



ANNUAL FINANCIAL
REPORT 2021

BLUGLASS

BUILDING A BRIGHTER FUTURE WITH LOW TEMPERATURE RPCVD

KEY HIGHLIGHTS 2021

JULY 2020

WINS \$250K ADVANCED MANUFACTURING GRANT FOR SMARTER, FASTER PLASMA SOURCES

During the year, BluGlass won a \$250K advanced manufacturing federal government grant from the Advanced Manufacturing Growth Centre (AMGC) to manufacture smarter, more efficient plasma deposition sources in collaboration with the Australian National University, AKELA Laser and Objective 3D.

SEPTEMBER 2021

INDUSTRY VETERAN, JIM HADEN TO LEAD BLUGLASS AS PRESIDENT

Mr Haden brings three decades' laser industry expertise to BluGlass and a demonstrated track record transforming advanced technology businesses from R&D and early-stage product development to profitable, high growth commercial entities. He has held senior executive and advisory roles at several of BluGlass' prospective customers and competitors, including Kyocera SLD, nLight, Coherent, and JDS Uniphase.

JULY 2020

RPCVD COMES TO SCALE

BluGlass successfully commissioned the first large-scale RPCVD manufacturing platform to date, the BLG-500. This commercial scale system, capable of multiple 6-inch wafer production has been successfully retrofitted onto a modern generation manufacturing platform, the AIXTRON 2800 G4 completed in collaboration with global semiconductor leader, AIXTRON SE. This milestone forms a major part of the Company's commercial scaling activities.

AUGUST 2021

ACHIEVES PROOF-OF-CONCEPT MILESTONE, WITH THE WORLD FIRST DEMONSTRATION OF RPCVD TUNNEL JUNCTION LASER DIODES

Designed to enable higher power and more efficient lasers for use in commercial applications such as 3D printing and industrial welding, this milestone is an important validation of the potential of our unique RPCVD and tunnel junction technologies to transform how laser diodes are made.

OCTOBER 2020

BLUGLASS & YALE UNIVERSITY WIN US GOVERNMENT FUNDED LASER DIODE DEVELOPMENT CONTRACT

BluGlass and Yale University have won a contract to contribute novel laser diode development for the US Defense Advanced Research Projects Agency (DARPA). The program, called Lasers for Universal Microscale Optical Systems (LUMOS) is working to combine laser diodes and photonic integrated circuits on a single substrate.

JULY 2021

BLUGLASS RECEIVES PLACEMENTS & CLOSES OVERSUBSCRIBED RIGHTS ISSUE TO RAISE A TOTAL OF \$8.4M

During the year the Company completed an oversubscribed Entitlement Offer raising \$5.92m to existing shareholders. This was supported by two placements to new sophisticated investors to raise a further \$2.5M on the same terms as the rights issue. The funds are being deployed to solve reliability and expedite laser diode development through to first commercial orders.

MAY 2021

INDUSTRY PIONEER, JEAN-MICHEL PELAPRAT JOINS THE BLUGLASS BOARD

Renowned laser diode industry pioneer, Jean-Michel Pelaprat joined the BluGlass Board as a Non-Executive Director. He is a co-founder and Director of US based laser diode leader, Nuburu and brings more than 30 years' experience within the laser and photonics industries.

JUNE 2021

OUR INTELLECTUAL PROPERTY PORTFOLIO CONTINUES TO GROW

BluGlass' patent and trademark portfolio is a critical foundation for the business. During the year a further 11 patents were granted taking our current portfolio to 86 internationally granted patents in key semiconductor markets including Japan, Taiwan, China, USA and Europe.

CONTENTS

02

CHAIR AND
PRESIDENT'S
LETTERS

09

INFORMATION ON
DIRECTORS

12

REMUNERATION
REPORT

17

DIRECTORS' REPORT
CONTINUED

20

PROFIT OR LOSS AND
COMPREHENSIVE
INCOME

21

FINANCIAL POSITION

22

CHANGES IN EQUITY

23

CASHFLOWS

24

NOTES TO THE
FINANCIAL
STATEMENTS

47

DIRECTORS'
DECLARATION

48

INDEPENDENT
AUDITOR'S REPORT

52

ADDITIONAL
INFORMATION

CHAIR LETTER



Dear Shareholders,

On behalf of the BluGlass Board, I am pleased to present our Annual Report for 2021.

Despite significant progress with our industrial laser diode product development, FY2021 was a challenging period. The ongoing COVID-19 pandemic continued to impact both our supply chain and foundry customers; while fabrication, packaging, product reliability issues, and supply chain setbacks delayed our much-anticipated launch of commercial laser diode products.

On the positive, our initial laser diode prototypes achieved commercial specifications for output power and wavelength. We also made significant progress with our RPCVD enhanced laser diode development program, with our leading-edge team demonstrating RPCVD “active-as-grown” tunnel junction laser diodes with good lasing behaviour; a world first proof of concept milestone.

Progress towards solving our reliability challenges is ongoing. We currently have several iterations in development across the various stages of the manufacturing supply chain. We continue to develop products in conjunction with several collaborative customers to deliver a range of in-demand laser diodes for several growth industries and applications. These include 405nm, 420nm and 450nm devices in a range of form factors and packages.

Successfully demonstrating good lasing behaviour from our novel laser diodes is not only a very important technical validation but has significant commercial implications for our future. While further development work is required to optimise the design and performance, this technical breakthrough and RPCVD capability has the potential to transform how laser diodes are made and bring blue GaN laser applications into a new era.

To support our maturing approach to laser diode development and transition to a product manufacturing business, we strengthened the Board's laser expertise with the appointment of industry pioneer Jean-Michel Pelaprat as a Non-Executive

Director. Jean-Michel has more than 30 years' technical and commercial experience within laser and semiconductor companies and is the co-founder and Director of laser diode leader Nuburu. His knowledge and expertise are already proving invaluable as we work to overcome technical obstacles and prepare to enter commercial markets. Jean-Michel's appointment provides a respected vote of confidence in our development roadmap, differential RPCVD technology and the significant growth opportunities ahead.

Our oversubscribed \$8.42 million capital raise in July 2021 ensures we begin FY22 well-placed to accelerate the delivery of our laser diode products, invest in sales and marketing channels, and develop in-house fabrication processes.

This capital has also enabled us to hire an industry heavyweight with deep technical and commercial expertise to lead BluGlass through its next phase of growth. Laser diode industry veteran Jim Haden joins us as President, tasked with transitioning BluGlass from our R&D origins to an industry leading commercial enterprise, bringing to market a pipeline of next-generation laser products.

He brings more than three decades' laser industry expertise to BluGlass with a demonstrated track record transforming advanced technology businesses from R&D and early-stage product development to profitable, high growth commercial entities. He has held senior executive and advisory roles at several of BluGlass' prospective customers and competitors, including Kyocera SLD, nLight, Coherent, and JDS Uniphase.

Our ability to attract an industry executive of Jim's calibre is another testament to the quality of our industry-leading team, technology and planned product offerings. Jim has delivered significant revenue growth and built enviable market leadership positions throughout his career and is excited to steer BluGlass on the same growth trajectory.

On behalf of the Board and senior management team, I'd like to thank both our loyal and new shareholders for your support and continued belief in our cutting-edge technology. Our direct-to-market laser diodes will address significant unmet customer needs. The recent addition of both Jean-Michel and Jim to our leadership team reaffirms our confidence in our technology roadmap, direct-to-market strategy, and the significant growth opportunity within the photonics industry. We look forward to launching our first products and delivering value for our shareholders in FY22 and beyond.

Sincerely,

James Walker
Executive Chair

PRESIDENT'S LETTER



Dear Shareholders,

I'm very excited to step into the role of President at this critical time in BluGlass' growth, as we seek to commercialise a diverse portfolio of laser diode products and cement the Company's position as a globally competitive and profitable photonics business.

BluGlass is transitioning from its equipment and licensing origins to a direct-to-market components focus to exploit rapidly expanding opportunities in the laser diode industry.

Gallium nitride (GaN) lasers have great potential to disrupt several high-margin, high growth market applications used in several advanced technologies, from energy storage and electric vehicle manufacturing to consumer electronics, medical and scientific devices, additive manufacturing, material processing, and sensing, amongst many others.

Despite this growing opportunity, GaN laser diodes in the visible emission spectrum have yet to deliver their full potential due to performance and cost limitations. GaN laser diode output power and efficiencies have significant room for improvement, meaning that these end markets will continue to become more desirable and accessible as the performance spectrum improves.

Further, laser diode manufacturing is incredibly complex, presenting significant barriers to entry for new players. At present, there are very few end-to-end GaN laser diode manufacturers globally, resulting in substantial unmet customer needs in the industry.

BluGlass aims to address these needs and is developing a laser diode product offering in collaboration with diverse customers in many of our market segments (OEMs and system integrators, R&D institutions, and distributors) to bring customised solutions to market, catering for volume production through to small batches.

Importantly we are already working with Yale University to assist the US Defense Advanced Research Projects Agency (DARPA)

in developing novel laser diode technology for next-generation laser applications.

Looking ahead, I am very excited to be working with the talented team at BluGlass to advance the Company's vision. BluGlass has a rich history in developing novel GaN technology, first for LEDs and now for enhanced laser diode applications. Our unique RPCVD platform and process know-how places us in a uniquely competitive position in the industry. This technology will hold the Company in good stead as we launch beachhead products and secure initial customer orders before growing our product portfolio to move us from the beachhead to more stable ground with additional products, improved performance, and better reliability.

Lastly, thank you for the warm welcome received by many of you already. I look forward to speaking with more of our valued shareholders at the Company's upcoming AGM in November; and as we embark on an essential next chapter in the history of the Company.

Sincerely,

Jim Haden
President

DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the financial year ended 30 June 2021.

DIRECTORS

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

Mr James Walker (Chair)

Mr Vivek Rao

Mr Stephe Wilks

Mr Jean-Michel Pelaprat (Appointed 3 May 2021)

Mr Giles Bourne (Resigned 4 June 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was to further develop the Group's direct-to-market laser diode product portfolio for the industrial, defence, display, and scientific markets. The Group is working on achieving its technology and commercial milestones using both industry standard MOCVD technology and its patented low temperature Remote Plasma Chemical Vapour Deposition (RPCVD) technology to manufacture higher performance, lower cost semiconductor materials for laser diode, LED and microLED devices for customers. RPCVD has many potential advantages over the current industry technologies.

In 2021, the Group established BluGlass Inc. the Group's US operations based in New Hampshire. This facility has been purpose built to manage the Group's laser diode fabrication processes and supply chain, including packaging and reliability testing BluGlass laser diodes prior to shipping to customers.

