

Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2022

Corresponding period was the six months ended 31 December 2021

Results for announcement to the market

RESULTS

		\$A	%		\$A
Revenues from ordinary activities	Up	2,463,069	122	to	4,477,190
Loss from ordinary activities after tax attributable to members	Down	(741,377)	16	to	(5,362,029)
Loss for the period attributable to members	Down	(741,377)	16	to	(5,362,029)

EPS

Earnings per Security (cents per share)	31 Dec 2022	31 Dec 2021
Basic loss per share (cents per share)	(0.42) cents	(0.47) cents
Diluted loss per share (cents per share)	(0.42) cents	(0.47) cents

Net Tangible Asset Backing

	31 Dec 2022	31 Dec 2021
Per Ordinary Security (cents per share)	0.40 cents	0.79 cents

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 2022 and the 30 June 2022 Annual Financial Report.

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**BLUGLASS LIMITED
and CONTROLLED
ENTITIES**

ABN 20 116 825 793

**FINANCIAL STATEMENTS FOR THE HALF YEAR ENDING
31 DECEMBER 2022**

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DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the half year ended 31 December 2022.

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was to progress the development of the Company's laser diode product portfolio for the industrial, biotech, and scientific markets. The Group is working on achieving its technical 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 gallium nitride (GaN) laser diodes, initially in the 405nm, 420nm and 450nm wavelength ranges. RPCVD has the potential to create brighter, higher power, and more efficient laser diodes.

In 2022, the Group expanded its operations in the US, acquiring the assets of a purpose-built production facility in Silicon Valley, California. The fabrication facility compliments the Company's operations in Silverwater, NSW and Nashua, New Hampshire.

FINANCIAL SUMMARY

Revenue, other income and finance income for the period increased by \$2.5 million (up 122%) to \$4.5 million with key elements including:

- Receipt of research and development tax rebate for the year ended 30 June 2022 was \$0.8 million more than expected due to a successful finding on the overseas claim;
- The accrual for research and development tax rebate for the period was \$1.5 million more than the corresponding period in the prior year due to increased R&D activity; and
- Foundry Income grew by \$0.4 million to \$0.5 million for the period.

Total expenditure for the period has increased by \$3.2 million up 48% to \$9.8 million. This was due to the US fabrication facility coming online during the period with key elements including:

- Research and development expenses up 55% to \$3.1 million (2021: \$2.0 million)
- Employee benefit expense up 65% to \$2.9 million (2021: \$1.8 million)

The consolidated loss for the period amounted to \$5.4 million up 16% (2021: \$4.6 million).

The company's net assets as at 31 December 2022 was \$9.8 million (30 June 2022: \$13.2 million).

The Consolidated 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs that affect the Group's operations, or the results of those operations during the financial period.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared in the period.

REVIEW OF OPERATIONS

Highlights:

- Launched first suite of gallium nitride laser products at leading industry conference, SPIE Photonics West
 - And secures first customer orders of commercial lasers
- Demonstrated feasible reliability of GaN lasers with more than 500 hours' continuous operation
- Ongoing vertical integration with successful transition of p-side processing from CMs to Fremont fab
- Signed collaboration agreement with Ganvix to develop green GaN Vertical Cavity Surface Emitting Lasers
- Joined leading GaN lighting and electronics consortium, gaining access to pre-eminent GaN faculty and world-class facilities
- Rob Ambrogio appointed Chief Financial Officer

Commenting on the company's H1 FY23 performance, BluGlass President Jim Haden said, "The first half of the 2023 financial year has been a pivotal period for BluGlass, as we establish the Company as a commercial gallium nitride (GaN) laser supplier. We demonstrated feasible reliability and launched our first suite of six GaN lasers, providing a clear path to first orders and commercial revenues. Further, we are only just beginning, with a raft of other products progressing through our supply chain across violet, blue, and green wavelengths.

"Feedback on our performance data from potential customers and partners at Photonics West has been incredibly positive, reinforcing our confidence in our initial laser products and ability to build market share with a differentiated offering. We have several potential customers interested in both our launched and development portfolios, and know that our flexible form factors, novel architectures, and niche manufacturing capability will solve some of their biggest challenges, such as expensive post-purchase packaging.

