

# 16



## ANNUAL FINANCIAL REPORT 2016

BLUGLASS LIMITED AND CONTROLLED ENTITIES | ABN 20 116 825 793



# PATH TO MARKET

*BluGlass is active in all four activities of its Path to Market.*

## Demonstrate Key Applications

IMPROVE DEVICE PERFORMANCE  
COMBINING RPCVD WITH MOCVD

## Grow Foundry Service Business

CONTINUE TO WORK WITH MOCVD & RPCVD CUSTOMERS AT THE LEADING EDGE OF TECHNOLOGY INNOVATION TO GROW REVENUE & REPUTATION IN THE INDUSTRY

## Gain Industry Acceptance

COMPLETE INDUSTRY EVALUATION WITH MULTIPLE PARTNERS IN THE VALUE CHAIN (E.G. EQUIPMENT & DEVICE MANUFACTURERS)

## Drive Commercialisation

BLUGLASS IS EVALUATING A NUMBER OF COMMERCIALISATION OPTIONS FOR RPCVD (INC. JV, STRATEGIC PARTNER, LICENSING, & FOUNDRY)

# HIGHLIGHTS FROM 2016

*During the year BluGlass has made strong commercial and technical progress as we make inroads towards delivering a commercial outcome for the RPCVD technology. Some of the key achievements include:*

## UPGRADED RPCVD CHAMBER COMES ONLINE

*September 2016*—BluGlass has completed the installation of its upgraded RPCVD chamber to assist in demonstrating the scaling of the technology. This advanced design aims to build on current performance and improve the uniformity of the low temperature RPCVD process.

## ENTERS INTO COLLABORATION AGREEMENT WITH HC SEMITEK TO EXPLORE RPCVD FOR MULTIPLE LED APPLICATIONS

*April 2016*—BluGlass and leading Chinese LED manufacturer, HC Semitek have entered into a collaborative evaluation agreement to explore RPCVD LEDs and AlN templates.

## ENTERS INTO EXCLUSIVE COLLABORATION AGREEMENT WITH LUMILEDS

*March 2016*—BluGlass entered into an exclusive collaboration agreement with one of the industry's top LED companies, Lumileds to explore an exclusive novel approach to LEDs grown using RPCVD. The two companies will work together to explore potential use of low temperature RPCVD for specific LED applications defined by the agreement. The Lumileds evaluation is making steady progress towards the agreed milestones.

## SPT MICRO-TECHNOLOGIES VICE PRESIDENT, VIVEK RAO JOINS BLUGLASS BOARD

*March 2016*—Vivek Rao 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.

## VEECO EVALUATION MOVES TO NEXT ITERATION

*November 2015*—The Veeco evaluation of RPCVD p-GaN for green LEDs and power electronics demonstrated promising initial results on 2 and 6 inch wafers respectively. The evaluation is ongoing and focused on demonstrating performance on larger wafers.

## SECURES SIGNIFICANT FOUNDRY ORDER

*September 2015*—BluGlass received a significant foundry commitment from one of our existing key foundry customers of approximately \$300,000. This customer is developing specialty LEDs. BluGlass is supplying the green and blue LED wafers for their innovative product.

In addition to this foundry order, BluGlass also secured two additional customers, both of which are interested in using RPCVD p-GaN in their product development.

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## CHAIRMAN & MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

*The BluGlass Board and Management are pleased to present to you our 2016 Annual Report.*

*Our collaboration with Lumileds has been a major focus for us in recent months and it is making very good progress towards delivering the milestones of Phase I.*

2016 has been a year of strong performance for the company as we work to deliver industry acceptance of our breakthrough low temperature Remote Plasma Chemical Vapour (RPCVD) technology. To this end we are working with three of the industry's top companies with prominent leadership positions in their respected markets. The key industry applications that we are developing with our strategic partners each have burgeoning markets with potential for high growth.

Our collaboration with Lumileds has been a major focus for us in recent months and it is making very good progress towards delivering the milestones of Phase I. The present results indicate that the novel implementation of RPCVD that we are developing exclusively with Lumileds has the potential for performance improvement over the standard MOCVD process. We anticipate being in a position to successfully deliver all of the remaining technical hurdles of Phase I in the short term and look forward to keeping the market informed of progress.

Our evaluation with one of China's leading LED manufacturers, HC SemiTek also continues to make progress towards both of the planned application demonstrations. HC SemiTek has over the past decade become a major player in the enormous Chinese LED market, supplying full-colour ultra-high brightness LED products throughout the domestic market. We also believe that a successful evaluation with HC SemiTek could lead to commercial discussions for RPCVD equipment sales and/or a licensing agreement.

One of the key achievements during the period was the design and implementation of the upgraded BLG-180 RPCVD chamber. The new chamber aims to improve the uniformity of RPCVD growth, and was recently commissioned and is showing promising results.

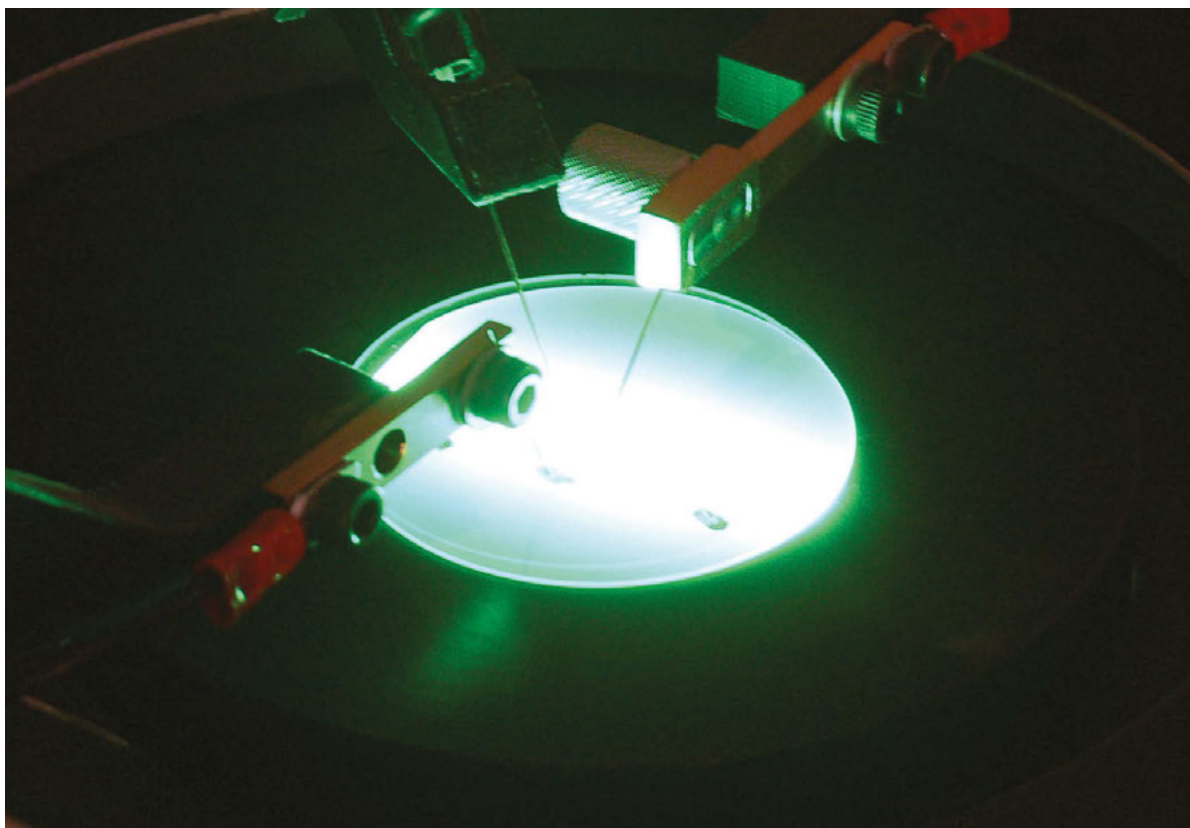
All of the commercialisation projects will require that further scaling of RPCVD can be demonstrated. BluGlass is presently reviewing options, including potential collaborations, to implement larger scale RPCVD equipment on-site at BluGlass. These larger systems, once successfully tested could represent the first sales of equipment for the various industry collaborations currently underway. They could also serve as a demonstrator for other projects and customers that have also shown interest in RPCVD. To date BluGlass has been resource limited to exploit these additional customer opportunities.