REVIEW OF OPERATION

FY21 presented numerous challenges for the business as we navigated a global pandemic, customer and manufacturing partner impacts in Europe and the US as well as packaging challenges of our laser diode devices. We also demonstrated laser diode devices that met commercial specifications in output power and wavelength, however, did not satisfy the product reliability specifications required by the market. This has led to a delay in the launch of our first commercial gallium nitride (GaN) laser diodes.

Despite this setback, these results confirm the commercial quality of BluGlass' laser diode design and epitaxy (the semiconductor material growth steps). The gradual loss of light output and laser performance during high power testing led to the discovery of a flaw in the optical facet of the laser, which is contributing to the reliability issue. The optical facet is in the post epitaxy production steps and involves third-party suppliers. BluGlass is working with multiple vendors and expert

fabrication specialists with established production capabilities to expedite solutions and has multiple iterations of development progressing through its manufacturing supply chain.

While these technical roadblocks have certainly been frustrating, we have validated our direct-to-market product approach with multiple customers with significant unmet needs in the industry eagerly awaiting delivery of products. The business is now firmly on a path to resolve the reliability challenge, and while this is ongoing, we continue to prepare and bolster our supply chain, improve our laser diode performance and improve our manufacturing yields, in readiness to scale rapidly to meet customer demand.

THE YEAR IN REVIEW

Developing a range of commercial laser diode products

The major focus for the year was dedicated to the continued development of the Group's portfolio of commercial laser diode products, progressing the 405nm, 420nm and 450nm direct-to-market laser diodes through all the manufacturing steps of our supply chain to packaging and testing.

Despite the initial reliability issue, several of our laser diode products are now demonstrating commercial specifications for light-output, voltage, and wavelength in both pulsing and initial continuous wave testing, further confirming the commercial viability of BluGlass' epitaxial capabilities and laser diode designs. We are continuing to work with multiple vendors and expert fabrication specialists with established production capabilities to perform failure analysis and rapidly implement solutions to solve reliability which is the final technical hurdle ahead of launching products to market. BluGlass now has several iterations, running in parallel, progressing through the supply chain.

While this could take several iterations, once a solution is identified and confirmed, this will be integrated across BluGlass' entire suite of laser diode products.

While we initially expected to launch laser diode products in succession as they progressed through the supply chain, we now expect to be in a position to launch multiple products once successful reliability testing is achieved, as our subsequent designs come to development maturity.

The process to manufacture a laser diode involves many complex steps, supplied by various specialist vendors. These devices are being simulated, modelled, designed, and then grown on wafers at BluGlass' Silverwater facility before they are shipped to the US for multiple wafer processing steps.

Globally, the COVID-19 pandemic caused well publicized delays and shortages throughout the semiconductor manufacturing industry and supply chains. Following multiple partner disruptions BluGlass invested significant effort during the year to secure a robust and reliable supply chain with available

contingency. BluGlass is now working with multiple expert providers in each segment of the supply chain and ensure the business is working with the best suppliers to meet our manufacturing goals.

World-first demonstration of RPCVD tunnel junction laser diodes

In a major technology breakthrough for the Group, BluGlass successfully demonstrated working novel tunnel junction laser diodes called a *dual n-wave laser diode* using our proprietary low temperature RPCVD technology.

This achievement exploits our unique active-as-grown tunnel junction technology, originally developed for LEDs and has significant performance advantages for high power laser diodes.

The industry is very interested in performance advantages, as today GaN laser applications are constrained by significant performance loss due in the form of heat due to the highly resistive p-type layers, traditionally needed to create the electrical circuit in a laser diode. These layers are responsible for the low conversion efficiencies, typically in the 40-45% range even in state-of-the-art laser diodes compared to the nearly 90% efficiency of GaN LEDs.

BluGlass' novel approach eliminates the need for these highly resistive and performance losing p-type layers. RPCVD enabled novel designs replace the p-type cladding layer with an RPCVD tunnel junction and n-type cladding layer - called a dual n-wave laser diode. This unique design is enabled through RPCVD's active-as-grown properties meaning that the material is grown in a fully functional state and does not require complicated ex-situ activation to render it functional – something that is not possible using the industry standard process, MOCVD.

These performance advantages are of particular importance to high power applications such as 3D printing (for example for the printing of high precision metal components for aviation and defence applications) and high precision industrial machining and welding (eg. for computer chip and electronics manufacturing).

BluGlass will now continue to optimise its RPCVD tunnel junction laser diode design, epitaxy and fabrication to maximise laser performance.

The commercial opportunity for GaN lasers continues to grow

Gallium nitride (GaN) laser diodes are high value, high margin products and continue to cement their importance in not only changing the way that high precision industrial and scientific devices are made, but will increasingly change the very things that can be made.

BluGlass is initially targeting in-demand and under-served wavelengths for use in industrial, display, defence and scientific applications. In collaboration with several potential customers, BluGlass' product range is being targeted across multiple market segments.

The range of products that we are developing include standard MOCVD laser diodes and differentiated RPCVD laser diodes across a broad spectrum of wavelengths in both single and multi-modes. Each of these will have a range of applications from cutting and welding, machine vision and sensing to medical devices, DNA sequencing, display technologies and many others:

BluGlass' Laser Diode Manufacturing Process



Paid development of novel laser diode and photonics integrated circuits for DARPA

BluGlass and Yale University continue to collaborate on the US government-funded contract, assisting the Defense Advanced Research Projects Agency (DARPA) with the development of novel laser diode technology. BluGlass and Yale University are conducting paid research and development under DARPA's Lasers for Universal Microscale Optical Systems (LUMOS) initiative, combining efficient integrated optical systems and complete photonics functionality onto a single substrate.

BluGlass and Yale University are collaborating to combine these two technologies for the first time, with the successful project expected to enable high performance lasers and amplifiers with photonic integrated circuits (PICs) in a single, highly functional device for defence and commercial applications such as compact optical phased array LiDAR and neuromorphic optical computing.

The project is generating Laser Diode customer revenues for the Group and also showcases our unique capabilities in GaN Laser epitaxial growth technology that could lead to further commercial opportunities.

Since October 2020, the paid joint development program has successfully completed the first stage of Phase I. Yale and BluGlass' have now commenced the second stage of Phase I which is expected to run until May 2022.

RPCVD comes to scale

In another important commercial milestone during the year, BluGlass successfully commissioned the first large scale RPCVD manufacturing platform capable of multiple 6 inch wafer manufacturing.

The BLG-500 is the largest RPCVD system manufactured to date and helps confirm the scaling potential of RPCVD. The system was successfully retrofitted onto a modern manufacturing platform common in the industry, and



completed in collaboration with global semiconductor leader, AIXTRON SE of Germany.

Designed to help address the uniformity requirements needed for the commercial manufacture of large-scale wafers, the BLG-500 has significantly increased BluGlass' manufacturing capacity and has been making important contributions to the Group's laser diode development and tunnel junction programs for enhanced laser diodes and LEDs.

Funded to first commercial orders

The business is now funded to first customer orders following the successful completion of an oversubscribed Entitlement Offer to existing shareholders and two separate Placements,

Industrial Markets



(405nm, 450nm, 525nm)

Applications:

- Welding cutting
- Machine vision
- Machine sensing
- 3D printing

Display Markets



(450nm, 525nm)

Applications:

- Pico projector
- Business/Cinema projector
- Heads-up display
- Augmented reality/Virtual Reality

Biotech/Life Science Markets

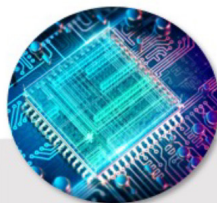


(405nm, 420nm, 450nm, 490, 525nm)

Applications:

- Flow cytometry
- Medical diagnostics
- DNA sequencing
- Endoscopy
- Bio-fluorescence

Scientific Markets



(405nm, 420nm, 450nm, 490, 525nm)

Applications:

- Raman spectroscopy
- Quantum computing
- Confocal fluorescence microscopy
- Optical clocks
- Forensics

Lighting Markets



(450nm)

Applications:

- Automotive
- General lighting
- Spotlight/Torch

raising a total of \$8.4 million before costs in June and July of this year.

These funds enable BluGlass to expedite solutions to solve the reliability challenge and deliver our portfolio of gallium nitride laser diode products to market. The Group is targeting in-demand and bespoke customer products for industrial cutting and welding, laser displays, general lighting, and defence applications. Proceeds will also be used for investment in sales, marketing and distribution channels for its laser diode products, as well as enhanced product development and working capital.

BluGlass also expects to receive the full R&D tax rebate of approximately \$3.3 million in September 2021.

In July 2020, BluGlass won a \$250,000 advanced manufacturing grant from the Federal Government's Advanced Manufacturing Growth Centre (AMGC) to develop a novel large-scale plasma source for the Group's 300 series deposition systems.

Leadership changes

In June 2021, Giles Bourne stepped down as Managing Director and CEO after more than 13 years with the Group. BluGlass Chair James Walker has assumed the role of Executive Chair while the Group undertakes the search for an industry experienced executive.

In May 2021 renowned laser diode pioneer, Jean-Michel Pelaprat, joined the BluGlass Board as a Non-Executive Director. Mr Pelaprat is a co-founder and Director of US-based laser diode leader Nuburu. He brings with him more than 30 years' experience within the laser and photonics industries and is already making an invaluable contribution as BluGlass works on solving the reliability challenge and prepares to commercialise a portfolio of products.

In April 2021, BluGlass appointed laser diode expert, Dr Arkadi Goulakov, as a Senior Scientist. Dr Goulakov joined the Group's US operations, bringing deep fabrication and product integration expertise to the Development and Operations team; where he is assisting in the fabrication, back-end processing and reliability. His more than 30 years' experience in developing and commercialising cutting edge opto-electronics and more than 17 years in the laser diode industry is the right complement to BluGlass' existing design and epitaxial capabilities.

BluGlass will continue to add laser diode technical experience to the team as we move through to developing and launching reliable laser diode products.

Intellectual Property update

BluGlass' patent and trademark portfolio is a critical component of the technology and business development. We continue to grow our patent portfolio in key semiconductor jurisdictions, following significant technical advancements made by our team.

During the period a further three international patents were granted taking our current portfolio to:

- 78 internationally granted patents in key semiconductor markets including Japan, Taiwan, China, USA and Europe
- A further 15 Applications in PCT phase (Patent Cooperation Treaty)
- Eight patent families
- 17 trademarks

The Year Ahead

As we head into the new financial year, BluGlass' immediate focus remains on overcoming the final technical hurdle to launch our range of laser diodes and secure repeat customer orders. At the same time, we continue to prepare and bolster our supply chain, refine our laser diode designs and performance, and improve our manufacturing yields - all in readiness to scale rapidly to meet customer demand.

Our approach addresses a growing global industry need for end-to-end manufacturing capability. We have validated our direct-to-market approach in the market, with strong support from eagerly awaiting customers confirming that this provides us with a clear path to revenue. This is supported by our state-of-the-art manufacturing facility in Silverwater that has the installed capacity to produce significant quantities of semiconductor materials, sufficient to meet our expected demand over the coming years.