"The impact of our own fab on progress over the past nine months cannot be overstated. We are a very different business. We continue to systematically improve every element of our manufacturing process; with each new downstream process we bring in-house further enhancing our laser quality and performance. At the same time, we are accelerating higher-value product roadmaps, leveraging our proprietary RPCVD and tunnel-junction know-how to bring to market brighter, better-performing lasers to power the products of tomorrow."

Receives first customer orders of commercial GaN lasers

In February, BluGlass secured first customer orders of its 405nm and 420nm 250mW single-mode gallium nitride (GaN) lasers from leading laser Original Equipment Manufacturers (OEMs) in the quantum and industrial segments, following BluGlass' successful product launch at Photonics West.

Customers will use these first products to qualify BluGlass' lasers within their own applications, which include quantum and robotic uses. Revenues from these initial low-volume orders are immaterial; however, once the lasers are qualified, BluGlass expects to secure recurring larger-volume orders from these customers.

Additional orders are in progress with multiple customers across several market segments.

Launched first laser product suite

In January, BluGlass launched its first suite of six gallium nitride (GaN) laser products for customer purchase at leading industry conference, Photonics West. Performance data is available for single-mode and multi-mode devices in the 405nm, 420nm, and 450nm wavelengths. These products are available in various form factors, including TO Cans of different sizes, Laser Bars, and Chip-on-Submounts.

BluGlass' initial GaN laser products are meeting entry-level commercial specifications, reflecting significant performance and reliability improvements made over the past year. In addition to the six launched products, lasers in expanded wavelengths and novel architectures are also progressing through the company's supply chain.

Held in San Francisco, Photonics West is the world's premier optics and laser event and attracted 22,000 attendees from across the industry.

BluGlass GaN Laser Diode Product Suite

	Available for Purchase	In Development			Next Generation	
Violet	405nm	MM – 1W SM – 250mW	MM – 3W SM – 300mW-400mW			SM – 500mW
	420nm	MM – 1W SM – 250mW	MM – 3W SM – 300mW-400mW			SM – 500mW
Blue	450nm	MM – 1W SM – 100mW	MM – 1.6W	MM – 2.2W	MM – 3.5W	MM – 5W
	470nm		MM – 2W SM – 100-250mW			
	488nm		SM – 100-200mW			MM – 1.5-2W
Green	525nm		MM – 0.5-2W			
			SM – 80-100mW			

MM: Multi Mode SM: Single Mode

Lasers demonstrate feasible reliability

During the half-year, BluGlass demonstrated feasible reliability of its GaN lasers with more than 500 hours of continuous operation at commercial standards. The lasers maintained stable optical and electrical performance at 20-25°C for more than 500 hours with less than 20% light-output degradation.

Commercial laser reliability varies depending on application and industry, ranging from one-use reliability to 10,000 hours for very demanding applications. Many applications within BluGlass' target markets requiring less than 1,000 hours reliability.

Vertical integration on track

BluGlass continues to bring more of its core downstream manufacturing processes in-house to enhance the quality, repeatability, and availability of its lasers. In January, the company successfully transferred p-side processing from contract manufacturers to its Fremont fab, demonstrating electrical and light-output performance in-line or better than its contract manufacturer performance benchmarks.

BluGlass is now transitioning thinning, cleaving and n-metallisation processes from its contract manufacturers to the Fremont fab, and facet coating is already well underway. The company is on track to complete in-house qualification of downstream manufacturing processes by the end of FY23.

Partnership with Ganvix

In November, BluGlass entered a paid partnership with Ganvix, Inc. - a leading developer of nanoporous GaN vertical cavity surface emitting lasers (VCSELs). The agreement is for the development of green GaN VCSELs in 515nm-525nm wavelengths for advanced applications such as augmented and virtual reality headsets and 5G wireless communications. VCSELs are a type of laser diode, emitting light perpendicularly to the mounting surface. BluGlass is focused on edge-emitting lasers.

