

Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2014

Corresponding period was the six months ended 31 December 2013

Results for announcement to the market

RESULTS

		\$A	%		\$A
Revenues from ordinary activities	Up	37,058	2	to	2,008,896
Loss from ordinary activities after tax attributable to members	Down	(83,876)	5	to	(1,551,130)
Loss for the period attributable to members	Down	(83,876)	5	to	(1,551,130)

EPS

Earnings per Security (cents per share)	31 Dec 2014	31 Dec 2013
Basic loss per share (cents per share)	(0.54) cents	(0.56) cents
Diluted loss per share (cents per share)	(0.54) cents	(0.56) cents

Net Tangible Asset Backing

31 Dec 2014

31 Dec 2013

Per Ordinary Security (cents per share)	1.69 cents	2.51 cents
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Dividend Payable

No dividends have been paid or declared during the period.

Dividend Re-investment Plan

There is no dividend re-investment plan in operation.

Control gained over entities having material effect

	NIL
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Loss of control of entities having material effect

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

Name of entity (or group of entities)	NIL
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This report is based on the Half Year Financial Report which has been subject to review by the Auditors. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the Interim Financial Report for the Half Year Ended 31 December 2014 and the 30 June 2014 Annual Financial Report.

BRIGHTER FUTURE LOWER TEMPERATURE

INTERIM FINANCIAL REPORT FOR THE
HALF YEAR ENDED 31 DECEMBER 2014

BLUGLASS LIMITED and CONTROLLED ENTITIES
ABN 20 116 825 793



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DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the half year ended 31 December 2014.

Directors

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

Mr George Venardos

Mr Greg Cornelsen

Mr Chandra Kantamneni

Dr William Johnson

Mr Giles Bourne

Principal Activities

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

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

Operating Results

Revenue has increased by \$37,058 up 1.9% to \$2,008,896 due to the following factors:

- Accrual of \$1,000,000 for the Research and Development Tax Rebate, applicable for the six month period. Accrued on the same basis as the prior year
- Receipt of the operational foundry revenue \$194,300, up 217% from prior year.
- Receipt of \$833,895 from the Commonwealth Clean Technology Grant. Up 40% on last year.

Gross expenditure has decreased by \$46,818, down 1.3% due to the following factors:

- Employee benefits expense down 4.9% to \$1,390,122 (2013: \$1,461,387), and no staff bonus was paid during the period.
- Depreciation expense is increasing due to amortisation of the new facilities fit out completed during the prior year, \$388,796 (2013: \$250,673).

The consolidated loss for the period amounted to \$1,551,130 down 5.1% (2013: \$1,635,006)

The company's has net assets of \$13,549,793, (30 June 2014: \$14,799,655)

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

Dividends Paid or Recommended

No dividends were paid or declared during the period.

REVIEW OF OPERATIONS

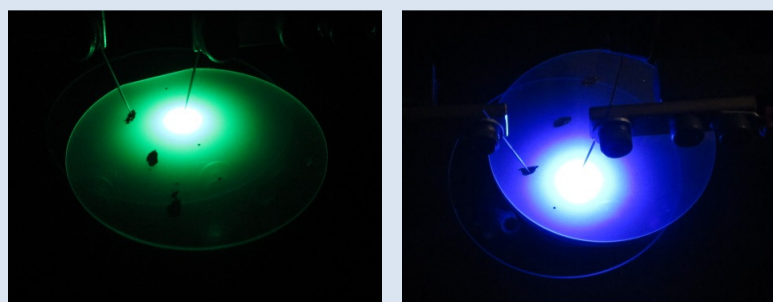


Figure 1: Recent demonstrations of green and blue light emission from RPCVD p-GaN layers grown on MOCVD partial structures

POST AGM ACTIVITY & PROGRESS

Since the AGM, BluGlass has made significant improvements in the blue LED efficiency using RPCVD p-GaN and has commenced work on green LEDs with promising first results (see *Figure 1*).