The BluGlass Board and Management look forward to keeping the market up-to-date on the progress and development of the Group in the year ahead; as we recruit a new industry experienced executive, progress towards solving reliability and launch multiple products to market.

FINANCIAL SUMMARY

The consolidated loss for the period increased by 5% to \$6,298,360 (2020: \$5,994,113).

The net assets of the consolidated entity decreased by \$4,884,149 to \$7,509,329 (2020: \$12,393,478).

Revenue, finance income and other income increased by \$539,957 to \$4,361,832. Material variations in revenue received are as follows:

- ✦ Revenue for the provision of foundry services to third parties of \$363,573 (down 45%) was received for the year compared to \$655,830 in the 2020 financial year.
- ✦ Revenue from the R&D tax rebate increased by \$370,079 (up 12%) to \$3,336,148 compared to \$2,966,069 received in the 2020 financial year.
- ✦ Revenue from Job Keeper increased by \$318,000 (up 265%) to \$438,000 compared to \$120,000 received in the 2020 financial year. \$50,000 was also received in 2020 in relation to cash flow.
- ✦ Receipt from Australian Manufacturing Grant. Received \$219,329 in 2021, no grant was received in the 2020 financial year. Gross expenditure increased by \$844,204 (up 9%) to \$10,660,192.

The most significant reason for the increase in total gross expenditure was the opening of the facility in the US cost of salaries and research costs associated with the fabrication supply chain.

The material variations in expenses are as follows:

- ✦ Share based payments costs decreased by \$1,773,562 to -\$536,276 (2020: \$1,237,286) due to changes in probability of non-market vesting conditions and forfeited expense of the rights issued. The actual expense for the rights issued for the year was \$1,047,939 and a writeback of \$1,584,215 for the forfeiture and probability revision of non-market vesting conditions of the rights issued.
- ✦ Depreciation expense increased by \$1,061,379 up 99% to \$2,133,076 (2020: \$1,071,697) during the year due to the depreciation of the facility upgrade and the new research tool.
- ✦ Employee benefits costs increased by \$599,366 (up 20%) to \$3,640,897 (2020: \$3,041,531) due to the increased headcount at BluGlass' facility in the US.
- ✦ Research and development and consultant costs increased by \$945,547 up 38% to \$3,451,856 (2020: \$2,506,309) due to the increased fabrication and material costs for the laser diode supply chain.

Net cash required for operations averaged \$400,736 per month, (2020: \$362,360). The increase is mainly due to the US facility costs.

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 2021 or 2020.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and included a degree of disruption to BluGlass' supply chain and its foundry customers. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries subsequent to reporting date, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not expected to significantly impact the Group.

In July 2021, BluGlass successfully completed its oversubscribed non-renounceable entitlement rights issue, raising the maximum of \$5.92m before costs. 197,333,326 fully paid ordinary shares were issued on 13 July 2021 at \$0.03 per share. In addition, \$500,000 was raised via a separate private placement on the same terms as the rights issue. 16,666,667 fully paid ordinary shares were issued on 16 July 2021 at \$0.03 per share.

There were no other 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 laser diode, LED, microLEDs and power electronic markets to maximise shareholder return.

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

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.

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

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

INFORMATION ON DIRECTORS



MR. JAMES WALKER
Executive Chair
B COMM, FCA, GAICD

Special Responsibilities:

Executive Chair, Audit and Risk Committee member

Current Directorships:

Native Mineral Resources (ASX: NMR) Aug 2020 – present
Digital Wine Ventures Ltd (ASX: DW8) Sep 2019 - present

Former Directorships:

thedocyard Limited (ASX: TDY) Aug 2019 – Aug 2020

Experience and Expertise:

James is an experienced leader in commercialising technology in new markets, with roles as a Non-Executive Chair, Director and Chief Executive of ASX-listed companies. He also has deep experience as a Chief Financial Officer for a UK, AIM-listed technology company as well as executive roles in other growth companies.

He is currently a non-executive Chair of Native Mineral Resources (ASX: NMR) and a non-executive director at Digital Wine Ventures (ASX: DW8).

James has over 25 years' experience as a Chartered Accountant, company secretary and senior executive of various high growth private companies.

James has over 25 years' experience as a Chartered Accountant, company secretary and senior executive of various high growth private companies. James has successfully completed multiple ASX IPOs, corporate acquisition transactions, secondary round raises on both the ASX and UK AIM markets and private capital raises.

James thrives on scaling businesses, commercialising technology and building new global markets, with extensive experience across a wide range of international high growth businesses, including deal-tech, data-driven customer experience, sensor systems, mining technology services, automotive, aviation, biotechnology, hotel telemarketing, drone detection and security sectors.

Time on Board: (Chair) 2 Years (Director) 4 Years



MR. STEPHE WILKS
Non-Executive Director
BSC, LLM

Special Responsibilities:

Audit and Risk Committee member

Current Directorships:

Over the Wire (ASX:OTW)
1st Group Ltd (ASX:1ST)

Former Directorships (in the last 3 years):

Speedcast International Limited (ASX: SDA) Aug 2019 – delisted Mar 2021
Brainchip Holdings Limited (ASX: BRN) Feb 2019 - Dec 2019
Datadot Technologies Limited (ASX: DDT) Feb 2016 - May 2019

Experience and Expertise:

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

Stephe was the Chair of Australia's largest private IT services company, Interactive, where he remains a non-executive director.

Stephe was the Chair of Australia's largest private IT services company, Interactive, where he remains a non-executive director. His extensive finance, strategic management, M&A and public affairs expertise add significant value to the BluGlass board.

Stephe is Chair of 1st Group Limited (ASX:1ST), Over the Wire (ASX:OTW) and non-executive director of Interactive Pty Limited.

Time on Board: 3 Years

INFORMATION ON DIRECTORS CONTINUED



MR. VIVEK RAO
Non-Executive Director
BS-ELECTRONICS, MS-EE

Special Responsibilities:

Audit and Risk Committee member

Current Directorships:

Revasum Limited (ASX: RVS) January 2018 - present

Experience and Expertise:

Vivek Rao is the President & Chief Operations Officer of SPT Microtechnologies (a Division of SPP Technologies). Vivek is a seasoned semiconductor professional with more than 25 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 is the Chair of fellow ASX listed semiconductor company, Revasum (ASX: RVS)

Vivek is a seasoned semiconductor professional with more than 25 years in the semiconductor capital equipment industry.

Time on Board: 5 Years



JEAN-MICHEL PELAPRAT
(Appointed May 2021)
Non-Executive Director
BSPHY

Experience and Expertise:

Jean-Michel brings deep photonics industry expertise, with over 30 years' experience establishing, commercialising and scaling laser and semiconductor laser businesses. As co-founder and Director of NUBURU – a US-based company recognised as a pioneer in blue GaN lasers for industrial, 3D printing and display – he helped steer the business over the past six years from start-up to a recognised industry leader. Before founding NUBURU, Jean-Michel held numerous leadership positions in high-growth photonics businesses, including President and CEO of Vytran, a fiber optics capital equipment company supplying optical communications, fiber lasers, medical devices, sensing and aerospace applications. He led the business to growth and profitability during the 2009-2010 recession and served on the Board of Vytran's sister company, NKT Photonics.

Before founding NUBURU, Jean-Michel held numerous leadership positions in high-growth photonics businesses,

Other senior roles include Chair and CEO of Novalux, Inc. a start-up developing red-green-blue (RGB) semiconductor laser sources for the projection display industry, and Director of Nuvonyx, a pioneer in infrared high-powered semiconductor lasers for industrial and defence. Prior to Novalux, Jean-Michel spent 13 years at Coherent, Inc. There, his positions included Vice President and General Manager for both Diode-Pumped Solid-State (DPSS) and Laser business and Semiconductor Laser groups—with a focus on aggressive organic growth combined with several M&As. He pioneered the DPSS and the Optically Pumped Semiconductor Laser (OPSL) mass-market adoption. He was also the Vice President of Strategic Marketing for the company.

Jean-Michel holds a degree in Physics from the University of Montpellier, France (USTL) and has undertaken Sales Management and Finance education at the Wharton School of Business and studied Strategic Marketing for the High-Tech Industry at Stanford University. He previously served as the Chair of the Corporate Associates committee for several years and a Director of the Optical Society of America.

Time on Board: 3 Months



MR. GILES BOURNE
(Resigned June 2021)
Managing Director and Chief Executive Officer
B.A. (HONS), MBA, FAICD

Special Responsibilities:

Until his resignation in June 2021 was Chief Executive Officer

Experience and Expertise:

Giles is a senior executive with over 25 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 expansion investment, setting up domestic and international partnerships, JV's and licensing deals.

Giles Bourne was a director of BluGlass for seven years.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr. Emmanuel Correia

Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel is a co-founder of Peloton Capital and Peloton Advisory and has had over 25 years public market and corporate finance experience in Australia, North America and the United Kingdom. He has held various senior positions with Big 4 accounting firms and boutique corporate finance houses.

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

Emmanuel had over 25 years public market and corporate finance experience in Australia, North America and the United Kingdom

REMUNERATION REPORT

2020-2021 (AUDITED)

INTRODUCTION

The Directors of BluGlass Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2021. 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 Group's non-executive directors and the Group'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 Key Management Personnel positions are listed in the table below

NON-EXECUTIVE DIRECTORS		EXECUTIVES	
James Walker	Chair	Ian Mann	Chief Operations & Technology Officer
Vivek Rao	Director	Giles Bourne (Resigned 4 June 2021)	Managing Director & CEO
Stephe Wilks	Director		
Jean-Michel Pelaprat	Director		

REMUNERATION STRATEGY

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

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

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

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

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

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

The current remuneration of non-executive directors is:

Position	Remuneration \$
Chair	100,000
Director	60,000
Committee Chair	5,000
Committee member	2,500

A non-executive director's remuneration thus comprises the base board fee, any applicable committee chair fee and the 9.5% superannuation levy contribution.

		SHORT-TERM		POST EMPLOYMENT	LONG TERM INCENTIVES	TOTAL REMUNERATION	
		Board and Committee fees cash \$	Fees withheld to convert to shares* \$	Superannuation \$	Share Based Payments (Performance Rights) \$	Total \$	% of remuneration that is non-cash
Non-executive Directors							
James Walker	2021	107,158	-	10,180	1,192	118,530	1.0
	2020	73,798	9,856	7,947	-	91,601	10.8
Vivek Rao	2021	65,000	-	6,175	1,192	72,367	1.6
	2020	56,103	8,897	6,175	-	71,175	12.5
Stephe Wilks	2021	62,500	-	5,937	1,192	69,629	1.7
	2020	55,820	8,555	6,116	-	70,491	12.1
Jean-Michel Pelaprat (Appointed 3 May 2021)	2021	10,000	-	-	-	10,000	-
	2020	-	-	-	-	-	-
William Johnson (retired 8 February 2020)	2021	-	-	-	-	-	-
	2020	55,416	-	-	-	55,416	-
Total	2021	244,658	-	22,292	3,576	270,526	-
Total	2020	241,137	27,308	20,238	-	288,683	-

EXECUTIVE REMUNERATION

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

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

The board review executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from similar industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of specific BluGlass technology and commercial milestones being achieved and the efficient conduct of the Group'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% (10% from 1 July 2021), 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 Group and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options issued during the year are valued at the closing share price at grant date less the exercise price where appropriate.