During the year our evaluation with leading semiconductor equipment manufacturer Veeco Instruments had promising results. Further progress now awaits a successful scaling demonstration of RPCVD.



*The Board and Management strongly believe that our current multi-segmented approach in the semiconductor value chain gives BluGlass the greatest potential for success.*





The BluGlass foundry business continues to attract select customers who have an interest in trialling the RPCVD technology for their product development and is part of our supporting strategy for achieving industry acceptance of the RPCVD technology. BluGlass wants to work with the innovators that will be leading the nitrides industry into the future and those that can benefit from a market enabling low temperature technology. We do continue to receive strong interest from other major leading semiconductor device manufacturers in different segments of the industry. The Board and Management strongly believe that our current multi-segmented approach in the semiconductor value chain gives BluGlass the greatest potential for success.

The BluGlass intellectual property is a critical element to our future success as we commercialise the RPCVD technology in different market segments. BluGlass' patent portfolio continues to grow and currently stands at 42 internationally granted patents and 18 patent applications. BluGlass continues to focus on key semiconductor jurisdictions where the technology will be commercialised including Japan, Korea, China, the US and Europe.

As we head into the 2017 financial year, we are looking to deliver successful outcomes in our current industry partnerships and establish additional collaborations in the

semiconductor value chain. BluGlass' shareholders can have confidence in the progress of the business, the growing capability of our breakthrough technology and the global network that we are developing within the value chain. The BluGlass Board and Management looks forward to keeping you up to date over the coming months as we take our cutting edge technology to market.

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*BluGlass' shareholders can have confidence in the progress of the business, the growing capability of our breakthrough technology and the global network that we are developing within the value chain.*

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At this very exciting time in BluGlass' development we would like to acknowledge the continued dedication of our exceptionally talented team of innovators, and to thank you; our loyal shareholders for your valued support and contribution to your company and the RPCVD technology.

## DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the financial year ended 30 June 2016.

### DIRECTORS

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

**Mr George Venardos**

**Mr Gregory Cornelsen**

**Mr Chandra Kantamneni**

**Dr William Johnson**

**Mr Vivek Rao** (appointed 14 March 2016)

**Mr Giles Bourne**

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

### 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.

### REVIEW OF OPERATIONS

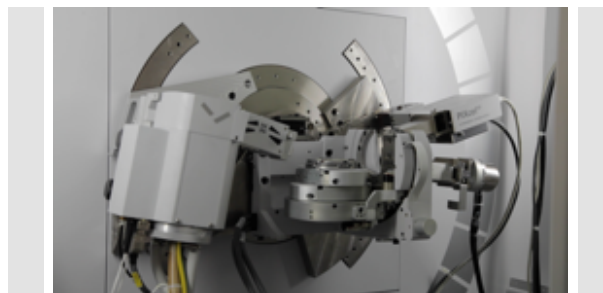
BluGlass continues to make progress towards commercialising its RPCVD technology with a number of key industry evaluations and collaborations now in place. These agreements form part of the Company's industry acceptance strategy and the Board and Management are pleased with the progress that these collaborative efforts have and continue to make during the period. BluGlass is receiving growing interest and enquiries from different areas of the semiconductor value chain in the capabilities and potential of the RPCVD technology. On the whole the Company is making good inroads to delivering a commercial outcome for our shareholders.

### In Summary the key achievements during the period were:

In July 2015, SPP Technologies Co. Ltd (SPT), a subsidiary of Sumitomo Precision Products Co. Ltd of Japan (TSE: 6355), informed BluGlass that it had acquired from SPTS Technologies UK Limited (SPTS) various assets including SPTS' 17.9% stake in BluGlass. SPTS acquired its shares in BluGlass in a strategic investment in August 2010, and at that time was a wholly owned subsidiary of Sumitomo Precisions Products. BluGlass is pleased to welcome SPT back to our register as a strategic holder.

In September 2015, BluGlass received a significant foundry commitment from one of our existing key foundry customers. This customer is developing a specialty LEDs and BluGlass is supplying the green and blue LED wafers for their innovative product.

In addition to this foundry order, BluGlass has also secured two additional customers, both of which are interested in using RPCVD p-GaN in their product development. The first customer has commenced trialling RPCVD in their LED product development.



*View of the X-Ray Diffraction characterisation system, which is part of the state-of-the-art characterisation and testing capabilities at BluGlass.*

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 to work effectively to improve the device performance.

We are very encouraged that our Foundry customers continue to give us repeat business and see this as a testament to the development capabilities of our specialist epitaxy team. The BluGlass management will be looking to continue to grow the foundry business over the coming financial year.

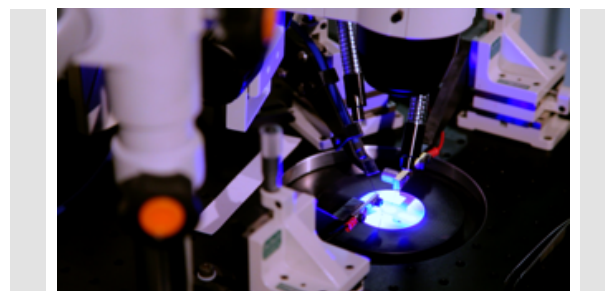
❖ In November 2015, BluGlass announced that its evaluation with Veeco Instruments, one of the industry leading semiconductor equipment providers, had moved to the next iteration. Veeco are now evaluating RPCVD for green LEDs on larger wafers following positive initial results on 2 inch wafers. This part of the evaluation has involved greater collaboration between BluGlass and Veeco, focused on demonstrating good green LED performance and scalability to larger wafers.

The initial evaluation of RPCVD for power electronics for Veeco demonstrated 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 technical focuses during the year was to address deposition uniformity of the RPCVD process. To achieve this, BluGlass modelled and designed a hardware upgrade to the RPCVD deposition technology. The newest RPCVD chamber upgrade will be installed on the smaller of the two BluGlass RPCVD systems, the BLG-180, and incorporates new features to improve the thickness uniformity to a standard sought by parties currently evaluating the RPCVD technology. The new chamber builds on the recent performance results achieved, and aims to deliver this performance across the entire targeted deposition area. The new chamber is currently being installed in Silverwater and is on track to be operational by the end of August.

❖ In March 2016, BluGlass appointed SPT Micro-technologies Vice President, Vivek Rao to its Board of Directors. Vivek is currently the Executive Vice President & Chief Operations Officer of SPT Microtechnologies (a Division of SPP Technologies). He 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. Vivek joins the board as a Non-Executive Director. Mr Vivek Rao is the nominated director representing SPT Japan Co. Ltd, and is paid in his capacity as a director, directly by SPT Japan.

❖ In March 2016, BluGlass entered into an exclusive collaboration agreement with Lumileds. Lumileds develops, manufactures and distributes LEDs and automotive lighting products. The two companies will work together to explore potential use of low temperature RPCVD for specific LED applications defined by the agreement. This agreement follows on from the initial collaboration of BluGlass and Lumileds where BluGlass announced that it was commencing a collaborative evaluation with a tier-1 LED manufacturer to test a custom application of RPCVD targeting the improvement of LED performance and cost.



*Wafer testing of a blue LED, grown using RPCVD.*

The Lumileds evaluation is making steady progress towards the agreed milestones. BluGlass' Chief Technology and Operations Officer, Dr. Ian Mann, recently returned from the US where he visited Lumileds to review RPCVD data and plan the next iterations of experiments critical to the collaboration milestones.

❖ In April 2016, BluGlass raised \$3.0M in a share placement to assist the company deliver on its industry evaluation agreements. BluGlass placed 23 million new fully paid ordinary shares to sophisticated and professional investors at an issue price of \$0.13 per share.

The placement was strongly supported by existing and new shareholders, including institutional investors.

❖ In April 2016, BluGlass announced that it would commence collaborating with HC SemiTek, a leading Chinese LED chip manufacturer that supplies full-colour ultra-high brightness LED products throughout the Chinese market. BluGlass and HC SemiTek are collaborating to review the RPCVD advantages for green LEDs and will also explore low temperature deposition of Aluminium Nitride (AlN) to use in high brightness LEDs. HC SemiTek are supplying 4 inch wafers to BluGlass to deposit RPCVD films, where HC SemiTek will then fabricate the LED devices for testing.