Under the collaboration agreement, BluGlass is using its proprietary remote plasma chemical vapour deposition (RPCVD) technology to provide Ganvix with green quantum-well epitaxy - the light emitting region in lasers. BluGlass' RPCVD technology has significant advantages for green wavelengths, enabling higher power and brighter green performance.

Joined leading GaN lighting consortium

During the half-year, BluGlass was invited to join the University of California, Santa Barbara's (UCSB) Solid-State Lighting & Energy Electronics Centre (SSLEEC) consortium. A collaboration between industry leaders and the UCSB's pre-eminent gallium nitride researchers, SSLEEC focuses on the development of new semiconductor technologies.

Membership provides BluGlass with access to UCSB's world-class wafer processing facility and pre-eminent faculty, including blue-LED inventor and Nobel Laureate, Professor Shuji Nakamura, and industry luminary Professor Steven DenBaars. Collaboration activities between BluGlass' Fremont team and UCSB are already underway, expected to accelerate product development roadmaps for novel blue and green laser diodes.

Presented laser paper at Photonics West

In January, BluGlass presented a novel research paper at Photonics West on RPCVD-grown single-frequency distributed feedback (DFB) laser diodes at visible wavelengths. Co-authored by UC Santa Barbara (UCSB), the paper outlined how RPCVD, combined with sophisticated fabrication techniques, paves the way for commercially viable, long-wavelength DFB lasers to meet industry demand.

DFB lasers are a highly promising laser technology commonly utilised in non-visible wavelengths to enable higher powered single frequency devices that require narrow spectral width and high-spectral purity. DFB lasers have more complex and challenging fabrication processes than ridge-waveguide (RWG) laser diodes; and are not immune to epitaxial challenges when increasing the operating wavelength towards green. Indium-GaN-based DFB lasers are currently not commercially available in visible wavelengths.

RPCVD's unique growth properties enable the deposition of high-quality p-type GaN and AlGaN layers at temperatures below the thermal damage threshold of indium-rich quantum wells (the key performance material in longer-wavelength visible lasers), enabling higher quality longer wavelength devices.

Leadership

BluGlass strengthened its executive team in August, appointing experienced finance executive Mr Rob Ambrogio as Chief Financial Officer. Mr Ambrogio has more than 20 years' finance leadership experience and was previously the CFO at ASX-listed investment company Gowing Bros Limited (ASX[®] GOW), employment and training firm MTC Australia Limited, and leading Australian marketing agency Creative Activation. Mr Ambrogio is employed on a part-time basis with the potential to increase to full-time in line with revenue generation activity.

Looking ahead

BluGlass is focused now on delivering quality laser products to customers for qualification in multiple market segments, securing additional customer orders of its launched 405nm, 420nm, and 450nm GaN lasers, and generating commercial revenues.

The company is continuing to optimise its laser design and manufacturing processes to develop and enhance competitive, leading products with novel capabilities. Ongoing vertical integration of downstream manufacturing processes at BluGlass' Fremont fab will contribute to additional quality, performance, and reliability improvements.

The company is positioning itself as a dedicated visible blue laser manufacturer with a unique value proposition centred on offering the industry's easiest-to-use laser light through flexible form factors, custom manufacturing, and novel architectures.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On the 17 February 2023 BluGlass secured funding of \$1.4 million against the R&D tax claim for the financial year ending 30 June 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the directors' report.

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



Non-Executive Chair James Walker

Dated 24 February 2023

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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 2022, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Aziz