EXECUTIVE TOTAL REMUNERATION

					POST EMPLOYMENT	LONG TERM INCENTIVES	TOTAL REMUNE- RATION	% OF REMUNE- RATION
		Cash Salary	Salary withheld to convert to shares*	KPI Related Incentive	Superannuation	Share Based Payments Performance rights	Total	Share based
Executives		\$	\$	\$	\$	\$	\$	%
Ian Mann	2021	288,102	-	14,235	25,000	219,396	546,733	40.1
	2020	259,408	27,375		24,966	-	311,749	8.8
Giles Bourne	2021	531,544	-	47,918	40,900	(563,124)	57,238	(983.8)
(Resigned 4 June 2021)*	2020	294,083	30,717		25,000	-	349,800	8.8
Total	2021	819,646	-	62,153	65,900	(343,728)	603,971	
Total	2020	553,491	58,092		49,966	-	661,549	

*Giles Bourne termination payment is included under cash salary at \$159,000 and superannuation at \$15,900 in the table. Giles Bourne share based payments includes expense of \$392,023 less \$955,147 due to unvested share-based payment forfeited at year end.

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

CONTRACTED EXECUTIVE REMUNERATION

The Company Secretary, Emmanuel Correia is contracted to BluGlass from Cardrona Energy Pty Ltd. The contract includes provisions that the contract may be terminated by either party with one months' notice. Payments for services to Cardrona were \$79,200 in 2021 (2020: \$79,200). As a contracted position the Company Secretary does not form part of the BluGlass' executive team.

EMPLOYMENT CONTRACTS OF EXECUTIVES

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

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of one months' notice prior to termination of contract. The CEO's contract is subject to 3 months' notice. Termination payments

are determined by the Board 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 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 Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

The IP portfolio at the end of 30 June 2021 now includes 86 granted patents in various countries, covering six separate patent families. In addition, there are 16 patent applications in various stages filed in numerous countries.

	2016	2017	2018	2019	2020	2021
Revenue \$'000	2,810	2,802	2,811	2,747	3,822	4,362
Net Loss \$'000	3,428	3,661	3,840	14,421	5,994	6,298
Share price at year-end cents	21	26	30	16	3	3
Patents lodged	-	9	1	6	8	10
Patents Granted	9	14	2	18	11	11

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

MOVEMENT IN SHAREHOLDINGS OF KMP AS AT 30 JUNE 2021

	Total	Direct	*BLG ESS	Movement			Total	Direct	*BLG ESS
Non-Executive Directors	Opening Balance			On	Off	Other*	Closing Balance		
James Walker	303,540	303,540	-	492,800	-	-	796,340	796,340	-
Vivek Rao	240,000	240,000	-	444,850	-	-	684,850	684,850	-
Stephe Wilks	-	-	-	427,750	-	-	427,750	427,750	-
Jean Michel Pelaprat	-	-	-	-	-	-	-	-	-
Executives									
Ian Mann	2,061,080	531,080	1,530,000	1,848,750	480,000	-	3,429,830	2,379,830	1,050,000
Giles Bourne	4,272,579	4,272,579	-	588,517	-	-	4,861,096	4,861,096	-

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

OPTIONS AND PERFORMANCE RIGHTS HELD BY KMP AS AT 30 JUNE 2021

Non-Executive Directors	Movement									
	Opening Balance	Vested in O/B	Vested in period	Total Vested	Exercised	Granted in period	Expired or Forfeited in period	Closing Balance	Vested and exercisable %	Unvested %
James Walker	300,000	30,000	30,000	60,000	-	1,000,000	-	1,300,000	4.6	95.4
Vivek Rao	300,000	30,000	30,000	60,000	-	1,000,000	-	1,300,000	4.6	95.4
Stephe Wilks	300,000	30,000	30,000	60,000	-	1,000,000	-	1,300,000	4.6	95.4
Jean-Michel Pelaprat	-	-	-	-	-	-	-	-	-	-
Executives										
Ian Mann	8,711,758	-	-	-	-	2,693,000	-	11,404,758	-	100
Giles Bourne	8,874,500	-	-	-	-	3,000,000	11,874,500	-	-	100

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

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

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No options 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 480,000 shares were withdrawn from the trust.

APPROVAL OF 2020 REMUNERATION REPORT

A resolution seeking approval of the 2020 Remuneration Report was tabled at the November 2020 Annual General Meeting. The resolution was passed at that meeting with the vote in favour recorded of 84%.

REMUNERATION ADVISORS

No remuneration advisors were engaged during the year nor was any formal remuneration advice received during the year.

END OF REMUNERATION REPORT - AUDITED

DIRECTORS' REPORT CONTINUED

MEETINGS OF DIRECTORS

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS	
			Audit & Risk Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
James Walker	9	9	2	2
Vivek Rao	9	9	2	2
Stephe Wilks	9	9	2	2
Jean Michel Pelaprat	2	2	-	-
Giles Bourne	9	9	-	-

INDEMNITIES GIVEN TO AND INSURANCE PREMIUMS PAID FOR AUDITORS AND OFFICERS

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

- A right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- Subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Group and its related bodies corporate that they may incur while acting in their capacity as an officer of the Group or a related body corporate, except where that liability involves a lack of good faith, and for defending certain legal proceedings; and the requirement that the Group maintains appropriate directors' and officers' insurance for the officer

- No liability has arisen under these indemnities as at the date of this report
- The Group has paid premiums of \$49,557 (2020: \$55,200) 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 Group, other than conduct involved in a wilful breach of duty in relation to the Group
- 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/rights are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
17/12/2018	17/12/2021	-	10,985,612
9/12/2020	31/12/2024	-	7,850,000
8/3/2021	30/4/2023	-	1,000,000
			19,835,612

DIRECTORS' REPORT CONTINUED

CORPORATE GOVERNANCE POLICY AND STATEMENT

The Groups Corporate Governance statement can be viewed on page 55. The Groups Corporate Government Policy can be viewed on the Company's website at www.bluglass.com.au

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 or taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by s307C of the Corporation Act 2001 for the year ended

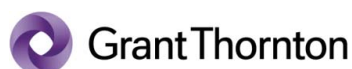
30 June 2021 has been received and can be found on page 20 and forms part of the Directors' Report.

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



James Walker
EXECUTIVE CHAIR

Dated the 23rd day of August 2021



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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 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 23 August 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
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PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Entity	
		2021 \$	2020 \$
Revenue	2	363,573	655,830
Other income	2	3,993,477	3,136,069
Finance income	2	4,782	29,976
Employee benefits expense	17	(3,640,897)	(3,041,531)
Professional fees		(112,268)	(109,597)
Board and secretarial fees		(339,551)	(332,953)
Corporate compliance & legal expense		(90,227)	(95,174)
Consultant fees		(381,749)	(608,273)
Finance cost		(82,603)	(99,416)
Rent expense		(91,410)	(68,144)
Travel and accommodation expense		(17,619)	(148,567)
Consumables		(3,070,107)	(1,898,036)
Depreciation and amortisation expense		(2,133,076)	(1,071,697)
Share based payment expense	23	536,276	(1,237,286)
Other expenses		(1,236,961)	(1,105,314)
Loss before income tax	3	(6,298,360)	(5,994,113)
Income tax expense	4	-	-
Loss for the year		(6,298,360)	(5,994,113)
Other comprehensive income		9,650	-
Total comprehensive income		(6,288,710)	(5,994,113)
Loss attributable to:			
- Members of the parent entity		(6,298,360)	(5,994,113)
- Non-controlling interest		-	-
		(6,288,710)	(5,994,113)
Total Comprehensive Income attributable to:			
- Members of the parent entity		(6,288,710)	(5,994,113)
- Non-controlling interest		-	-
		(6,288,710)	(5,994,113)
Earnings Per Share			
Basic loss per share (cents per share)	6	(0.87)	(1.27)
Diluted loss per share (cents per share)	6	(0.87)	(1.27)

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

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021				
	Note	Consolidated Entity		
			2021 \$	2020 \$
Current Assets				
Cash and cash equivalents	7		4,176,300	5,430,240
Trade and other receivables	8		3,350,971	2,919,128
Inventories	9		131,137	139,554
Other current assets	10		59,330	58,030
TOTAL CURRENT ASSETS			7,717,738	8,546,952
Non-Current Assets				
Property, plant and equipment	11		5,839,728	7,882,703
Intangible assets	12		-	-
TOTAL NON-CURRENT ASSETS			5,839,728	7,882,703
TOTAL ASSETS			13,557,466	16,429,655
Current Liabilities				
Trade and other payables	14		565,589	407,503
Lease liabilities	20		184,009	168,411
Short-term provisions	16		674,170	578,395
Borrowings	15		1,954,140	-
TOTAL CURRENT LIABILITIES			3,377,908	1,154,309
Non Current Liabilities				
Long-term provisions	16		1,298,163	1,325,794
Lease liabilities	20		1,372,066	1,556,074
TOTAL NON-CURRENT LIABILITIES			2,670,229	2,881,868
TOTAL LIABILITIES			6,048,137	4,036,177
NET ASSETS			7,509,329	12,393,478
Equity				
Issued capital	18		75,227,463	73,068,525
Reserves	19		(46,912)	884,530
Accumulated Losses			(67,671,222)	(61,559,577)
TOTAL EQUITY			7,509,329	12,393,478

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 2021

	Issued Capital	Share-Based Payments Reserve	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Consolidated Entity					
Balance at 1 July 2019	67,412,994	778,495	(982,452)	(55,565,464)	11,643,573
Profit for the year	-	-	-	(5,994,113)	(5,994,113)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(5,994,113)	(5,994,113)
Transactions with owners in their capacity as owners					
Shares issued during the year (Note 18)	5,858,959	-	-	-	5,858,959
Share transaction costs during the year (Note 18)	(357,028)	-	-	-	(357,028)
Share based payments (Note 23)	-	241,651	-	-	241,651
Share options issued (Note 23)	-	995,636	-	-	995,636
Exercise of share option	153,600	(148,800)	-	-	4,800
Balance at 30 June 2019	73,068,525	1,866,982	(982,452)	(61,559,577)	12,393,478
Balance at 1 July 2020	73,068,525	1,866,982	(982,452)	(61,559,577)	12,393,478
Profit for the year	-	-	-	(6,298,360)	(6,298,360)
Other comprehensive income	-	-	9,650	-	9,650
Total comprehensive income for the year	-	-	9,650	(6,298,360)	(6,288,710)
Transactions with owners in their capacity as owners					
Shares issued during the year (Note 18)	2,299,673	(241,651)	-	-	2,058,022
Share transaction costs during the year (Note 18)	(140,735)	-	-	-	(140,735)
Share based payments (Note 23)	-	499,025	-	-	499,025
Expired option (Note 23)	-	(186,715)	-	186,715	-
Forfeited options (Note 23)	-	(1,011,751)	-	-	(1,011,751)
Balance at 30 June 2021	75,227,463	925,890	(972,802)	(67,671,222)	7,509,329