The two companies have agreed a planned set of experiments for both projects. Deposition on 4" sapphire wafers for RPCVD grown AlN films has begun. These will be shipped to HC SemiTek to fabricate into LED devices for testing. BluGlass has also recently received the LED wafers for the green LED development and this RPCVD work has now commenced.

BluGlass now has in place three key industry evaluations with some of the world's leading LED companies with respected leadership positions in their relative markets. This forms part of our key strategy to complete our industry acceptance phase as we progress towards commercialising our proprietary RPCVD technology.

BluGlass will continue to investigate other evaluation and collaboration opportunities with equipment and device manufacturers. The long term goal remains to progress the evaluations into commercial agreements such as licensing, retrofitting or partnerships with one or more industry players.

## FINANCIAL SUMMARY

The consolidated loss for the period increased to \$3,427,566 (2015: \$3,183,256).

The net assets of the consolidated entity increased by \$284,365 to \$14,236,750 (2015: \$13,952,385) due to the loss incurred during the period and the capital raise completed during the period.

Revenue has decreased by \$623,013 down 17.6% to \$2,909,916. Material variations in revenue received are as follows:

- ✦ The major variance from last year was the receipt of only \$342,447 from the Clean Technology Innovation Grant which commenced on the 1st of July 2014 and was completed at 31 December 2015. Grant receipts in 2015 from the Commonwealth Climate Ready Grant Programme were \$1,235,954.
- ✦ Revenue for the provision of foundry services to third parties of \$318,577 (up 15%) was received for the year compared to \$276,825 in the 2015 financial year.
- ✦ Accrual of 2015/16 R&D tax rebate of \$2,100,000 which is the amount received in the 2015 financial year.

Gross expenditure has decreased by \$378,703, down 5.6% to \$6,337,482 due to the following factors:

- ✦ Depreciation expense is reducing as our research equipment is progressively written off, \$603,252 (2015: \$777,652).
- ✦ Salaries and wages decreased by \$126,509 down 4.6% (2015: \$2,615,989) due to reduction in staff numbers and no performance based payments being made during the financial year.

Net cash required for operational expenses, and capital expenditure averaged \$293,964 per month, (2015: \$265,271). The increase is mainly due to the decrease in grants received from AusIndustry.

The Statement of Financial Position does not include a value for the increasing number of patent applications and patents granted during the period. Since listing on the ASX in 2006 all research and development costs are expensed as incurred, and not capitalised; 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. The current value of \$8.695m has been reviewed by independent valuers and the directors have accepted their assessment that no impairment to the carrying value is warranted. This valuation is supported by the cornerstone nature of Patents 1 & 2 that were acquired from Macquarie University. Management's and the Board's view is that these patents are still fundamental enablers to the company's RPCVD technology.

## 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 2016 or 2015.

## 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 PV markets in order to maximise shareholder return.

BluGlass will continue to advance and validate the RPCVD technology as the Company works towards its industry acceptance goals in order to take the RPCVD technology to market.

These developments, together with the current strategy of continuous improvement and innovation are expected to assist in the achievement 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 OHS&E 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 OHS&E statutory requirements.

There were no reportable safety or environmental incidents during the course of the financial year.



## INFORMATION ON DIRECTORS



**MR. GEORGE VENARDOS**  
**Non-Executive Chairman**  
BCom, FCA, FTI, FAICD, FGIA

### Current Listed ASX Directorships:

- Non-Executive Director—Ardent Leisure Group
- Non-Executive Director—IOOF Holdings Limited

### Former ASX Directorships (in the last 3 years):

- Non-Executive Director—Miclyn Express Offshore Limited

### Special Responsibilities:

Risk and Audit Committee member, Remuneration and Nominations Committee member

### Experience and Expertise:

George is a non-executive director with broad listed company experience across a range of different industries. He has more than 30 years experience in the Insurance and Financial Services sector and was formally Group Chief Financial Officer of Insurance Australia Group Limited; Chief Financial Officer, Legal and General Australia; and Chairman of the Insurance Council of Australia Finance and Accounting Committee.

*George is a non-executive director with broad listed company experience across a range of different industries.*

**Time on Board:** 8.5 Years



**MR. GILES BOURNE**  
**Managing Director and Chief Executive Officer**  
B.A. (Hons), MBA, FAICD

### Special Responsibilities:

BluGlass Chief Executive Officer

### Experience and Expertise:

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' LED and solar technology.*

Giles' focus at BluGlass is to provide leadership as well as developing sales and marketing structures to support the commercialisation of BluGlass' LED and solar technology. 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 \$25M in Government and Private Investment and supported the technology team to its proof of concept milestone.

**Time on Board:** 2 Years

## INFORMATION ON DIRECTORS



**DR. WILLIAM JOHNSON**  
Non-Executive Director  
BS-Phy, MS-EE, PhD

### Former Directorships (in the last 3 years):

- President and CEO SPTS Pty Ltd

### Special Responsibilities:

Remuneration and Nominations 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 industries.

*Bill was instrumental in leading the all equity based management buy-out of SPTS.*

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.

**Time on Board:** 6.5 Years



**MR. CHANDRA KANTAMNENI**  
Non-Executive Director  
MSc, MS, MBA

### Former Directorships (in the last 3 years):

- None

### Special Responsibilities:

Risk and Audit Committee member

### Experience and Expertise:

Chandra Kantamneni has more than 30 years experience in the global semiconductor industry and until recently the Technical Director for the University of California Los Angeles (UCLA)'s California Nano Systems Institutes where he managed a state of the art semiconductor and cleanroom fabrication facility. Formerly he was the Vice President of Worldwide Fab Operations of US-based Peregrine Semiconductor Corporation where he managed the world wide Foundry Operations for the Corporation. Prior to that he was the Vice-President and Managing Director of Peregrine Semiconductor, Australia.

Chandra has worked in senior management and engineering positions for some of the world's largest US-based semiconductor companies, including director of worldwide foundry operations and engineering manager for International Rectifier Corporation, director of engineering for GMT Microelectronics, and Manufacturing Manager of the Fairchild Research Centre of National Semiconductor Corporation.

*Chandra has worked in senior management and engineering positions for some of the world's largest US-based semiconductor companies.*

**Time on Board:** 10.5 Years



**MR. GREG CORNELSEN**  
Non-Executive Director  
BEC

#### Current Directorships:

- None

#### Former Directorships (in the last 3 years):

- MOV Corporation Limited
- Welcome Stranger Mining Limited
- Arasor International Limited
- AAT Corporation Ltd

#### Special Responsibilities:

Remuneration and Nominations Committee Chairman, Risk and Audit Committee Chairman

#### Experience and Expertise:

Greg Cornelsen is an economics and business development specialist and a successful businessman having held leadership positions in both large Australian based multinationals and start-up operations. A former international rugby union player, with 25 caps for the Australian Wallabies, he is a committee member of the Australian Barbarian Rugby Club and the Chairman of the Australian Schools Rugby Foundation. His rugby and business backgrounds have allowed him to develop an extensive network within the Australian business community.

*Greg is a long-time passionate supporter of sustainable practises and clean technologies.*

Greg is a long-time passionate supporter of sustainable practises and clean technologies having grown up on a family station that employed revolutionary broad acre sustainable practises. Greg has always understood the importance of the BluGlass technology for both the LED and solar industries. He is instrumental in steering the Board's sub committees.

**Time on Board:** 10.5 Years



**MR. VIVEK RAO**  
Non-Executive Director  
MS-EE, BSc-Elec

#### 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.

*Vivek is a seasoned semiconductor professional with more than 20 years in the semiconductor capital equipment industry.*

**Time on Board:** 0.5 Years

## INFORMATION ON DIRECTORS

### COMPANY SECRETARY

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

#### Mr. Emmanuel Correia

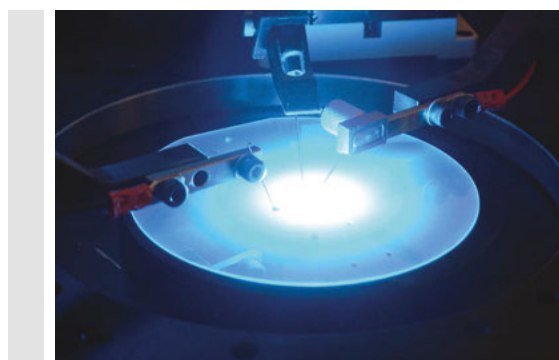
Mr. Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions 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.