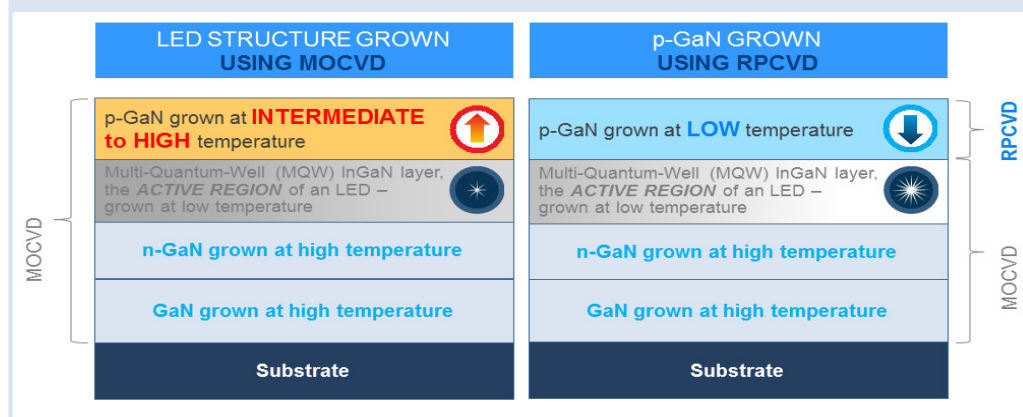
The most recent measurements (see *Table 1*) have shown that blue LEDs grown by incorporating BluGlass' low temperature RPCVD p-GaN on top of

MOCVD grown multi-quantum wells (MQWs) are closing the gap towards that of entirely MOCVD grown LEDs made in-house on BluGlass' MOCVD system. The general device structure tested is shown on the right side in *Figure 2*.

This jump in improvement was achieved on both of the RPCVD systems, with the single best result occurring on the newly commissioned BLG-300 system. This demonstrates that the RPCVD technology can be successfully transferred from one vendor platform and operating system (Veeco) to another (Aixtron). This will help provide confidence in the scalability and commercialisation potential of the technology.

Table 1. RPCVD results from wafer level LED Quick Test setup at BluGlass using indium contacts	Measured at 20mA	Measured at 50mA
Light Output (mW)	1.9	4.3
Vf (V)	4.4	5.8
Peak Wavelegnth (nm)	462	461
Full Width Half Maximum (nm)	21	23

Figure 2: BluGlass is aiming to demonstrate to the industry that an RPCVD top layer (the p-GaN layer) can improve the light output of an LED.



As discussed at the AGM, additional effort has been placed on exploring other RPCVD opportunities, in particular GaN on silicon and aluminium nitride (AlN) templates. The BLG-300, the larger of the two RPCVD systems, has been used to explore AlN deposition, which is a key material in applications that use GaN on silicon such as in power electronics. Initial efforts have shown promise and have demonstrated the benefit of having two RPCVD systems working on multiple aspects of the nitride technology and their applications.

Following our July 2014 announcement (improvement in efficiency of RPCVD p-GaN), a number of the industry's leading chip and equipment manufacturers contacted BluGlass to discuss the RPCVD technology and our current progress. As a result of this, the CTO and MD met with some of these companies in Asia and the US. These discussions were very productive and reaffirmed the Company's roadmaps and value proposition.



BluGlass has taken a gold sponsorship of the upcoming Compound Semiconductor (CS) International Conference in Frankfurt, Germany (March 11-12). This activity has been supported (and partially funded) by the NSW Government. BluGlass will have a stand at the two day conference to showcase to the industry the recent progress on the

development of the RPCVD platform and will also be marketing the growing custom epitaxy (foundry) business alongside our agent, xVI Technologies. This is a positive step forward for the company to be holding its first trade stand and beginning the process of marketing the RPCVD technology. More information can be found at: <http://www.cs-international.net/sponsors>.