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

CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021			
	Note	Consolidated Entity	
		2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		363,573	655,830
Research and development tax rebate		2,734,495	2,366,069
Interest received		4,782	29,976
Interest paid		(82,603)	(89,967)
Government grants		657,329	170,000
Payments to suppliers and employees		(8,486,412)	(7,480,229)
Net cash used in operating activities	22	(4,808,836)	(4,348,321)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(90,099)	(1,681,412)
Net cash used in investing activities		(90,099)	(1,681,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs	18	1,859,265	5,501,931
Lease liability	20	(168,410)	(153,737)
Interest paid		-	(9,448)
Proceeds from options exercised	23	-	4,800
Proceed from borrowings	15	1,954,140	
Net cash provided by financing activities		3,644,995	5,343,546
Net decrease in cash held		(1,253,940)	(686,187)
Cash at beginning of financial year		5,430,240	6,116,427
Cash at end of financial year	7	4,176,300	5,430,240

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 23rd August 2021 by the directors of the Company.

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

Basis of Preparation

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

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

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

Going Concern

Notwithstanding the loss for the financial year and the negative cashflows from operations, the financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business. Despite the disruptions resulting from COVID-19, management do not believe the uncertainty is considered to be material enough to cast significant doubt on the Group's ability to operate under the going concern basis.

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

- The Group has cash and cash equivalents of \$4,176,300 as at 30 June 2021 (2020: \$5,430,240). As at that date, the Group had net current assets of \$7,717,738 (2020: \$8,546,952) and net assets of \$7,509,329 (2020: \$12,393,478). BluGlass in June and July 2021 completed a shareholder rights issue and two separate placements, raising \$8.42 million. The Group has performed a detailed cash flow forecast, and determined that it has adequate cash resources in place to fund its operations for the next 12 months, even in the absence of obtaining additional funding;
- Notwithstanding the above, if required, the Group has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Group has raised in excess of \$8.42 million in the June and July 2021. The Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required;
- If required, the Group has the ability to finance the 2022 research and development tax rebate to have access to the funding earlier, this will improve the liquidity of the Group; and
- The Group has the ability to scale back a significant portion of its development activities if required.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is continually developing dependent on measures imposed by the Australian Government and other countries. It is not expected to significantly impact the Group. Accordingly, the

FINANCIAL STATEMENT NOTES

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

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

Accounting Policies

(a) Principles of Consolidation

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

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

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

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

(b) Income Tax

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

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

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

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

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

Tax consolidation

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

(c) Inventories

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

FINANCIAL STATEMENT NOTES

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

(d) Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

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

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

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

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

(e) Financial Instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement of financial assets

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

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

FINANCIAL STATEMENT NOTES

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

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

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

Subsequent measurement financial assets

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

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

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

Impairment of Financial assets

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

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

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

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

Classification and measurement of financial liabilities

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

(f) 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

FINANCIAL STATEMENT NOTES

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

(f) Impairment of Assets (cont)

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.

(g) Intangibles

Patents and trademarks

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

Research and development

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

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.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

(i) Employee Benefits

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

FINANCIAL STATEMENT NOTES

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

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.

(j) 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.

(k) 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.

(l) Revenue and Other Income

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

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

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

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

(m) Leases

The Group as a lessee

The Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

The Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

FINANCIAL STATEMENT NOTES

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

(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.

(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-

FINANCIAL STATEMENT NOTES

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

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 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 23. 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.

Key estimates — R&D tax rebate

The Company accrues the R&D tax rebate estimates for the prior period. The current tax advisors give an estimate of the R&D tax rebate that the Company expects to receive upon lodgement of the Company tax return. This judgement impacts the revenue recorded for the period.

Key estimates — Lease make good provision

The Group has received an external estimate to return the current lease to the original condition the property was in at the beginning of the lease. This judgement impacts the provisions recorded and the expensed amounts for the period.

(s) Adoption of New and Revised Accounting Standards

The Group has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2020. None of these have a material impact on the Group's financial statements.

(t) Accounting Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

FINANCIAL STATEMENT NOTES

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2021 \$	2020 \$
Revenue		
— Other revenue - foundry revenue recognised at point in time	363,573	655,830
Total Revenue	363,573	655,830
Other Income		
— Research and development tax rebate	3,336,148	2,966,069
— Government grant – Job-keeper and Manufacturing grant	657,329	170,000
Total other income	3,993,477	3,136,069
Finance Income		
— Interest received from bank	4,782	29,976
Total finance income	4,782	29,976

NOTE 3: LOSS FOR THE YEAR

	Consolidated Entity	
	2021 \$	2020 \$
Expenses:		
Finance cost on leases	82,603	89,967
Share based payments	(536,276)	1,237,286

FINANCIAL STATEMENT NOTES

NOTE 4: INCOME TAX EXPENSE

		Consolidated Entity	
		2021 \$	2020 \$
(a)	The components of tax expense comprise:		
—	Current tax	-	-
—	Deferred tax	-	-
		-	-
(b)	The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on loss before income tax at 27.5% (2020: 27.5%)		
—	consolidated entity	(1,732,049)	(1,648,381)
	Add:		
	Tax effect of:		
—	share based payments during year	(147,276)	340,254
—	impairment expense	-	-
—	other non-allowable items	116,713	122,445
		(30,563)	462,699
	Add:		
	Income tax benefit not brought to account	(1,762,612)	(1,185,682)
	Income tax benefit attributable to the entity		-
	Accumulated tax losses not brought to account	11,761,365	9,998,753

NOTE 5: AUDITORS' REMUNERATION

		Consolidated Entity	
		2021 \$	2020 \$
	Remuneration of the auditor for:		
—	auditing or reviewing the financial reporting	69,750	58,000
—	Non-audit services - taxation compliance services	-	11,000
		69,750	69,000

NOTE 6: LOSS PER SHARE

		Consolidated Entity	
		2021 \$	2020 \$
(a)	Loss attributable to members of the parent entity	6,298,360	5,994,113
(b)	Basic and diluted loss per share (cents per share)	0.87	1.27
		No.	No.
(c)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	724,614,992	473,077,641

FINANCIAL STATEMENT NOTES

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2021 \$	2020 \$
Cash at bank and in hand	46,969	36,848
Short-term bank deposits	4,128,986	5,393,047
Petty cash	345	345
	4,176,300	5,430,240

The effective interest rate on short-term bank deposits was 0.5% (2020: 0.5%).

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2021 \$	2020 \$
Research and development tax rebate	3,250,000	2,700,000
Trade receivables	17,021	106,696
Other receivables	83,950	112,432
	3,350,971	2,919,128

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 (2020: nil).

NOTE 9: INVENTORIES

	Consolidated Entity	
	2021 \$	2020 \$
CURRENT		
Consumables at cost	131,137	139,554
	131,137	139,554

NOTE 10: OTHER CURRENT ASSETS

	Consolidated Entity	
	2021 \$	2020 \$
CURRENT		
Prepayments	37,565	36,265
Security deposit	21,765	21,765
	59,330	58,030

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 (2020: nil).

FINANCIAL STATEMENT NOTES

NOTE 11: PROPERTY PLANT AND EQUIPMENT

Consolidated Entity		
	2021 \$	2020 \$
Property plant and equipment		
Plant and equipment:		
At cost	9,539,587	9,474,619
Accumulated depreciation	(7,333,004)	(6,237,415)
Total plant and equipment	2,206,583	3,237,204
Leased plant and equipment		
At cost	1,006,170	1,006,170
Accumulated depreciation	(1,006,170)	(1,006,170)
	-	-
Leasehold improvements		
At cost	6,392,671	6,392,671
Accumulated depreciation	(4,986,657)	(4,299,270)
Total leasehold improvements	1,406,014	2,093,401
Lease make good provision		
At cost	1,235,000	1,235,000
Accumulated depreciation	(463,780)	(346,261)
Total lease make good provision	771,220	888,739
Computer equipment		
At cost	391,685	366,554
Accumulated depreciation	(378,466)	(363,652)
Total computer equipment	13,219	2,902
Furniture and fittings		
At cost	150,583	150,583
Accumulated depreciation	(150,583)	(150,583)
Total furniture and fittings	-	-
Right of use Asset		
At cost	1,878,222	1,878,222
Accumulated depreciation	(435,530)	(217,765)
Total right of use asset	1,442,692	1,660,457
Total property, plant and equipment	5,839,728	7,882,703

FINANCIAL STATEMENT NOTES

NOTE 11: PROPERTY PLANT AND EQUIPMENT (CONT.)

(a) Movements in Carrying Amounts

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

	Right of use Asset	Plant and Equipment	Lease Make Good	Leasehold Improvements	Computer Equipment	Total
	\$	\$		\$	\$	\$
Consolidated Entity:						
Balance at 30 June 2020	1,660,457	3,237,204	888,739	2,093,401	2,902	7,882,703
Additions	-	64,968	-	-	25,131	90,099
Disposals	-	-	-	-	-	-
Depreciation expense	(217,765)	(1,095,589)	(117,519)	(687,387)	(14,814)	(2,133,074)
Balance at 30 June 2021	1,442,692	2,206,583	771,220	1,406,014	13,219	5,839,728

*The value of assets under construction of \$nil (2020: \$3,237,204) are included within plant and equipment that is not yet depreciated.