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*Emmanuel has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom.*

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# REMUNERATION REPORT 2015-2016

## INTRODUCTION

The Directors of BluGlass Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2016. 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	
George Venardos	Chairman	Giles Bourne	Managing Director and CEO
Gregory Cornelsen	Director	Ian Mann	Chief Technology Officer
Chandra Kantamneni	Director	Stuart Uhlhorn	Chief Financial Officer
William Johnson	Director		
Vivek Rao	Director		

During the period the Remuneration and Nominations Committee comprised 3 independent directors—Greg Cornelsen (Committee Chairman), William Johnson and George Venardos. The Committee met twice 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;

- ✦ A modest market related fixed remuneration component,
- ✦ A small component of short term incentives, and
- ✦ Long-term incentives based on key performance areas affecting the consolidated entity's ability to commercialise it's 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 recognising that as a pre-revenue research and development company has limited ability to pay competitive base cash salaries and short term cash incentives.

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 good congruence 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.

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 plan.

The current remuneration of non-executive directors is:

Position	Remuneration \$
Chairman	70,000
Director	40,000
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 have risen since 2010/2011.

		SHORT TERM	POST EMPLOYMENT	LONG TERM INCENTIVES	TOTAL REMUNERATION	
		Board and Committee fees \$	Superannuation \$	Share Based Payments \$	Total \$	% of remuneration that is non-cash
<b>Non-Executive Directors</b>						
George Venardos	2016	70,000	6,650	-	76,650	-
	2015	70,000	6,650	-	76,650	-
Gregory Cornelsen	2016	50,000	4,750	-	54,750	-
	2015	50,000	4,750	-	54,750	-
Chandra Kantamneni	2016	42,500	4,038	-	46,538	-
	2015	42,500	4,038	-	46,538	-
William Johnson	2016	42,500	-	-	42,500	-
	2015	42,500	-	-	42,500	-
Vivek Rao	2016	-	-	-	-	-
	2015	-	-	-	-	-
<b>Total</b>	<b>2016</b>	<b>205,000</b>	<b>15,438</b>	<b>-</b>	<b>220,438</b>	<b>-</b>
Total	2015	205,000	15,438	-	220,438	-

Mr Vivek Rao is the nominated director representing SPT Japan Co. Ltd, and is paid in his capacity as a director, directly by SPT Japan.

## 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. No bonuses were paid during the year.

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 shareholders. 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. Executives received a 1.5% increase in their cash salary packages effective 1 September 2015, prior to that there had been no increase in their fixed salary packages for the past 2 years.

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.

## EXECUTIVES TOTAL REMUNERATION

		SHORT-TERM		POST EMPLOY- MENT	LONG TERM INCENT- IVES	TOTAL REMUNE- RATION	% OF REMUNERATION	
		Cash Salary \$	KPI Related Incentive \$	Superann- uation \$	Share Based Payments \$	Total \$	Perfor- mance based	Equity based
<b>Executives</b>								
Giles Bourne	<b>2016</b>	<b>305,645</b>	-	<b>27,235</b>	<b>74,750</b>	<b>407,630</b>	-	<b>18.3</b>
	2015	305,774	-	24,226	-	330,000	-	-
Ian Mann	<b>2016</b>	<b>221,834</b>	-	<b>21,074</b>	<b>143,250</b>	<b>386,158</b>	-	<b>37.1</b>
	2015	219,178	-	20,822	-	240,000	-	-
Stuart Uhlhorn	<b>2016</b>	<b>170,687</b>	-	<b>36,515</b>	<b>52,000</b>	<b>259,202</b>	-	<b>20.1</b>
	2015	195,001	-	33,592	-	228,593	-	-
<b>Total</b>	<b>2016</b>	<b>698,166</b>	-	<b>84,824</b>	<b>270,000</b>	<b>1,052,990</b>	-	-
Total	2015	719,953	-	78,640	-	798,593	-	-

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 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, Emanuel 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 2015 and 2016. As a contracted position the company secretary is not eligible to participate in short term incentive scheme and 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. Even though the majority of executives KPIs for the year ending June 2016 where met, no performance payment's where made during the year in the normal July to August 2016 period due to the board's and management's desire to preserve the company's cash resources.

The IP portfolio at the end of 30 June 2016 now includes 42 granted patents in various countries, covering six separate patent families. In addition there are 15 patent applications in various stages filed in numerous countries.

During July 2016 a further 8 patents applications were lodged, giving a present total of 42 granted patents and 23 lodged applications.

	2012	2013	2014	2015	2016
Revenue \$'000	2,427.8	4,725.9	4,112.7	3,532.9	2,809.9
Net Loss \$'000	3,237.3	1,676.7	2,898.4	3,183.3	3,427.6
Share Price at year-end dollars	0.086	0.15	0.125	0.058	0.21
Patents Lodged	1	2	2	3	-
Patents Granted	2	2	14	5	9

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



## OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2016

Options were granted to executives as remuneration during the year. No options were granted to non-executive directors.

GRANT DETAILS								OVERALL	
Executives	Date	No.	Value \$	Exercised no.	Lapsed no.	Vested no.	Vested %	Unvested %	Lapsed %
								30/06/2016	
Giles Bourne	18/11/2015	1,150,000	74,750		-	-	-	1,150,000	-
Ian Mann	16/09/2015	850,000	55,250		-	-	-	850,000	-
	20/05/2016	400,000	88,000					400,000	
Stuart Uhlhorn	16/09/2015	800,000	52,000		-	-	-	800,000	-

## MOVEMENT IN SHAREHOLDINGS OF KMP AS AT 30 JUNE 2016

	Total	Direct	BLG ESS	Movement	Total	Direct	BLG ESS
<b>Non-Executive Directors</b>	<b>Opening Balance</b>			On	<b>Closing Balance</b>		
George Venardos	1,780,118	1,593,451	186,667	565,000	2,345,118	1,693,451	653,667
Greg Cornelsen	1,547,941	1,267,941	280,000	267,000	1,814,941	1,267,941	547,000
Chandra Kantamneni	712,647	432,647	280,000	-	712,647	432,647	280,000
William Johnson	670,000	390,000	280,000	-	670,000	390,000	280,000
Vivek Rao	-	-	-	-	-	-	-
<b>Executives</b>							
Giles Bourne	1,424,566	334,233	1,090,333	974,000	2,398,566	334,233	2,064,333
Ian Mann	951,276	357,943	593,333	306,667	1,257,943	357,943	900,000
Stuart Uhlhorn	1,077,283	308,950	768,333	230,000	1,307,283	308,950	998,333

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

## OPTIONS HELD BY KMP AS AT 30 JUNE 2016

Non-Executive Directors	Movement						
	Opening Balance	Vested in O/B	Vested in period	Total Vested	Granted in period	Closing Balance	Unvested %
George Venardos	651,667	186,667	465,000	651,667	-	651,667	0.0%
Greg Cornelsen	547,000	280,000	267,000	547,000	-	547,000	0.0%
Chandra Kantamneni	547,000	280,000	-	280,000	-	547,000	48.8%
William Johnson	280,000	280,000	-	280,000	-	280,000	0.0%
<b>Executives</b>							
Giles Bourne	2,064,333	1,090,333	974,000	2,064,333	1,150,000	3,214,333	35.8%
Ian Mann	1,380,000	593,333	306,667	900,000	1,250,000	2,630,000	59.6%
Stuart Uhlhorn	1,478,333	768,333	230,000	998,333	800,000	2,278,333	56.2%
<b>Total</b>			<b>2,242,667</b>	<b>5,721,333</b>	<b>3,200,000</b>		

Options are vested when vesting criteria have been met. Options 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 3,899,666 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 527,000 shares were withdrawn from the trust.