M Aziz
Partner – Audit & Assurance

Sydney, 24 February 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated Entity	
		31 December 2022 \$	31 December 2021 \$
Revenue	3	506,766	116,483
Other income	3	3,969,859	1,897,362
Finance income	3	565	276
Employee benefits expense		(2,948,826)	(1,783,492)
Professional fees		(142,980)	(71,437)
Board and secretarial fees		(251,095)	(263,126)
Corporate compliance & legal expense		(90,046)	(53,182)
Consultant fees		(43,271)	(67,759)
Finance cost		(100,938)	(73,762)
Rent expense		(50,066)	(50,900)
Travel and accommodation expense		(93,591)	(21,298)
Consumables		(3,120,461)	(2,011,889)
Depreciation and amortisation expense	8	(1,778,570)	(1,091,642)
Share based payment expense		(47,798)	(585,092)
Other expenses		(1,171,577)	(561,194)
Loss before income tax		(5,362,029)	(4,620,652)
Income tax expense		-	-
Loss for the period		(5,362,029)	(4,620,652)
Other comprehensive income		6,362	2,030
Total comprehensive income		(5,355,667)	(4,618,622)
Loss attributable to:			
• Members of the parent entity		(5,362,029)	(4,618,622)
• Non-controlling interest		-	-
		(5,362,029)	(4,618,622)
Total Comprehensive Income attributable to:			
• Members of the parent entity		(5,362,029)	(4,618,622)
• Non-controlling interest		-	-
		(5,362,029)	(4,618,622)
Earnings Per Share			
Basic loss per share (cents per share)		(0.42)	(0.47)
Diluted loss per share (cents per share)		(0.42)	(0.47)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Consolidated Entity	
		31 December 2022 \$	30 June 2022 \$
Current Assets			
Cash and cash equivalents		3,016,667	5,351,589
Trade and other receivables		3,195,826	3,394,110
Inventories		447,121	83,246
Other current assets		163,775	38,848
TOTAL CURRENT ASSETS		6,823,389	8,867,793
Non-Current Assets			
Security deposit		396,766	319,093
Property, plant and equipment	8	10,376,493	11,270,348
Intangible assets		-	-
TOTAL NON-CURRENT ASSETS		10,773,259	11,589,441
TOTAL ASSETS		17,596,648	20,457,234
Current Liabilities			
Trade and other payables		743,632	489,044
Lease liabilities	9	990,326	738,454
Short-term provisions		661,667	694,153
TOTAL CURRENT LIABILITIES		2,395,625	1,921,651
Non-Current Liabilities			
Long-term provisions		1,608,914	1,426,863
Lease liabilities	9	3,798,800	3,888,388
TOTAL NON-CURRENT LIABILITIES		5,407,714	5,315,251
TOTAL LIABILITIES		7,803,339	7,236,902
NET ASSETS		9,793,309	13,220,332
Equity			
Issued capital	7	91,143,673	89,262,827
Reserves		177,641	123,481
Accumulated losses		(81,528,005)	(76,165,976)
TOTAL EQUITY		9,793,309	13,220,332

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Issued Capital	Share-Based Payments Reserve	Other Reserves	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Consolidated Entity					
Balance at 1 July 2021	75,227,463	925,890	(972,802)	(67,671,222)	7,509,329
Loss for the period	-	-	-	(4,620,652)	(4,620,652)
Other comprehensive income	-	-	2,030	-	2,030
Total comprehensive income for the period	-	-	2,030	(4,620,652)	(4,618,622)
Transactions with owners in their capacity as owners					
Shares issued during the period	6,410,201	-	-	-	6,410,201
Share transaction costs during the period	(270,617)	-	-	-	(270,617)
Shares issued in lieu of cash	50,283	(50,283)	-	-	-
Share based payments	-	584,732	-	-	584,732
Rights exercised	76,950	(76,950)	-	-	-
Rights lapsed	-	(860,800)	-	860,800	-
Balance at 31 December 2021	81,494,280	522,589	(970,772)	(71,431,074)	9,615,023
Balance at 1 July 2022	89,262,827	751,018	(627,537)	(76,165,976)	13,220,332
Loss for the period	-	-	-	(5,362,029)	(5,362,029)
Other comprehensive income	-	-	6,362	-	6,362
Total comprehensive income for the period	-	-	6,362	(5,362,029)	(5,355,667)
Transactions with owners in their capacity as owners					
Shares issued during the period	1,917,152	-	-	-	1,917,152
Share transaction costs during the period	(36,306)	-	-	-	(36,306)
Share based payments	-	47,798	-	-	47,798
Balance at 31 December 2022	91,143,673	798,816	(621,175)	(81,528,005)	9,793,309