NOTE 12: INTANGIBLE ASSETS

	Parent Entity	
	2021 \$	2020 \$
In process research and development:		
Cost	12,130,080	12,130,080
Accumulated impairment	(12,130,080)	(12,130,080)
Net carrying value	-	-

NOTE 13: CONTROLLED ENTITIES

(a) Controlled Entities Consolidated		Percentage Owned (%)*	
	Country of Incorporation	2021	2020
Parent Entity:			
BluGlass Limited	Australia	-	-
Subsidiaries of BluGlass Limited:			
Gallium Enterprises Pty Ltd	Australia	100	100
BluSolar Pty Ltd	Australia	100	100
BluGlass Deposition Technologies Pty Ltd	Australia	100	100
BluGlass Research Pty Ltd	Australia	100	100
EpiBlu Technologies Pty Ltd	Australia	100	100
BluGlass Incorporated**	United States	100	-

* Percentage of voting power is in proportion to ownership

** BluGlass Inc was incorporated in the US during September 2020 to be the testing and sales facility for BluGlass.

FINANCIAL STATEMENT NOTES

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2021 \$	2020 \$
CURRENT		
Trade payables	191,766	179,461
Sundry payables and accrued expenses	373,823	228,042
	565,589	407,503

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

NOTE 15: BORROWINGS

	Consolidated Entity	
	2021 \$	2020 \$
CURRENT		
Borrowings*	1,954,140	-
	1,954,140	-

*BluGlass executed a loan agreement with Radium Capital on 7 June 2021. The loan had a maturity date at 31 December 2021 with an annual interest rate of 14%. The loan was secured to the R&D tax rebate claim due in September 2021.

With the completion of the Rights issue and two separate placements in June and July 2021 this loan was repaid in full in July 2021.

NOTE 16: PROVISIONS

	Consolidated Entity	
	2021 \$	2020 \$
CURRENT		
Employee benefits	674,170	578,395
Total Current Provisions	674,170	578,395
NON-CURRENT		
Lease make good	1,235,000	1,235,000
Employee benefits	63,163	90,794
Total Non-current provisions	1,298,163	1,325,794
	1,972,333	1,904,189

FINANCIAL STATEMENT NOTES

NOTE 16: PROVISIONS (CONT.)

	Lease Make Good \$	Employee Benefits \$	Total \$
Consolidated Group			
Opening balance at 1 July 2020	1,235,000	669,189	1,904,189
Additional provisions	-	229,772	229,772
Amounts used	-	(161,628)	(161,628)
Balance at 30 June 2021	1,235,000	737,333	1,972,333

NOTE 17: EMPLOYMENT BENEFITS EXPENSE

	Consolidated Entity	
	2021 \$	2020 \$
Wages, Salaries	3,403,740	2,797,042
Share-based payments	(536,276)	1,237,286
Superannuation	237,157	244,489
	3,104,621	4,278,817

NOTE 18: ISSUED CAPITAL

	Consolidated Entity	
	2021 \$	2020 \$
789,244,600 (2020: 711,855,027) fully paid ordinary shares	75,227,463	73,068,525
	75,227,463	73,068,525

The Company has authorised share capital amounting to 789,244,600 ordinary shares.

(a) Ordinary Shares	No.	\$
At the beginning of reporting period	711,855,027	73,068,525
Shares issued during the year:		
— 6 July 2020	7,167,594	172,022
— 4 August 2020	654,062	58,021
— 9 December 2020	2,901,250	69,630
— 11 June 2021	66,666,667	2,000,000
Share Issue transaction costs	-	(140,735)
At reporting date	789,244,600	75,227,463

FINANCIAL STATEMENT NOTES

- As part of the COVID-19 response in 2020. The Board and Management of BluGlass required all staff and directors to receive shares in lieu of their salary as part of capital preservation measures. Directors and executives were required to be remunerated 50% of their total fees and salaries in BluGlass shares and other staff were required to be remunerated 25% of their total salary in BluGlass shares. The shares were issued at \$0.02 per share being the same price as the rights issue and were valued on the income statement at the BluGlass share price on 9 April 2020 of \$0.024 being the fair value at the grant date (\$241,651). The shares to staff and executives were issued on 6 July 2020 valued at \$172,022 and to Directors on 9 December 2020 valued at \$69,630.
- On 4 August, as part of the STI program for key personnel, 654,062 were awarded to staff on achievement of KPI's. 654,062 shares were issued and were valued on the income statement at the 5 day VWAP of the BluGlass share price up to 31 July 2020.
- On 11 June 2021 completed a private placement of shares valued at \$2,000,000 the issue price was \$0.03c.

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. Shares have no par value.

(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 19: 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.

(c) Other Reserves

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

The foreign currency translation reserve records exchange differences arising from the translation of controlled foreign subsidiaries.

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Current liability	Non-current liability	Total
30 June 2021	\$	\$	\$
Lease payments	258,545	1,604,629	1,863,174
Finance Charges	(74,536)	(232,563)	(307,099)
Net Present Values	184,009	1,372,066	1,556,075

Total cash outflow for leases for the year ended 30 June 2021 was \$251,013.

FINANCIAL STATEMENT NOTES

	Lease Liability \$
Consolidated Group	
Opening balance at 1 July 2020	1,724,485
Interest accrued	82,603
Cash repayment	(251,013)
Balance at 30 June 2021	1,556,075

The lease was renewed for an additional term of five years from February 2018. The property lease is a non-cancellable lease with a five-year term with an extension option of an additional 5 years to February 2028 with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 3.0% per annum. The lease does not allow for subletting of any lease areas.

NOTE 21: 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 two geographical area being in Australia and the United States. The Group undertook new operations in the US this year. The Group did not discontinue any of its existing operations during the year.

NOTE 21: OPERATING SEGMENTS (CONT.)

	Australia	USA	Intersegmental Elimination	Total
30 June 2021	\$	\$		\$
Sales to Customers	334,510	29,063		363,573
Other Revenue	3,998,259	-		3,998,259
Total Segment Revenue	4,332,769	29,063		4,361,832
Segment Results	(5,567,589)	(730,771)		(6,298,360)
Segment Assets	14,296,535	62,264	(801,333)	13,557,466
Segment Liabilities	6,048,137	801,333	(801,333)	6,048,137

FINANCIAL STATEMENT NOTES

NOTE 22: CASH FLOW INFORMATION

	Consolidated Entity	
	2021 \$	2020 \$
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(6,298,360)	(5,994,113)
Non-cash flows in loss		
Depreciation expense	2,133,076	1,071,697
Share based payment	(536,276)	1,237,286
Other non-cash items	91,220	9,602
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(431,843)	(656,995)
(Increase)/decrease in other assets	(1,300)	(15,373)
(Increase)/decrease in inventories	8,417	(2,414)
Increase/(decrease) in trade and other payables and accruals	158,086	(65,953)
Increase/(decrease) in provisions	68,144	67,942
Cash flow from operations	(4,808,836)	(4,348,321)

NOTE 23: SHARE-BASED PAYMENTS

The following share-based payments existed at 30 June 2021:

	Consolidated Entity			
	2021		2020	
	Number of Options and Performance Rights	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	22,160,112	0.02	22,640,112	0.02
Granted	11,850,000	-	-	-
Forfeited	(12,174,500)	-	-	-
Exercised	-	-	(480,000)	0.01
Expired	(2,000,000)	0.28	-	-
Outstanding at year-end	19,835,612	-	22,160,112	0.02
Exercisable at year-end	180,000	-	-	-

FINANCIAL STATEMENT NOTES

NOTE 23: SHARE-BASED PAYMENTS (CONT.)

The total rights on issue at year-end have a weighted average exercise price of nil (2020: \$0.02) and a weighted average remaining contractual life of 1.5 years.

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

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

Rights issued in 2021

December 2020 Rights Issue

The non-market condition performance rights were valued at the price of the BluGlass share price at the date they were granted with the probability of the performance rights vesting according to management. These performance rights were valued at \$0.0997.

The non-market vesting conditions for rights issued are spread between Directors' rights and executive rights with both rights expiring 31 December 2024 with no exercise price and issued in equity.

Executive rights vesting conditions:

- 20% of the Performance Rights to be issued will vest on the attainment of \$1 million of laser diode product revenue over a calendar 12-month period within the Vesting Period; and
- 80% Performance Rights to be issued will vest on the attainment of \$5 million of laser diode product revenue over a calendar 12-month period within the Vesting Period.

Directors rights vesting conditions:

- 14% Performance Rights to be issued will vest on the attainment of \$1 million of laser diode product revenue over a calendar 12-month period within the Vesting Period;
- 56% Performance Rights to be issued will vest on the attainment of \$5 million of laser diode product revenue over a calendar 12-month period within the Vesting Period; and
- 30% Performance Rights to be issued will vest at a rate of 100,000 Performance Rights for each year of service over the Vesting Period.

March 2021 Rights Issue

These rights were valued on the date the rights were issued on 8 March 2021, expiring 1 May 2023. The rights were valued at the price of the BluGlass share price at the date they were granted with the probability of the performance rights vesting according to management. These performance rights were valued at \$0.075. The non-market vesting conditions for these rights are:

- 50% of the Performance Rights will vest upon successfully delivering 3 products that generate a combined revenue of greater than \$1,000,000 by April 2022; and
- 50% of the Performance Rights will vest upon remaining at BluGlass until 30 April 2023 and achieving the first milestone condition.

FINANCIAL STATEMENT NOTES

NOTE 24: RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2021 \$	2020 \$
The totals of remuneration paid to key management personnel of the group during the year are as follows:		
Short term employment benefits	1,126,457	794,628
Post-Employment benefits	88,192	70,204
Share-based payments	(340,152)	85,400
	874,497	950,232

Key Management Personnel have had with the group during the year, and the group has no other related parties. The related party transaction is for the rental facility in the US. BluGlass subleases a facility short-term through a BluGlass employee temporarily until the facility could be transferred directly to BluGlass. Value of transaction during year was \$21,983.

NOTE 25: FINANCIAL RISK MANAGEMENT

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

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

	Note	Consolidated Entity	
		2021 \$	2020 \$
Financial Assets			
Cash and cash equivalents	7	4,176,300	5,430,240
Trade and other receivables	8	3,350,971	2,919,128
		7,527,271	8,349,368
Financial Liabilities			
Trade and other payables	14	565,589	407,503
	20	1,556,075	1,724,485
Trade and other payables	15	1,954,140	-
		4,075,804	2,131,988

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 25: 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 Statement of Financial Position 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 2021 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
30 June 2021	Within 6 months \$	6 to 12 months \$	1 to 5 years \$	Later than 5 years \$
Trade and other payables	565,589	-	-	-
Lease liabilities	92,004	92,005	912,286	459,780
Borrowings	1,954,140	-	-	-
Total	2,631,733	92,005	912,286	459,780

	Current		Non-Current	
30 June 2020	Within 6 months \$	6 to 12 months \$	1 to 5 years \$	Later than 5 years \$
Trade and other payables	407,503	-	-	-
Lease liabilities	84,206	84,205	839,619	716,455
Total	473,456	84,205	839,619	716,455

Financial assets and financial liabilities are being held at amortised costs.

FINANCIAL STATEMENT NOTES

NOTE 25: 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	
	2021 \$	2021 %	2020 \$	2020 %
Consolidated Entity Financial Assets:				
Cash	47,314	0.01	37,193	0.5
Investments in term deposits and bank bills	4,128,986	0.01	5,393,047	1.0
Total Financial Assets	4,176,300		5,430,240	

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 2021 have maturities of less than 45 days and carrying value represents net fair value.