### APPROVAL OF 2015 REMUNERATION REPORT

A resolution seeking approval of the 2015 Remuneration Report was tabled at the November 2015 Annual General Meeting. The resolution was passed at that meeting with the vote in favour recorded of 87.52%.

### REMUNERATION ADVISORS

During the period no remuneration advisors were retained or used by the Company.

..... END OF REMUNERATION REPORT .....

# DIRECTORS' REPORT CONTINUED

## MEETINGS OF DIRECTORS

During the financial year, 11 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
George Venardos	11	11	2	2	2	2
Gregory Cornelsen	11	11	2	2	2	2
Chandra Kantamneni	11	11	2	2	-	-
William Johnson	11	11	-	-	2	2
Giles Bourne	11	11	-	-	-	-
Vivek Rao	3	3	-	-	-	-

## INDEMNITIES GIVEN AND INSURANCE PREMIUMS PAID TO 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 \$28,350 (2015: \$28,480) 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:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
16/01/2014	16/01/2016	0.01	1,992,000
16/09/2015	1/12/2018	0.01	5,500,000
20/05/2016	1/06/2018	0.01	2,020,000
			9,512,000

During the year ended 30 June 2016, 3,899,666 ordinary shares of BluGlass Limited were issued on the exercise of options.

## CORPORATE GOVERNANCE POLICY AND STATEMENT

The Groups Corporate Governance statement can be viewed on the company's website at [www.bluglass.com.au](http://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 2016 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 where 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
19	9	4	1	5

### GENDER DIVERSITY

#### MALE

#### FEMALE

Total Staff	12	7
Senior Executives	3	-
Senior Research Staff	2	2
Non-Executive Directors	4	-

### EDUCATIONAL DIVERSITY

Total Staff	PhD	Masters	Bachelor	Other Qualifications	No Qualifications
19	8	10	13	3	3



## 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 of directors, in accordance with advice from the Audit and Risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

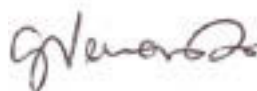
- ✦ all non-audit services are reviewed and approved by the Audit and Risk committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- ✦ the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services payable to the external auditors during the year ended 30 June 2016.

## 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 2016 has been received and can be found on page 21 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.



**George Venardos**  
**CHAIRMAN**

Dated the 22nd day of August 2016



## Grant Thornton

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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 audit of BluGlass Limited for the year ended 30 June 2016, 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 AUDIT PTY LTD  
Chartered Accountants

Grant Layland  
Director - Audit & Assurance

Sydney, 22 August 2016

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**ANNUAL REPORT  
FINANCIAL STATEMENTS**

## PROFIT OR LOSS AND COMPREHENSIVE INCOME

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note		Consolidated Entity	
			2016 \$	2015 \$
Revenue	2		368,144	330,738
Other income	2		2,541,772	3,202,191
Employee benefits expense	16		(2,993,705)	(3,233,197)
Professional fees			(122,416)	(154,244)
Board and secretarial fees			(308,161)	(283,363)
Corporate compliance & legal expense			(73,931)	(56,269)
Consultant fees			(355,031)	(320,259)
Rent expense			(262,298)	(253,789)
Travel and accommodation expense			(104,715)	(99,716)
Consumables			(1,000,321)	(893,169)
Depreciation and amortisation expense			(603,252)	(777,652)
Other expenses			(513,652)	(644,527)
<b>Loss before income tax</b>	<b>3</b>		<b>(3,427,566)</b>	<b>(3,183,256)</b>
Income tax expense	4		-	-
<b>Loss for the period</b>			<b>(3,427,566)</b>	<b>(3,183,256)</b>
<b>Other comprehensive income</b>			-	-
<b>Total comprehensive income</b>			<b>(3,427,566)</b>	<b>(3,183,256)</b>
<b>Loss attributable to:</b>				
- Members of the parent entity			(3,427,566)	(3,183,256)
- Non-controlling interest			-	-
			(3,427,566)	(3,183,256)
<b>Total Comprehensive Income attributable to:</b>				
- Members of the parent entity			(3,427,566)	(3,183,256)
- Non-controlling interest			-	-
			(3,427,566)	(3,183,256)
<b>Earnings Per Share</b>				
Basic loss per share (cents per share)	6		(1.03)	(1.10)
Diluted loss per share (cents per share)	6		(1.03)	(1.10)

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



# FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016				
	Note	Consolidated Entity		
			2016 \$	2015 \$
<b>Current Assets</b>				
Cash and cash equivalents	7		3,409,700	2,528,849
Trade and other receivables	8		2,110,000	2,050,812
Consumables	9		101,318	76,919
Other current assets	10		59,322	57,373
<b>TOTAL CURRENT ASSETS</b>			<b>5,680,340</b>	<b>4,713,953</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	11		773,945	1,376,286
Intangible assets	12		8,695,000	8,695,000
<b>TOTAL NON-CURRENT ASSETS</b>			<b>9,468,945</b>	<b>10,071,286</b>
<b>TOTAL ASSETS</b>			<b>15,149,285</b>	<b>14,785,239</b>
<b>Current Liabilities</b>				
Trade and other payables	14		245,146	242,554
Short-term provisions	15		214,078	186,651
<b>TOTAL CURRENT LIABILITIES</b>			<b>459,224</b>	<b>429,205</b>
<b>Non Current Liabilities</b>				
Long-term provisions	15		453,311	403,649
<b>TOTAL NON-CURRENT LIABILITIES</b>			<b>453,311</b>	<b>403,649</b>
<b>TOTAL LIABILITIES</b>			<b>912,535</b>	<b>832,854</b>
<b>NET ASSETS</b>			<b>14,236,750</b>	<b>13,952,385</b>
<b>Equity</b>				
Issued capital	17		48,575,895	44,519,279
Reserves	18		104,075	448,760
Accumulated Losses			(34,443,220)	(31,015,654)
<b>TOTAL EQUITY</b>			<b>14,236,750</b>	<b>13,952,385</b>

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 2016

	Issued Capital	Share-Based Payments	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Consolidated Entity</b>					
<b>Balance at 1 July 2014</b>	<b>42,673,992</b>	<b>940,513</b>	<b>(982,452)</b>	<b>(27,832,398)</b>	<b>14,799,655</b>
Total comprehensive income for the period	-	-	-	(3,183,256)	(3,183,256)
	-	-	-	(3,183,256)	(3,183,256)
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year	1,960,500	-	-	-	1,960,500
Share transaction costs during the year	(115,213)	-	-	-	(115,213)
Share options issued	-	490,699	-	-	490,699
Exercise of share option	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>44,519,279</b>	<b>1,431,212</b>	<b>(982,452)</b>	<b>(31,015,654)</b>	<b>13,952,385</b>
<b>Balance at 1 July 2015</b>	<b>44,519,279</b>	<b>1,431,212</b>	<b>(982,452)</b>	<b>(31,015,654)</b>	<b>13,952,385</b>
Total comprehensive income for the period	-	-	-	(3,427,566)	(3,427,566)
	-	-	-	(3,427,566)	(3,427,566)
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the year	3,515,058	-	-	-	3,515,058
Share transaction costs during the year	(201,512)	-	-	-	(201,512)
Share options issued	-	377,715	-	-	377,716
Exercise of share option	743,070	(722,400)	-	-	20,670
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>48,575,895</b>	<b>1,086,527</b>	<b>(982,452)</b>	<b>(34,443,220)</b>	<b>14,236,750</b>

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

# CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016			
	Note	Consolidated Entity	
		2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from grants		342,447	1,235,954
Interest and other income received		2,467,469	2,296,975
Payments to suppliers and employees		(5,262,367)	(5,256,780)
<b>Net cash used in operating activities</b>	<b>21</b>	<b>(2,452,451)</b>	<b>(1,723,851)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(914)	(37,822)
<b>Net cash used in investing activities</b>		<b>(914)</b>	<b>(37,822)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of transaction costs		3,313,546	1,845,287
Proceeds from options exercised		20,670	-
<b>Net cash provided by financing activities</b>		<b>3,334,216</b>	<b>1,845,287</b>
Net increase/(decrease) in cash held		880,851	83,614
Cash at beginning of financial year		2,528,849	2,445,235
<b>Cash at end of financial year</b>	<b>7</b>	<b>3,409,700</b>	<b>2,528,849</b>

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

## FINANCIAL STATEMENT NOTES

### 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 22nd August 2016 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.