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

CONSOLIDATED STATEMENT OF CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated Entity	
		31 December 2022 \$	31 December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		608,661	116,483
Research and development tax rebate		4,049,632	3,319,861
Interest received		565	276
Interest paid		(101,366)	(41,729)
Government grants		49,423	314,231
Payments to suppliers and employees		(8,140,285)	(5,333,376)
Net cash used in operating activities		(3,533,370)	(1,624,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for security deposits		(74,569)	-
Purchase of property, plant and equipment	8	(429,619)	(405,916)
Net cash used in investing activities		(504,188)	(405,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share	7	1,914,226	6,460,484
Transaction costs on issue of shares		(36,306)	(270,617)
(Repayment of) lease liabilities		(175,284)	(104,613)
Repayment of borrowings		-	(1,954,140)
Interest paid		-	(32,033)
Net cash provided by financing activities		1,702,636	4,099,081
Net (decrease) / increase in cash held		(2,334,922)	2,068,911
Cash at beginning of financial year		5,351,589	4,176,300
Cash at end of financial period		3,016,667	6,245,211

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

The principal activity of the Group during the half year was the development of the direct-to-market laser diode business unit. This business unit designs, manufactures, tests and will ship laser diode products direct to the customer. These devices target high value applications such as industrial welding, biotech and displays with the objective of capturing significant value in the near-term.

NOTE 2: BASIS OF PREPARATION

These general-purpose financial statements for the half-year reporting period ended 31 December 2022 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 half year 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 2022, together with any public announcements made during the half-year.

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

SIGNIFICANT ACCOUNTING POLICIES

The half year 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 2022. The financial statements of BluGlass Limited for the half-year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 24 February 2023.

Going Concern

The Group incurred a loss after tax of \$5,362,039 (2021: \$4,620,652) and negative cashflows from operations of \$3,533,370 (2021: \$1,624,254) for the half-year ended 31 December 2022.

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. As often with research & development companies the ability of the Group to continue its activities as a going concern is dependent upon it deriving sufficient cash from investors and from other sources of income such as research & development grant funding.

The directors have considered the cash flow forecasts and the funding requirements of the business and have assessed:

- 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 \$10 million in the last 12 months and 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 research and development tax rebate to have access to the funding earlier which 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.

Accordingly, the directors have prepared the financial statements on a going concern basis. Should the above assumptions not prove to be appropriate, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

NOTE 3: LOSS FOR THE PERIOD

	Consolidated Group	
	31 December 2022	31 December 2021
The following revenue items are relevant in explaining the financial performance for the half year period		
Revenue		
Sales revenue	506,766	116,483
Total Revenue	506,766	116,483
Other Income		
Research and development tax rebate	3,782,808	1,583,131
Government grants - Job keeper, cash flow boost and Job Saver	49,423	314,231
Other	137,628	-
Total Other Income	3,969,859	1,897,362
Finance Income		
Interest received from bank	565	276
Total Finance Income	565	276

NOTE 4: DIVIDENDS

There were no dividends paid or declared during the period.

NOTE 5: OPERATING SEGMENTS

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 5: OPERATING SEGMENTS (CONTINUED)

	Australia	USA	Intersegmental Elimination	Total
31 December 2022	\$	\$	\$	\$
Sales to Customers	475,568	31,198	-	506,766
Intersegment Revenue	-	4,589,639	(4,589,639)	-
Other Revenue	3,886,754	83,105	-	3,969,859
Interest Revenue	565	-	-	565
Total Segment Revenue	4,362,887	4,703,942	(4,589,639)	4,477,190
Depreciation and amortisation	1,069,816	708,754	-	1,778,570
Employee benefit expense	1,239,604	1,709,222	-	2,948,826
Other expenses	7,798,990	1,902,472	(4,589,639)	5,111,823
Segment Results	(5,745,523)	383,494	-	(5,362,029)
Segment Assets	14,423,643	8,509,679	(5,336,674)	17,596,648
Segment Liabilities	3,706,958	8,865,730	(4,769,349)	7,803,339