(v) Sensitivity analysis

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

NOTE 26: CONTINGENT LIABILITIES

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

NOTE 27: EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and included a degree of disruption to BluGlass' supply chain and its foundry customers. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries subsequent to reporting date, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not expected to significantly impact the Group.

In July 2021, BluGlass successfully completed its oversubscribed non-renounceable entitlement rights issue, raising the maximum of \$5.92m before costs. 197,333,326 fully paid ordinary shares were issued on 13 July 2021 at \$0.03 per share. In addition, \$500,000 was raised via a separate private placement on the same terms as the rights issue. 16,666,667 fully paid ordinary shares were issued on 16 July 2021 at \$0.03 per share.

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

FINANCIAL STATEMENT NOTES

NOTE 28: BLUGLASS LTD PARENT COMPANY INFORMATION

	2021 \$	2020 \$
Parent entity		
Assets		
Current assets	7,705,901	8,586,136
Non-current assets	8,936,465	12,400,340
Total assets	16,642,366	20,986,476
Liabilities		
Current liabilities	3,377,908	987,488
Non-current liabilities	2,670,228	5,241,736
Total liabilities	6,048,136	6,229,224
Net Assets	10,594,230	14,757,252
Equity		
Issued capital	75,227,463	73,310,177
Accumulated Losses	(64,576,671)	(59,195,803)
Share based payments reserve	925,890	1,625,330
Other reserve	(982,452)	(982,452)
Total Equity	10,594,230	14,757,252
Financial performance		
Loss for the year	(5,567,589)	(5,994,113)
Other comprehensive income	-	-
Total comprehensive income	(5,567,589)	(5,994,113)

Refer to Note 20 for Capital and Leasing commitments and Note 26 for Contingent Liabilities.

NOTE 28: COMPANY DETAILS AND PRINCIPAL PLACE OF BUSINESS

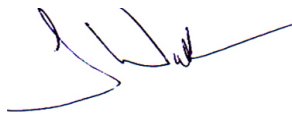
The registered office and principal place of business of the Company is:

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

DIRECTORS' DECLARATION

1. In the opinion of the directors of BluGlass Limited:
 - a. the consolidated financial statements and notes of BluGlass Limited are in accordance with the Corporations Act 2001, including
 - I. giving a true and fair view of its financial position as at 30 June 2021 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 2021.
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:



James Walker

Chair

Dated this 23rd Day of August 2021

Independent Auditor's Report

To the Members of BluGlass Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of BluGlass Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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p. 50



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Research and Development Rebate (Note 2 and Note 8)	
<p>The Group accounts for the Research and Development (R&D) rebate tax incentive as a Government Grant.</p> <p>Under the R&D tax incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure if its turnover is less than \$20 million per annum, provided it is not controlled by income tax exempt entities. A registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.</p> <p>This area is a key audit matter because there is a degree of judgment and interpretation of the R&D tax legislation required to assess eligibility of the R&D expenditure under the scheme.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> obtaining and documenting, through discussions with management, an understanding of the process and objectivity of management's expert; evaluating the competence, capabilities and objectivity of management's expert; utilising an internal R&D tax specialist in: <ul style="list-style-type: none"> reviewing the methodology used by management for consistency with the R&D tax offset rules; and considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria. inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim; comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; considering the entity's history of successful claims; inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and assessing the adequacy of the relevant disclosures in the financial statements.

Key audit matter

How our audit addressed the key audit matter

Going concern (Note 1)

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

The Group has cash and cash equivalents of \$4,176,300 as at 30 June 2021 (2020: \$5,430,240). As at that date, the Group had current assets of \$7,717,738 (2020: \$8,546,952) and net assets of \$7,509,329 (2020: \$12,393,478). In June and July 2021, the Group completed a shareholder rights issue and two separate placements, raising \$8.42 million. The Group has performed a detailed cash flow forecast, and determined that it has adequate cash resources in place to fund its operations for the next 12 months, even in the absence of obtaining additional funding. A key assumption supporting this forecast is the level of discretionary and committed expenditure.

Our assessment of management's conclusion that the Group is a going concern is a key audit matter given the significant judgement involved in estimating future cash flows. Note 1 of the financial report contains disclosures with respect to the going concern assumption.

Our procedures included, amongst others:

- evaluating the appropriateness of the Group's assessment of its ability to continue as a going concern, including whether the period covered is at least 12 months from the date of the financial report;
- inquiring of management and the Directors whether they were aware of any events or conditions, including beyond the period of assessment, that may cast significant doubt on the Group's ability to continue as a going concern;
- evaluating the Group's plans for future actions, including the reasonableness of the estimate and ability to finance the 2022 research and development tax rebate;
- tracing the cash received by the Group from the capital raise in June and July 2021 to bank statements;
- sensitising the key underlying data and assumptions in the Group's cash flow forecast;
- assessing the ability of the Group to curtail expenditure as required in order to manage cash outflows within the existing levels of available funding; and
- evaluating the adequacy of the disclosures made in the financial report, including the basis for the Directors' conclusion that the Group is a going concern.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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



Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 17 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of BluGlass Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

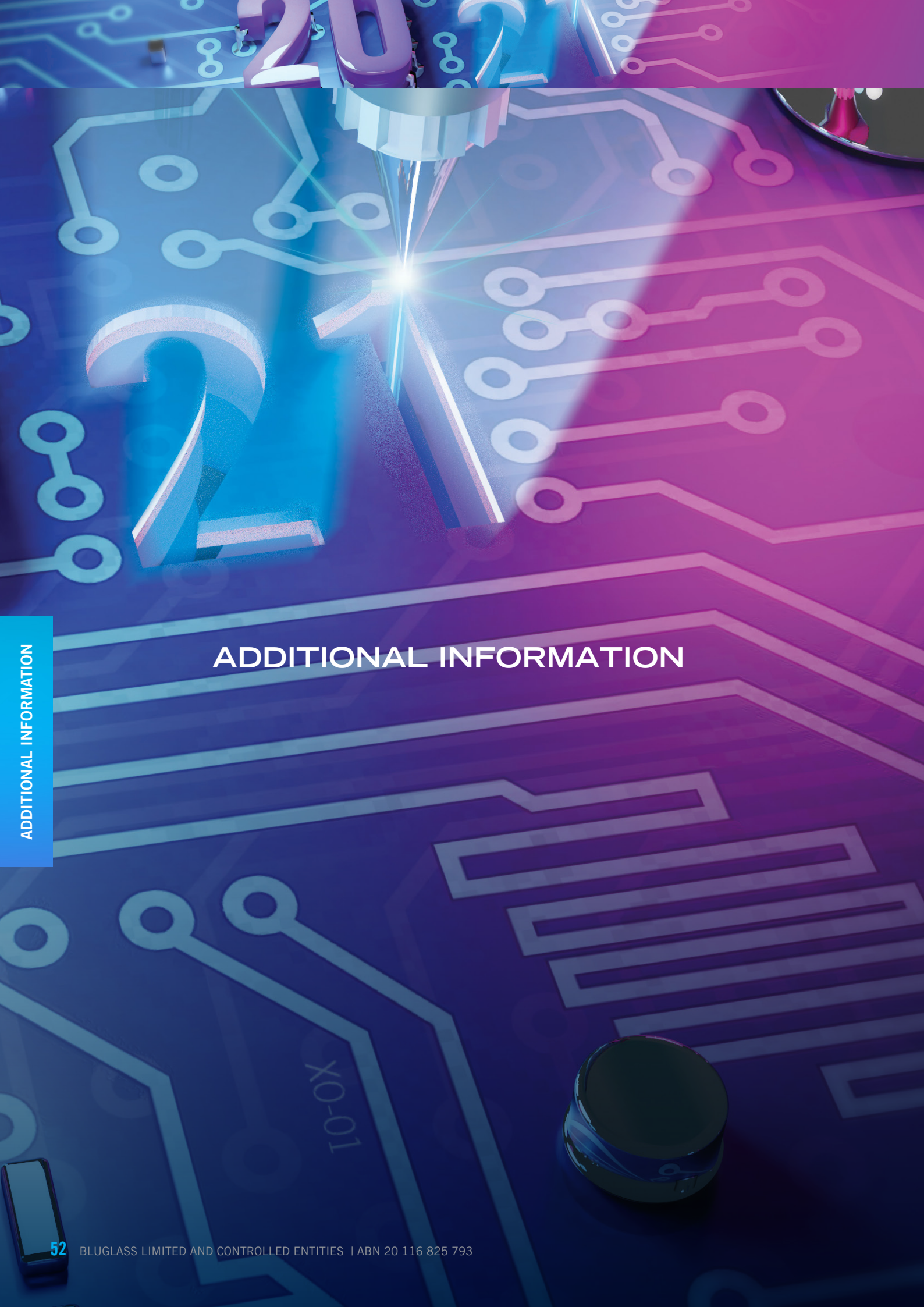
The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 23 August 2021



ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

1. Shareholding

a. Distribution of Shareholders as at 31 August 2021

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	200	61,999	0.01%
above 1,000 up to and including 5,000	846	2,442,793	0.24%
above 5,000 up to and including 10,000	684	5,406,460	0.54%
above 10,000 up to and including 100,000	2,052	81,002,646	8.07%
above 100,000	1,168	914,330,695	91.14%
TOTALS	4,950	1,003,244,593	100.00%
TOTAL UNMARKETABLE PARCEL \$500 BASIS PRICE 4.0c		9,577,951	\$383,118

b. The names of substantial shareholders in the company register as at 31 August 2021 are:

There are no holdings greater than 5% on the company register as at 31 August 2021

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 on a show of hands.