#### 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. A controlled entity is any entity BluGlass Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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.

# FINANCIAL STATEMENT NOTES

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (b) Income Tax (cont.)

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 or fair value 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.

#### *Depreciation*

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



## FINANCIAL STATEMENT NOTES

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### (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 and measurement*

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit and loss are expensed to the profit and loss immediately. Financial instruments are classified and measured as set out below.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

# FINANCIAL STATEMENT NOTES

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (f) Financial Instruments (cont.)

#### *Impairment*

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### (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.

#### *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.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

#### *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.

## FINANCIAL STATEMENT NOTES

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### (i) Foreign Currency Transactions and Balances (cont.)

Exchange differences arising on the translation of monetary items are recognised in the income statement, 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 national government 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.

#### (m) Revenue and Other Income

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).

#### (n) 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.

# FINANCIAL STATEMENT NOTES

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (o) 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.

### (p) Borrowing Costs

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

### (q) Comparative Figures

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

### (r) 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.

#### *Key estimates — Share options*

The company issued options under the BluGlass Limited prospectus and the 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 in annual periods beginning on or after 1 July 2015. Information on the more significant standards(s) is presented below:

#### **AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Patent**

AASB 2015-4 amends AASB128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign patent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015 the adoption of this amendment has not had a material impact on the group.

## FINANCIAL STATEMENT NOTES

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

A number of new standards, amendments to standards and interpretations are effective for financial years beginning on or after 1 July 2016, and have not been applied in preparing these consolidated financial statements. Of the new standards, only the below are expected to have as effect on the consolidated financial statements of the Group.

✦ AASB 9 Financial Instruments, which becomes mandatory for 30 June 2019 consolidated financial statements.

✦ AASB 15 Revenue from Contracts with Customers, which becomes mandatory for 30 June 2019 consolidated financial statements.

The Group is currently assessing the impact of the changes in the below standard:

✦ AASB 16 Leases, which becomes mandatory for the Group's 30 June 2020 consolidated financial statements.

The Group does not plan to adopt these standards early.

#### (u) Going Concern

Notwithstanding the net loss for the year and the accumulated losses for the Consolidated Group, the directors have performed a review of the cash flow forecasts and consider the Company to be a going concern.

The directors have approved the company's forward business plans with an understanding that sufficient cash resources are available to meet the company's commitments over the next twelve months.

The directors have prepared the financial statements on a going concern basis as the company has a number of options for raising future capital requirements and the directors are confident that one or more of these options will be successful during the period. Additionally as a fall back equity based funding options are available to the company to continue its research and development efforts.



# FINANCIAL STATEMENT NOTES

## NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2016 \$	2015 \$
Revenue		
— Interest received from other persons	49,567	53,913
— Sundry income	318,577	276,825
Total Revenue	368,144	330,738
Other Income		
— Grant revenue	342,447	1,235,954
— R&D tax rebate	2,199,325	1,966,237
Total other income	2,541,772	3,202,191

## NOTE 3: LOSS FOR THE YEAR

	Consolidated Entity	
	2016 \$	2015 \$
Expenses		
Rental Expense on operating leases		
— Minimum lease payments	262,298	253,789
Share based payments	377,716	490,699

## NOTE 4: INCOME TAX EXPENSE

	Consolidated Entity	
	2016 \$	2015 \$
(a) The components of tax expense comprise:		
— Current tax	-	-
— Deferred tax	-	-
	-	-

## FINANCIAL STATEMENT NOTES

### NOTE 4: INCOME TAX EXPENSE (CONT.)

	Consolidated Entity	
	2016 \$	2015 \$
(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 30% (2015: 30%)		
— Consolidated entity	(1,028,270)	(954,977)
Add:		
Tax effect of:		
— IPO related costs(deductible over 5 years)	92,709	92,709
— Share-based payments during year	113,315	147,210
— Other non-allowable items	40,743	65,028
	246,767	304,947
Add:		
Income tax benefit not brought to account	(781,503)	(650,030)
Income tax benefit attributable to the entity	-	-
Accumulated tax losses not brought to account	6,477,748	5,696,245

### NOTE 5: AUDITORS' REMUNERATION

	Consolidated Entity	
	2016 \$	2015 \$
Remuneration of the auditor for:		
— Auditing or reviewing the financial report	60,000	61,500
— Other audit services	7,500	4,300
	67,500	65,800

### NOTE 6: LOSS PER SHARE

	Consolidated Entity	
	2016 \$	2015 \$
(a) Loss attributable to members of the parent entity	(3,427,566)	(3,183,256)
(b) Basic and diluted loss per share (cents per share)	(1.03)	(1.10)
	No.	No.
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS.	331,753,020	289,553,455

# FINANCIAL STATEMENT NOTES

## NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2016 \$	2015 \$
Cash at bank and in hand	103,575	77,165
Short-term bank deposits	3,305,620	2,451,078
Petty cash	505	606
	3,409,700	2,528,849

The effective interest rate on short-term bank deposits was 2.78% (2015:2.73%), these deposits have an average maturity of less than 14 days.

## NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2016 \$	2015 \$
Research and Development Tax Rebate	2,100,000	2,000,000
Other	10,000	50,812
	2,110,000	2,050,812

## NOTE 9: CONSUMABLES

	Consolidated Entity	
	2016 \$	2015 \$
CURRENT		
Consumables	101,318	76,919
	101,318	76,919

## NOTE 10: OTHER CURRENT ASSETS

	Consolidated Entity	
	2016 \$	2015 \$
CURRENT		
Prepayments	23,280	28,576
Security deposit	14,516	14,516
Other receivables	21,526	14,281
	59,322	57,373

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 (2015: nil).

## FINANCIAL STATEMENT NOTES

### NOTE 11: PLANT AND EQUIPMENT

Consolidated Entity		
	2016 \$	2015 \$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	6,226,689	6,226,689
Accumulated depreciation	(5,752,469)	(5,452,353)
Total plant and equipment	474,220	774,336
Leased plant and equipment		
At cost	1,006,170	1,006,170
Accumulated depreciation	1,006,170	1,006,170
Total leased plant and equipment	-	-
Leasehold improvements		
At cost	3,797,007	3,797,008
Accumulated depreciation	(3,527,705)	(3,246,424)
Total leasehold improvements	269,302	550,584
Furniture and fittings		
At cost	145,340	145,340
Accumulated depreciation	(127,446)	(113,799)
Total furniture and fittings	17,894	31,541
Computer equipment		
At cost	276,531	275,618
Accumulated depreciation	(264,002)	(255,793)
Total computer equipment	12,529	19,825
Total property, plant and equipment	773,945	1,376,286

#### (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	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated Entity:</b>						
Balance at 30 June 2015	-	774,336	550,584	31,541	19,825	1,376,286
Additions	-	-	-	-	912	912

# FINANCIAL STATEMENT NOTES

## NOTE 11: PLANT AND EQUIPMENT (CONT.)

	Leased Plant and Equipment	Plant and Equipment	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated Entity:</b>						
Disposals	-	-	-	-	-	-
Depreciation expense	-	(300,116)	(281,282)	(13,647)	(8,208)	(603,253)
Balance at 30 June 2016	-	474,220	269,302	17,894	12,529	773,945

## NOTE 12: INTANGIBLE ASSETS

	Parent Entity	
	2016 \$	2015 \$
In process research and development:		
Cost	12,130,080	12,130,080
Accumulated impaired losses	(3,435,080)	(3,435,080)
Net carrying value	8,695,000	8,695,000

The Company obtained a valuation of the intellectual property from an independent valuer Acuity Technology Management Pty Ltd to assist the directors in assessing impairment. The methodology used by the independent valuer to determine the value of the intellectual property was based on a discounted cash flow (DCF) method adjusted for the probability of achieving certain milestones. The DCF was based on management cash flow projections for 10 years covering a variety of revenue scenarios that includes, manufacturing, royalties and retro-fitting existing machinery. The market information has been drawn from industry sources and the Company's current level of technology development. Greater than 5 years is appropriate based on the expected life cycle of the technology. The DCF has been discounted at between 15% and 17% (2015: 15% to 17%). Other general market considerations have been considered including the market capitalisation of BluGlass. The IP was assessed to have a value between \$24 million to \$30 million.