	Australia	USA	Intersegmental Elimination	Total
31 December 2021	\$	\$	\$	\$
Sales to Customers	116,483	-	-	116,483
Other Revenue	1,897,362	-	-	1,897,362
Interest Revenue	276	-	-	276
Total Segment Revenue	2,014,121	-	-	2,014,121
Depreciation and amortisation	1,069,804	21,838	-	1,091,642
Employee benefit expense	1,122,734	660,758	-	1,783,492
Other expenses	3,395,780	363,859	-	3,759,639
Segment Results	(3,574,197)	(1,046,455)	-	(4,620,652)
30 June 2022				
Segment Assets	17,069,730	8,179,411	(4,791,907)	20,457,234
Segment Liabilities	3,630,703	8,919,454	(5,313,256)	7,236,901

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 2022 and 2021.

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 December 2022	6 months to 31 December 2021
Weighted average number of shares used in basic earnings per share	1,288,521,838	989,259,981
Weighted average number of shares used in diluted earnings per share	1,288,521,838	989,259,981

NOTE 7: SHARE CAPITAL

	6 months to 31 December 2022 No.	Year to 30 June 2022 No.
Shares issued and fully paid		
Beginning of the period	1,275,646,626	789,244,600
Issued under share-based payment plans in lieu of cash	-	1,690,532
Issued under share-based payment plans from vested Rights	-	270,000
Shares issued	63,905,070	484,441,494
Shares issued and fully paid	1,339,551,696	1,275,646,626
Shares authorised for share-based payments	24,750,000	24,750,000
Total shares authorised at the end of the period	1,364,301,696	1,300,396,626
	Shares	\$
Shares issued and fully paid		
Beginning of the period	1,275,646,626	89,262,827
Shares issued	63,905,070	1,917,152
Share transaction costs	-	(36,306)
As at 31 December 2022	1,339,551,696	91,143,673

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The following tables show the movements in property, plant, and equipment:

	Plant and Equipment	Lease Make Good	Office Equipment	Leasehold Improvements	Right-of- use asset	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2022	4,638,926	774,565	63,023	1,320,641	4,422,320	50,873	11,270,348
Additions	105,445	149,080	3,662	301,659	300,387	18,853	879,086
Transfer in/(out)	759,486	-	-	(767,112)	-	7,626	-
Disposals	-	-	-	(61,210)	-	-	(61,210)
Depreciation expense	(988,087)	(96,287)	(7,371)	(359,351)	(317,528)	(9,946)	(1,778,570)
Exchange rate movement	47,572	(47)	987	15,608	2,394	325	66,839
Balance at 31 December 2022	4,563,342	827,311	60,301	450,235	4,407,573	67,731	10,376,493

*The value of assets under construction of \$Nil (30 June 2022: \$512,595) are included within plant and equipment that is not yet depreciated

NOTE 9: LEASE LIABILITY

The Group has held the following leases for the following facilities at 31 December 2022:

- Silverwater (Australia) – Warehouse and Office
- New Hampshire (USA) – Packaging and Testing Facility
- California (USA) – Fabrication Facility

Future minimum lease payments at 31 December 2022 were as follows:

Lease liabilities	31 December 2022	30 June 2022
Lease liabilities (current)	990,326	738,454
Lease liabilities (non-current)	3,798,800	3,888,388
	4,789,126	4,626,842

NOTE 10: COMMITMENTS AND CONTINGENCIES

Contingent liabilities include the lease for 74 Asquith Street is supported by a 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 11: EVENTS SUBSEQUENT TO REPORTING DATE

On the 17 February 2023 BluGlass secured funding of \$1.4 million against the R&D tax claim for the financial year ending 30 June 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 16 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 2022 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.



Non-Executive Chair *James Walker*

Dated 24 February 2023

Independent Auditor's Review Report

To the Members of BluGlass Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of BluGlass Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of BluGlass Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$5,362,029 and an operating net cash outflow of \$3,533,370 during the half year ended 31 December 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company 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 internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M Aziz
Partner – Audit & Assurance

Sydney, 24 February 2023