ADDITIONAL INFORMATION

Rank	Name	Number of Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	CS THIRD NOMINEES PTY LIMITED	40,161,612	4.00%
2	UBS NOMINEES PTY LTD	20,391,252	2.03%
3	CITICORP NOMINEES PTY LIMITED	20,351,112	2.03%
4	ACCESS MACQUARIE LIMITED	20,204,966	2.01%
5	PINNACLE SUPERANNUATION PTY LIMITED	12,500,000	1.25%
6	APPWAM PTY LTD	12,495,301	1.25%
7	J W GIJET PTY LTD	11,446,666	1.14%
8	BNP PARIBAS NOMINEES PTY LTD	11,196,989	1.12%
9	CASNEY PTY LTD	10,421,748	1.04%
10	SALON TODAY PTY LIMITED	9,950,541	0.99%
11	NAHGALLAC PTY LIMITED	8,525,163	0.85%
12	STRATEGIC DEVELOPMENT PARTNERS (AUST) PTY LTD	8,321,324	0.83%
13	BOUNDARY NOMINEES PTY LTD	8,067,557	0.80%
14	SUPER COOPER FUND PTY LTD	6,970,325	0.69%
15	MR TIMOTHY CHARLES OFFICER	6,480,216	0.65%
16	SWANSEA INNOVATIONS LIMITED	6,440,842	0.64%
17	LIBERTY INVESTING PTY LTD	6,428,004	0.64%
18	P J GREG & CO PTY LTD	6,292,257	0.63%
19	MR MICHAEL DEAN BOSTON & MRS ALISON LOUISE BOSTON	6,272,433	0.63%
20	ESTAUST INTERNATIONAL PTY LTD	6,113,575	0.61%
	Total	239,031,883	23.83%
	Total issued capital - selected security class(es)	1,003,244,593	100.00%

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:**
Automatic Registry Services Deutsche Bank Tower, Level 5/126 Phillip St, Sydney NSW 2000
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 as at 31 August 2021**

Unquoted Security Description	Number of Beneficial Holders	Unquoted Securities
Series A Performance Rights, expiring 17 December 2021, subject to vesting criteria	2	16,000,000
Series B Performance Rights, expiring 17 December 2021, subject to vesting criteria	14	2,960,112
Series C Performance Rights, expiring 17 December 2021, subject to vesting criteria	4	1,200,000
Series D Performance Rights, expiring 31 December 2024, subject to vesting criteria	6	10,850,000
Series E Performance Rights, expiring 1 May 2023, subject to vesting criteria	1	1,000,000

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

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 James Walker, Stephe Wilks, Vivek Rao and Jean-Michel Pelaprat. Following the resignation of the Company's Managing Director on 8 June 2021, James Walker has been performing an interim Executive Chair role for the Company pending the recruitment of a new key executive. Since this time James Walker has not been considered an independent director.

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 – 4th 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 www.Bluglass.com.au 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 www.Bluglass.com.au 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 www.Bluglass.com.au 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 and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives in the composition of its board, senior executives and workforce generally; and disclose in relation to each reporting period (1) The measurable objectives set for that period to achieve gender diversity; (2) The entity's progress towards achieving those objectives; and (3) (A) 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 (B) 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> <i>Refer to Annexure 7 of the Corporate Governance Statement which is available at www.Bluglass.com.au.</i> <i>Also refer to page 61 of the Annual report for the relative proportions of men and women on the board, in senior executive positions and across the whole organisation.</i>



CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

	Recommendation	BluGlass Limited Current Practice
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 for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	<p><i>Complies.</i></p> <p>Refer to Section 4 of the Corporate Governance Statement which is available at www.Bluglass.com.au</p> <p>The Company conducted its performance evaluation in accordance with its established process during the period</p>
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and (b) disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process or in respect of that period.	<p><i>Complies.</i></p> <p>Refer to Section 4 of the Corporate Governance Statement which is available at www.Bluglass.com.au</p> <p>The Company conducted its performance evaluation in accordance with its established process during the period</p>
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p><i>Does not comply.</i></p> <p><i>Due to the size of the Company's activities and the reduction in board members in February 2021 the Company resolved to cease the operation of its Nomination and Remuneration Committee and have the duties of the Committee performed by the Board.</i></p> <p><i>The Board has resolved to follow the guidelines set out in the Charter which is set out in Annexure 6 of the Corporate Governance Section which is available at www.Bluglass.com.au</i></p> <p><i>Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.</i></p>
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.	<p>The Company lists the experience and skills of its board on page 9 of the Annual Report. Due to its size and the nature of its operations a formal board skills matrix is not prepared, rather the board assesses its requirements and mix of skills on an on-going basis.</p>
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.	<p><i>Complies.</i></p> <p><i>Refer to the "Information on Directors" Section as per the Annual report, page 9.</i></p>

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

	Recommendation	BluGlass Limited Current Practice
2.4	A majority of the board of a listed entity should be independent directors.	<i>Complies.</i> <i>The Board comprise 3 non-executive Directors and 1 executive Director. All non-executive directors are independent.</i>
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>Does not currently comply.</i> <i>Following the resignation of the Company's Managing Director on 8 June 2021, James Walker has been performing an interim Executive Chair role for the Company pending the recruitment of a new key executive. Since this time James Walker is not considered an independent director.</i>
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<i>Complies.</i> <i>Refer to Annexure 1 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
3.1	A listed entity should: articulate and disclose its values.	<i>Complies.</i> <i>Refer to Section 2 of the Corporate Governance Statement which is available at www.Bluglass.com.au and page 62 of the 2021 Annual Report</i>
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	<i>Complies.</i> <i>Refer to Annexure 2 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
3.3	A listed entity should: (a) have and disclose a whistle-blower policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	<i>Complies</i> <i>Refer to Annexure 9 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	<i>Complies</i> <i>Refer to Annexure 10 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>



CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
4.1	<p>The board of a listed entity should:</p> <p>(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</p> <p>(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.</p>	<p><i>Complies.</i></p> <p><i>Refer to Annexure 5 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i></p> <p><i>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, page 9.</i></p> <p><i>Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.</i></p>
4.2	<p>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.</p>	<p><i>Complies.</i></p>
4.3	<p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p><i>Complies.</i></p> <p><i>The Company does not disclose or release a periodic corporate report that is not audited or reviewed by an external auditor.</i></p>
5.1	<p>A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rule 3.1.</p>	<p><i>Complies.</i></p> <p><i>Refer to Annexure 8 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i></p>
5.2	<p>A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	<p><i>Complies.</i></p>
5.3	<p>A listed entity that gives a new or and substantive investor or analyst presentation should release a copy of the presentation on the ASX Market Announcements Platform ahead of the presentation.</p>	<p><i>Complies.</i></p>
6.1	<p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p><i>Complies.</i></p> <p><i>Refer to Annexure 8 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i></p>

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	<i>Complies.</i> <i>Refer to Annexure 8 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
6.3	A listed entity should disclose how facilitate and encourages participation at meetings of security holders.	<i>Complies.</i> <i>Refer to Annexure 8 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	<i>Complies</i>
6.5	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>
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> <i>Refer to Annexure 5 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i> <i>The Audit and Risk Committee has three members, all of whom are independent Directors.</i> <i>Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.</i>
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 the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	<i>Complies.</i> <i>Refer to Annexure 5 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>
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>No internal audit function in place.</i> <i>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.</i>



CORPORATE GOVERNANCE STATEMENT

30 JUNE 2021

	Recommendation (cont.)	BluGlass Limited Current Practice (cont.)
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	<i>The considers it has moderate exposure to environmental risks and 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.</i>
8.1	The board of a listed entity should: (a) have a remuneration 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 remuneration 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.	<i>Does not comply.</i> <i>Due to the size of the Company's activities and the reduction in board members in February 2021 the Company resolved to cease the operation of its Nomination and Remuneration Committee and have the duties of the Committee performed by the Board. The Board has resolved to follow the guidelines set out in the Charter which is set out in Annexure 6 of the Corporate Governance Section which is available at www.Bluglass.com.au</i> <i>Refer to the Directors' Report contained in the Annual Report for number of meetings attended during the financial year.</i>
8.2	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.	<i>Complies.</i> <i>Refer to Annexure 6 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i> <i>Refer to the Remuneration Report contained in the Director report of the Annual Report</i>
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	<i>Complies.</i> <i>Refer to Annexure 3 of the Corporate Governance Statement which is available at www.Bluglass.com.au</i>

Further information about the Company's corporate governance practices is set out on the Company's website at www.Bluglass.com.au

DIVERSITY POLICY

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

BluGlass recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Board, however, is also cognisant of the fact that BluGlass is in its development phase and its workforce is not of a size where it can readily implement specific initiatives outside pursuing diversity as a general goal.

Consequently, the Board has adopted a tiered approach to the implementation of its Diversity Policy:

- a. where BluGlass employs 50 or more employees, the Board proposes to adopt more formally the initiatives contained in its Diversity Policy in line with the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations;
- b. while BluGlass's workforce remains below this threshold, the Board will continue to drive BluGlass's diversity strategies on an informal basis and will apply the initiatives contained in this Diversity Policy to the extent possible in that context.

The Diversity Policy provides a framework for BluGlass to achieve the following measurable objectives:

- a. a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- b. a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- c. improved employment and career development opportunities for women;
- d. a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- e. awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

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 2021 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 as at 21 September 2021

Total Staff	Australian and NZ	Asian	Americas	European
28	10	7	4	7

Gender Diversity as at 21 September 2021

	Male	Female
Total Staff	22	6
Senior Executives**	4	0
Senior Research Staff	5	2
Non-Executive Directors	3	0

** Senior Executives defined as members of the executive suite of the Company, namely the Executive Chair, President, Chief Operations and Technology Officer and Executive Vice President of Laser Diode Operations

Educational Diversity as at 21 September 2021

Total Staff	PhD	Masters	Bachelors	Other Qualifications	No Qualifications
28	9	3	10	4	2



BLUGLASS VISION AND VALUE STATEMENT

VISION

Powering a brighter future through lower temperature RPCVD – enabling tomorrow's smarter, cleaner and more efficient photonics.

VALUE STATEMENT

BluGlass is an Australian semiconductor technology developer commercialising a breakthrough semiconductor technology called RPCVD in the global laser diode, LED and microLED industries. BluGlass' patented hardware and processes offer semiconductor nitride manufacturers a cleaner, safer manufacturing process, while also offering more efficient devices at lower cost.

Our team is guided by a set of core values. Our goal is for all our decisions and actions to reflect these principles. We believe that putting our values into practice benefits our shareholders, customers, partners, employees and the communities that we serve.

INNOVATION – Science and innovation is at the heart of everything we do at BluGlass – where making the impossible, possible is part of our job description. We strive to help the world's best photonics leaders drive the technologies and solutions of tomorrow. We have earned a reputation for helping our customers and partners solve complex, incumbent problems with our unique nitride growth technology, protected by our growing international patent portfolio.

INTEGRITY – BluGlass strives to act with integrity, transparency, and commitment in all our interactions with our valued shareholders, collaborators, suppliers and customers. With our stringent quality control processes, we aim to be recognised as a trusted industry partner and supplier of products and solutions.

IMPACT – The innovations BluGlass and our customers are pioneering are set to have meaningful impact on the global economy and environment as the world transitions to smarter, cleaner and lighter footprint technologies. BluGlass strives to positively impact through pioneering innovation, global commercialisation, and by delivering increasingly energy efficient technologies – reduced carbon emissions. Together this will create significant benefit for our shareholders, our customers, our industry; and the environment we live in.

INCLUSION – The best innovation happens when great and diverse minds work together. BluGlass is a place where everyone, regardless of gender, race, background and sexuality has a seat at the table and where all of our team, regardless of hierarchy, are encouraged and supported to share ideas, solutions and think outside the box. BluGlass is also a collaborative business, working with the world's best technology leaders and research institutions as we help drive the technologies of tomorrow.

NOTES

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:

Automic Registry Services

Deutsche Bank Tower, Level 5/126 Phillip St, Sydney NSW 2000

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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