## NOTE 13: CONTROLLED ENTITIES

(a) Controlled Entities Consolidated		Percentage Owned (%)*	
	Country of Incorporation	2016	2015
<b>Parent Entity:</b>			
BluGlass Limited	Australia	-	-
<b>Subsidiaries of BluGlass Limited:</b>			
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



## FINANCIAL STATEMENT NOTES

### NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2016 \$	2015 \$
<b>CURRENT</b>		
Trade payables	105,800	115,788
Sundry payables and accrued expenses	139,346	126,766
	245,146	242,554

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

### NOTE 15: PROVISIONS

	Consolidated Entity	
	2016 \$	2015 \$
Current	214,078	186,651
Non-Current	453,311	403,649
	667,389	590,300

	Lease Make Good \$	Employee Benefits \$	Total \$
<b>Consolidated Group</b>			
Opening balance at 1 July 2015	200,000	390,300	590,300
Additional provisions	-	223,428	223,428
Amounts used	-	(146,339)	(146,339)
Balance at 30 June 2016	200,000	467,389	667,389

### NOTE 16: EMPLOYMENT BENEFITS EXPENSE

	Consolidated Entity	
	2016 \$	2015 \$
Wages, Salaries	2,394,363	2,516,218
Share-base payments	377,716	490,699
Superannuation	221,626	226,280
	2,993,705	3,233,197

# FINANCIAL STATEMENT NOTES

## NOTE 17: ISSUED CAPITAL

	Consolidated Entity	
	2016 \$	2015 \$
319,116,721 (2014: 287,748,721) fully paid ordinary shares	48,575,897	44,519,279
	48,575,897	44,519,279

The company has authorised share capital amounting to 354,225,508 ordinary shares..

(a) Ordinary Shares	No.	\$
At the beginning of reporting period	319,116,721	44,519,279
Shares issued during the year:		
— 5 August 2015	7,485,000	426,130
— 15 November 2015	647,197	47,181
— 8 December 2015	1,832,666	412,350
— 22 April 2016	2,067,000	330,720
— 28 April 2016	23,076,924	2,840,235
At reporting date	354,225,508	48,575,897

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.

## FINANCIAL STATEMENT NOTES

### NOTE 19: CAPITAL AND LEASING COMMITMENTS

		Consolidated Entity	
		2016	2015
		\$	\$
(a)	<b>Operating Lease Commitments:</b>		
Non-cancellable operating lease contracted for but not capitalised in the financial statements			
Payable-minimum lease payments			
	— Not later than 12 months	200,000	200,000
	— Between 12 months and 5 years	75,068	275,068
	— Greater than 5 years	-	-
		275,068	475,068

The lease was renewed for an additional term of five years from February 2013. 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 4.0% 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.

# FINANCIAL STATEMENT NOTES

## NOTE 21: CASH FLOW INFORMATION

	Consolidated Entity	
	2016 \$	2015 \$
<b>(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(3,427,566)	(3,183,256)
Non-cash flows in loss		
Depreciation expense	603,253	777,652
Share based payment	377,715	490,699
Other Non-cash items	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(59,188)	219,138
(Increase)/decrease in other assets	(1,949)	23,794
(Increase)/decrease in consumables	(24,399)	17,164
Increase/(decrease) in trade and other payables and accruals	2,592	(180,432)
Increase in provisions	77,089	111,390
Cash flow from operations	(2,452,451)	(1,723,851)

## NOTE 22: SHARE-BASED PAYMENTS

The following share-based payments existed at 30 June 2016:

	Consolidated Entity			
	2016		2015	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,891,666	0.01	5,891,666	0.01
Granted	7,520,000	0.01	-	-
Forfeited	-	-	-	-
Exercised	(3,899,666)	0.01	-	-
Expired	-	-	-	-
Outstanding at year-end	9,512,000	0.01	5,891,666	0.01
Exercisable at year-end	-	-	-	-

The options outstanding at 30 June 2016 had a weighted average exercise price of \$0.01 and a weighted average remaining contractual life of 1.2 years. (Option prices were \$0.01 in respect of options outstanding at 30 June 2015).

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

Included under employee benefits and expense in the income statement relating to share-based payment is \$377,716 (2015: \$490,677) and relates, in full, to equity-settled share-based payment transactions.

## FINANCIAL STATEMENT NOTES

### NOTE 23: RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2016 \$	2015 \$
The totals of remuneration paid to key management personnel of the group during the year are as follows:		
Short term employment benefits	903,166	924,953
Post-Employment benefits	100,262	94,078
Share-based payments	270,000	-
	1,273,428	1,019,031

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 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity	
		2016 \$	2015 \$
<b>Financial Assets</b>			
Cash and cash equivalents	7	3,409,700	2,528,849
Trade and other receivables	8	2,110,000	2,050,812
		5,519,700	4,579,661
<b>Financial Liabilities</b>			
Trade and other payables	14	245,146	242,554
		245,146	242,554

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.



# FINANCIAL STATEMENT NOTES

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONT.)

### 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 balance sheet and notes to the financial statements.

**(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 2016 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
	Within 6 months \$	6 to 12 months \$	1 to 5 years \$	Later than 5 years \$
<b>30 June 2016</b>				
Trade and other payables	245,146	-	-	-
Total	245,146	-	-	-
	Current		Non-Current	
	Within 6 months \$	6 to 12 months \$	1 to 5 years \$	Later than 5 years \$
<b>30 June 2015</b>				
Trade and other payables	242,554	-	-	-
Total	242,554	-	-	-

## FINANCIAL STATEMENT NOTES

### 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	
	2016 \$	2016 %	2015 \$	2015 %
<b>Consolidated Entity Financial Assets:</b>				
Cash	104,080	1.0	77,771	1.0
Investments in term deposits and bank bills	3,305,620	2.1	2,451,078	2.1
<b>Total Financial Assets</b>	<b>3,409,700</b>		<b>2,528,849</b>	

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 2016 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 CBA bank guarantee for \$133,100. Collateral for the bank guarantee is a set-off against cash invested with the CBA for \$133,100. The CBA also holds a Guarantee against the company credit cards of \$50,000.

### NOTE 26: EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after balance sheet date.

# FINANCIAL STATEMENT NOTES

## NOTE 27: BLUGLASS LTD PARENT COMPANY INFORMATION

	2016 \$	2015 \$
<b>Parent entity</b>		
<b>Assets</b>		
Current assets	5,719,530	4,753,144
Non-current assets	11,622,802	12,225,141
Total assets	17,342,332	16,978,285
<b>Liabilities</b>		
Current liabilities	460,815	430,796
	2016 \$	2015 \$
Non-current liabilities	2,644,767	2,595,105
Total liabilities	3,105,582	3,025,901
Net Assets	14,236,750	13,952,384
<b>Equity</b>		
Issued capital	48,575,897	44,519,281
Accumulated Losses	(34,443,225)	(31,015,659)
Reserves	104,078	448,762
Total Equity	14,236,750	13,952,384
<b>Financial performance</b>		
Loss for the year	(3,427,566)	(3,364,896)
Other comprehensive income	-	-
Total comprehensive income	(3,427,566)	(3,364,896)

## NOTE 28: COMPANY DETAILS AND PRINCIPAL PLACE OF BUSINESS

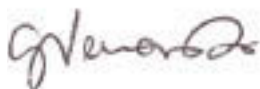
The registered office and principal place of business of the company is:

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

## DIRECTOR'S 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 2016 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 2016.
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:



**George Venardos**  
Chairman  
*Dated this 22nd Day of August 2016*



**Giles Bourne**  
Managing Director and Chief Executive Officer  
*Dated this 22nd Day of August 2016*



## Grant Thornton

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

#### **Report on the financial report**

We have audited the accompanying financial report of BluGlass Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and

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perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of BluGlass Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 11 to 16 of the directors' report for the year ended 30 June 2016. 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.





**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of BluGlass Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

A stylized, handwritten signature of Grant Thornton in black ink.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature of Grant Layland in black ink.