The BluGlass Chief Technology Officer, Dr. Ian Mann has also been invited to speak at the Semicon China conference in Shanghai in March 17-19 and will be delivering a talk to the semiconductor community on the benefits of low temperature RPCVD. This is a fantastic opportunity to discuss the progress that the BluGlass technology team is making towards commercialising RPCVD.



Since the AGM in November, a further two patents have been allowed, bringing the total BluGlass granted patent portfolio to 33 international patents in key semiconductor markets.

THE HALF YEAR AHEAD

With the company now having multiple deposition systems in place, the technology team were recently able to increase the activity on some of the other roadmaps, namely the GaN on silicon and InGaN programmes. There are many potential advantages of the low temperature RPCVD in these markets.

The market opportunities for low temperature RPCVD continues to grow and expand as demonstrated by our recent discussions with the industry, and as highlighted at the recent 2014 AGM. These market opportunities include the **High Brightness LED, power electronics and solar industries** where BluGlass has been focusing most of its technical effort. Additionally there are a number of emerging markets where a low temperature technology could become a critical enabler for market growth, for applications such as **UV LEDs, green and yellow LEDs, and laser diodes**.

Low temperature p-GaN grown by RPCVD may assist across several of these applications, RPCVD can also potentially enable high quality **aluminium rich AlGaIn** which is also a challenge with standard MOCVD today. Improved AlGaIn quality would be beneficial in power electronics and LEDs. Low temperature RPCVD also has the potential to reduce the bowing and cracking of GaN films when grown on large silicon wafers and could be used simplify the process of that used by MOCVD to date.

The focus for the coming half year for the Company will be to progress the technology roadmaps and increasingly place more emphasis on the commercialisation and marketing efforts. We look forward to a productive remaining half year and keeping our shareholders updated on the progress that we make. We thank our shareholders for their continued support as we prepare your company for industry acceptance and commercialisation.

A copy of the auditor's independence declaration is required under s307 of the Corporations Act 2001 and is included on page 5 of this report.

George Venardos
Chairman

A handwritten signature in dark ink, appearing to read 'G Venardos'.

Giles Bourne
Managing Director

A handwritten signature in dark ink, appearing to be a stylized 'GB' followed by a horizontal line.

Dated this 27th day of February 2015

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**Auditor's Independence Declaration
To The Directors of BluGlass Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of BluGlass Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 27 February 2015

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	Consolidated Group	
		31.12.2014	31.12.2013
		\$	\$
Revenue	3	2,008,896	1,971,838
Employee benefits expense		(1,390,122)	(1,461,387)
Professional fees		(116,942)	(121,426)
Board and secretarial fees		(140,377)	(154,073)
Corporate compliance & legal expenses		(34,532)	(50,704)
Consultant fees		(183,487)	(363,805)
Rent expense		(125,000)	(121,000)
Travel and accommodation expense		(36,914)	(37,277)
Engineering, consumable & repairs expense		(544,574)	(362,103)
Depreciation expense		(388,796)	(250,673)
Share based payment		(301,272)	(367,223)
Other expenses		(298,010)	(317,173)
Loss before income tax		(1,551,130)	(1,635,006)
Income tax expense		-	-
Loss for the period		(1,551,130)	(1,635,006)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the parent entity		(1,551,130)	(1,635,006)
Profits attributable to:			
-- members of the parent entity		(1,551,130)	(1,635,006)
		(1,551,130)	(1,635,006)
Total Comprehensive income attributable			
-- members of the parent entity		(1,551,130)	(1,635,006)
		(1,551,130)	(1,635,006)
Earnings per share			
Basic earnings per share (cents per share)		(0.54)	(0.56)
Diluted earnings per share (cents per share)		(0.54)	(0.56)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Consolidated Group	
	31.12.2014	30.06.2014
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	2,595,211	2,445,235
Trade and other receivables	1,004,400	2,269,950
Consumables	88,158	94,083
Other current assets	103,831	81,167
TOTAL CURRENT ASSETS	3,791,600	4,890,435
Non-Current Assets		
Property, plant and equipment	1,756,766	2,116,117
Intangible assets	8,695,000	8,695,000
TOTAL NON-CURRENT ASSETS	10,451,766	10,811,117
TOTAL ASSETS	14,243,366	15,701,552
LIABILITIES		
Current Liabilities		
Trade and other payables	83,460	430,086
Short-term provisions	266,335	141,298
TOTAL CURRENT LIABILITIES	349,795	571,384
Non-current Liabilities		
Long-term provisions	343,778	330,513
TOTAL NON-CURRENT LIABILITIES	343,778	330,513
TOTAL LIABILITIES	693,573	901,897
NET ASSETS	13,549,793	14,799,655
EQUITY		
Issued capital	42,673,992	42,673,992
Reserves	259,335	(41,939)
Accumulated Losses	(29,383,534)	(27,832,398)
TOTAL EQUITY	13,549,793	14,799,655

