Events subsequent to reporting date**

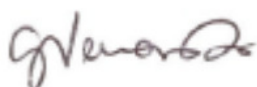
There were no events subsequent to reporting date.

#### **DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 12 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards AASB 134 Interim Financial Reporting; and
  - (b) give a true and fair view of the financial position as at 31 December 2015 and of the performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

**George Venardos**



Managing Director

**Giles Bourne**

Dated this 22nd day of February 2016

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## **Independent Auditor's Review Report To the Members of BluGlass Limited**

We have reviewed the accompanying half-year financial report of BluGlass Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of BluGlass Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the BluGlass Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Regulations 2001. As the auditor of BluGlass Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BluGlass Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



G S Layland  
Director - Audit & Assurance

Sydney, 22 February 2016