Grant Layland  
Director - Audit & Assurance

Sydney, 22 August 2016

## ADDITIONAL INFORMATION

### ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

#### 1. Shareholding

##### a. Distribution of Shareholders as at 31 August 2016

Spread of Holdings	Holders	Securities	% of Issued Capital
Nil Holdings	0	0	0.00
1 - 1,000	148	72,739	0.02
1,001 - 5,000	635	1,963,141	0.55
5,001 - 10,000	458	3,802,219	1.01
10,001 - 100,000	1146	46,420,386	12.88
Over 100,000	483	303,959,023	85.53
<b>TOTAL ON REGISTER</b>	<b>2,870</b>	<b>356,217,508</b>	<b>100.00</b>
Total unmarketable parcel \$500 basis price \$.390000	186	118,154	0.03
Total uneconomical parcel \$2,000 basis price \$.390000	809	2,124,556	0.60

##### b. The names of substantial shareholders in the company register as at 31 August 2016 are:

Shareholder	Ordinary Shares	% of Issued Capital
SPP TECHNOLOGIES CO LTD	57,261,995	16.17
HSBC CUSTODY NOM AUST LTD	22,445,897	6.34
ACCESS MACQUARIE LTD	20,204,966	5.70

##### c. Voting Rights

The voting rights attached to each class of equity security are as follows:

##### Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

# ADDITIONAL INFORMATION

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### d. Top 20 Shareholding as at 31 August 2016

Rank	Name	Number of Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	SPP TECHNOLOGIES CO LTD	57,261,995	16.08%
2	HSBC CUSTODY NOM AUST LTD	22,445,897	6.30%
3	ACCESS MACQUARIE LTD	20,204,966	5.67%
4	BLUGLASS EMPLOYEE INCENTI	9,630,334	2.70%
5	SWANSEA INNOVATIONS LTD	6,440,842	1.81%
6	HSBC CUSTODY NOM AUST LTD	4,902,879	1.38%
7	STRATEGIC DVLMT PTNRS AUS	4,119,559	1.16%
8	BOUNDARY NOM PL	3,329,045	0.93%
9	UNIVERSITY MACQUARIE	2,997,756	0.84%
10	LINK TRADERS AUST PL	2,397,000	0.67%
11	CANEMOON INV PL	1,985,000	0.56%
12	NETWEALTH INV LTD	1,948,102	0.55%
13	ARMELEK PL	1,895,000	0.53%
14	GRIMA GARY WAYNE + G D	1,867,209	0.52%
15	LOVERY HAROLD F + J C	1,825,000	0.51%
16	ONE MANAGED INV FUNDS LTD	1,775,168	0.50%
17	BRIDGESUN PL	1,674,433	0.47%
18	RAFTSEA PL	1,505,486	0.42%
19	PINNACLE SUPER PL	1,500,000	0.42%
20	GUTBIER ROMY M + K M	1,500,000	0.42%
		<b>151,205,671</b>	<b>125.60%</b>

#### 2. The company Secretary is:

Mr Emmanuel Correia

#### 3. The address of the principal registered office in Australia is:

74 Asquith Street, Silverwater NSW 2128

#### 4. Registers of securities are held at the following address:

770 Canning Highway, Applecross WA 6153

#### 5. Stock Exchange Listing:

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange.

#### 6. Unquoted Securities:

5,500,000—Incentive Plan Options expiring 1 December 2018, \$0.01 exercise price, subject to vesting criteria  
2,020,000—Incentive Plan Options expiring 1 June 2018, \$0.01 exercise price, subject to vesting criteria

## CORPORATE GOVERNANCE STATEMENT 30 JUNE 2016

### Board Composition

The skills, experience and expertise relevant to the position of each director, and board committee member, who is in office at the date of the annual report and their term of office are detailed in the Director's report.

The independent directors of the Company are George Venardos, Chandra Kantamneni, William Johnson, Greg Cornelsen and Vivek Rao.

When determining the independent status of a Director the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

*The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the recommendations contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations—3<sup>rd</sup> edition.*

	Recommendation	BluGlass Limited Current Practice
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	<i>Complies.</i> The Board Charter is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a> in the Corporate Governance Section.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	<i>Complies.</i> The Board Charter is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a> in the Corporate Governance Section.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<i>Complies.</i> The Board Charter is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a> in the Corporate Governance Section.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<i>Complies.</i>
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators," as defined in and published under that Act.	<i>Complies.</i> Refer to Annexure 7 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a> . Also refer the Annual report for the relative proportions of men and women on the board, in senior executive positions and across the whole organisation.

# CORPORATE GOVERNANCE STATEMENT 30 JUNE 2016

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	<i>Complies.</i>  Refer to Annexure 1 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>  The Company conducted its performance evaluation in accordance with its established process during the period.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	<i>Complies.</i>  Refer to Annexure 1 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>  The Company conducted its performance evaluation in accordance with its established process during the period
2.1	The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	<i>Complies.</i>  The Company has established a Nomination and Remuneration Committee. The composition of the Committee together with the Charter is set out in Annexure 6 of the Corporate Governance Section which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>  Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Company lists the experience and skills of its board on page 7-9 of the Annual Report. Due to its size and the nature of its operations a board skills matrix is not prepared, rather the board assesses its requirements and mix of skills on an on-going basis.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	<i>Complies.</i>  Refer to the "Information on Directors" Section as per the Annual report, pages 7-9.
2.4	A majority of the board of a listed entity should be independent directors.	<i>Complies.</i>  The Board comprise 5 non-executive Directors and 1 executive Director. All non-executive directors are independent.

## CORPORATE GOVERNANCE STATEMENT 30 JUNE 2016

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<i>Complies.</i>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<i>Complies.</i>  Refer to <i>Annexure 1</i> of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	<i>Complies.</i>  Refer to <i>Annexure 2</i> of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
4.1	The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	<i>Complies.</i>  Refer to <i>Annexure 5</i> of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>  The Audit Committee has three members, all of whom are independent Directors. The experience of each of the directors is set out as per the "Information on Directors" section as per the Annual report, pages 7-9.  Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively	<i>Complies.</i>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<i>Complies.</i>  Refer to <i>Annexure 1</i> of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<i>Complies.</i>  Refer to the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<i>Complies.</i>  Refer to the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>



# CORPORATE GOVERNANCE STATEMENT 30 JUNE 2016

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<i>Complies.</i>  Refer to the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders	<i>Complies.</i>  Refer to the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<i>Complies.</i>  Refer to Companies website <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	<i>Complies.</i>  Refer to Annexure 5 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>  The Audit and Risk Committee has three members, all of whom are independent Directors.  Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	<i>Complies.</i>  Refer to Annexure 5 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a>
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<i>Complies.</i>  No internal audit function in place.  The CEO and CFO in conjunction with the Audit and Risk Committee and the external auditors (in conjunction with annual and half year audit) undertake an evaluation of the Company's internal controls processes and the effectiveness of its risk management processes.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The board addresses the key risks affecting the Company via its audit and risk management function. The Company maintains a risk register that is the subject of annual review.

## CORPORATE GOVERNANCE STATEMENT 30 JUNE 2016

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
8.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have a remuneration committee which: <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> </ul> </li> <li>(b) if it does not have risk committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that remuneration is appropriate and not excessive..</li> </ul>	<p><i>Complies.</i></p> <p>Refer to Annexure 6 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a></p> <p>Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p><i>Complies.</i></p> <p>Refer to Annexure 6 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a></p> <p>Also the structure of Directors' remuneration is disclosed in the remuneration report contained in the Directors Report.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> <li>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	<p><i>Complies.</i></p> <p>Refer to Annexure 3 of the Corporate Governance Statement which is available at <a href="http://www.Bluglass.com.au">www.Bluglass.com.au</a></p>

Further information about the Company's corporate governance practices is set out on the Company's website at [www.Bluglass.com.au](http://www.Bluglass.com.au)

# COMPANY DIRECTORY

**The company Secretary is:**  
Mr Emmanuel Correia.

**The address of the principal registered office in Australia is:**  
74 Asquith Street, Silverwater NSW 2128

**Registers of securities are held at the following address:**  
770 Canning Highway, Applecross WA 6153

**Stock Exchange Listing:**  
Quotation has been granted for all the ordinary shares of  
the company on all Member Exchanges of the Australian  
Securities Exchange.

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