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Issued Capital	Share based payments Reserve	Other Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	42,673,992	409,914	(982,452)	(24,975,030)	17,126,424
Total comprehensive income for the period	-	-	-	(1,635,006)	(1,635,006)
Transactions with owners in their capacity as owners:					
Stock options issued	-	367,223	-	-	367,223
Transfer of retained earnings	-	(41,067)	-	41,067	-
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2013	42,673,992	736,070	(982,452)	(26,568,969)	15,858,641
Balance at 1 July 2014	42,673,992	940,513	(982,452)	(27,832,404)	14,799,655
Total comprehensive income for the period	-	-	-	(1,551,130)	(1,551,130)
Transactions with owners in their capacity as owners:					
Stock options issued	-	301,274	-	-	301,274
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2014	42,673,992	1,241,787	(982,452)	(29,383,534)	13,549,793

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Consolidated Group	
	31.12.2014	31.12.2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants	833,895	595,332
Interest & other income received	1,175,001	1,326,159
Payments to suppliers and employees	(1,829,476)	(2,170,084)
Net cash provided (used) by in operating activities	179,420	(248,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29,444)	(816,126)
Net cash (used) in investing activities	(29,444)	(816,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Net cash provided by financing activities	-	-
Net (decrease)/increase in cash held	149,976	(1,064,719)
Cash and cash equivalents at beginning of period	2,445,235	5,589,870
Cash and cash equivalents at end of period	2,595,211	4,525,151

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014**Note 1: Nature of Operation**

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

Note 2: Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial reporting standard IAS34 Interim Financial Reporting. The group is a for profit entity for financial reporting purposes under Australian Accounting standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of BluGlass Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

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

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014.

The financial statements of BluGlass Limited for the half year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 24 February 2015.

Going Concern

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

Note 3: Loss for the Period

	Consolidated Group	
	31.12.2014	31.12.2013
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Grant revenue	833,895	595,332
R&D Tax rebate	1,000,000	1,232,372

Note 4: Dividends

There were no dividends paid or declared during the period.

Note 5: Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014**Note 6: Losses Per Share**

Both the basic and diluted losses per share have been calculated using the losses attributable to shareholders of the Parent Company (BluGlass Limited) as the numerator, i.e. no adjustments to losses were necessary during the six (6) month period to 31 December 2014 and 2013.

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

	6 months to 31-Dec-2014 \$'000s	6 months to 31-Dec-2013 \$'000s
Weighted average number of shares used in basic earnings per share	287,748,721	285,220,150
Weighted average number of shares used in diluted earnings per share	287,748,721	285,220,150

Note 7: Contingent liabilities

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

Note 8: Events subsequent to reporting date

There were no events subsequent to reporting date.

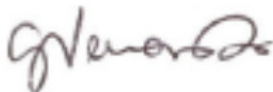
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 12 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards AASB 134 Interim Financial Reporting; and
 - (b) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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

George Venardos
Chairman



Giles Bourne
Managing Director



Dated this 27th day of February 2015

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

We have reviewed the accompanying half-year financial report of BluGlass Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the BluGlass Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 27 February 2015