Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN	Six Months Ended
116825793	**31 DECEMBER 2023**
	Corresponding period was the six months ended 31 December 2022

Results for announcement to the market

RESULTS

		$A	%		$A
Revenues from ordinary activities	Down	(310,168)	7	to	4,167,022
Loss from ordinary activities after tax attributable to members	Down	(322,865)	6	to	(5,684,894)
Loss for the period attributable to members	Down	(322,865)	6	to	(5,684,894)

EPS

Earnings per Security (cents per share)	31 Dec 2023	31 Dec 2022
Basic loss per share (cents per share)	(0.37) cents	(0.42) cents
Diluted loss per share (cents per share)	(0.37) cents	(0.42) cents

Net Tangible Asset Backing	31 Dec 2023	31 Dec 2022
Per Ordinary Security (cents per share)	0.39 cents	0.40 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

Loss of control of entities having material effect

Name of entity (or group of entities)	NIL

Details of associates and joint venture entities

Name of entity (or group of entities)	NIL

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 2023 and the 30 June 2023 Annual Financial Report.

BLUGLASS

BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

FINANCIAL STATEMENTS FOR THE HALF YEAR ENDING 31 DECEMBER 2023

Table of Contents

DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the half year ended 31 December 2023.

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 and commercialisation of the Company's laser diode product portfolio for the industrial, quantum, 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.

FINANCIAL SUMMARY

Revenue, other income and finance income for the period decreased by $0.3 million (down 7%) to $4.2 million, with key elements including:

- Foundry Income was down by $0.15 million to $0.33 million for the period;
- Project Income was up by $0.7 million from nil in the corresponding period in the prior year; and
- Research and development tax rebate for the period was $0.7million less than the corresponding period in the prior year

Total expenditure for the period has decreased by $0.3 million down 3% to $9.5 million with key elements including:

- Depreciation and amortisation expense down 24% to $1.4 million (2022: $1.8 million)
- Consumables expense down 20% to $0.9 million (2022: $1.2 million)

The consolidated loss after tax for the period amounted to $5.7 million up 6% (2022: $5.4 million).
The company's net assets as at 31 December 2023 were $9.6 million (30 June 2023: $13.9 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:

- Signed a A$2.6M US Department of Defence sub-contract with North Carolina State University (NCSU) for laser development activity, as part of the Commercial Leap Ahead for Wide Bandgap Semiconductors (CLAWS) Hub
- Acquired contract manufacturer GaNWorks Foundry and completed vertical integration at BluGlass' Silicon Valley fab
- Entered MOU with photonics leader Applied Energetics to develop next generation dual-use and commercial advanced lasers; Collaboration seeks to leverage a combination of BluGlass' unique GaN Distributed Feedback (DFB), Single and Multi-mode lasers in Applied Energetics advanced laser systems
- Expanded customer engagement with first repeat orders and first order of prototype gallium nitride Distributed Feedback (DFB) lasers
- Secured $4.3 million via a Placement to institutional and sophisticated investors
- SPP Offer to raise up to a further $9.0 million, enabling existing shareholders to participate on the same terms
- Samuel Samhan was appointed as Chief Financial Officer in September 2023

Commenting on the Company's H1 FY24 performance, BluGlass CEO Jim Haden said, "The business has built significant momentum in the first half of the financial year; winning a place as a commercial supplier in the US Department of Defense's Microelectronics Commons, signing our first large contract as part of the CLAWS Hub, completing vertical integration of our wafer fab supply chain, and continuing to advance customer engagement and validation of our lasers in real-world applications.

"During the first half we continued to deliver on our ambitious technical and commercial roadmaps, and are now engaged with leading industry partners and customers across all our target verticals. Working with the industry's best helps cement our growing reputation as a highly innovative commercial gallium nitride (GaN) laser supplier.

"We have a long growth runway in a highly constrained market with very few players, predicted to be worth US$2.5 billion by 2025. Growth is being driven by global megatrends transforming industry and technology, from quantum computing and quantum electronics, next-generation military and defence systems, electric vehicles, and renewable energy storage through to medical diagnostics, advanced manufacturing, and AR/VR technology.

"BluGlass is a pure-play provider of visible lasers. With the acquisition of GaNWorks Foundry, our wafer thinning, and backside processing is now in-house, embedding flexibility and agility, which is already showing a path to improve our quality, decrease our cycle times, and decrease our costs by over US$400k per year. We are now uniquely positioned to address growing demand with a value proposition focused on addressing key customer challenges. This is being born out of the incredible calibre of customers and partners who are choosing to work with us to develop their next-generation products. "

Signed MOU with leading defence and dual-use photonics company, Applied Energetics

In February 2024, BluGlass entered a Memorandum of Understanding (MOU) with leading defence and dual-use photonics company, Applied Energetics (OTCQB: AERG). Applied Energetics is an industry leader in next-generation ultrashort pulse (USP) optical systems, supplying the US Department of Defense, defense primes, the intelligence community, and the commercial, medical, and space markets.

The two companies intend to collaborate on developing new laser wavelengths and higher-performance solutions that deliver more efficient and cost-effective solutions for next-generation military, aviation, and commercial markets. The collaboration plans to leverage BluGlass' GaN DFB lasers and RPCVD technology in Applied Energetics' advanced laser systems.

Secures $4.3M Placement & opens SPP Offer

In February 2024, BluGlass raised $4.3 million from institutional and sophisticated investors in an oversubscribed share placement. The strong support of new and returning institutional and sophisticated investors reflects growing confidence in BluGlass' unique technology portfolio, experienced management, and significant growth runway.

BluGlass is also undertaking an Share Purchase Plan ("SPP Offer") on the same terms as the placement. Eligible shareholders can subscribe for up to $100,000 worth of new shares at $0.037 per share to raise up to a further $9,000,000. Each new share will receive one free attaching option.

The new options, if exercised, will result in the issue of one share and one attaching piggyback option. The full terms and conditions of the SPP Offer are detailed in the Prospectus, available for shareholders to consider here: https://bluglass.com/app/uploads/BLG-SPP-Prospectus-2024-FINAL2.pdf .

Funds raised will be used to speed up the production and scale delivery of BluGlass' laser products, fulfil new and existing contracts, support additional fab equipment, and develop next-generation products to increase market competitiveness and sales.

First order of alpha DFB lasers

In January 2024, BluGlass received the first order of its breakthrough prototype GaN DFB lasers from an advanced laser systems pioneer. The blue (450nm) prototypes are being evaluated in next-generation defence, aviation and scientific applications.

Ultra-precision, single-frequency DFB visible lasers are critical to enabling emerging quantum and security innovation, and BluGlass' pioneering DFB development is attracting significant customer and partner interest. This includes BluGlass' CLAWS Hub contract as part of the US Microelectronics Commons and its partnership with Applied Energetics.

Acquired GaNWorks Foundry to vertically integrate our Silicon Valley wafer fab

In December 2023, BluGlass acquired its commercial contract manufacturer, GaNWorks Foundry, in-sourcing its final manufacturing steps in the Company's Silicon Valley facility. The US$800,000 acquisition included the purchase of specialist GaN wafer equipment and installation, process transfer of GaN n-side wafer metalisation, wafer thinning, and laser bar cleaving capabilities, as well as the transition of GaN laser engineer.

BluGlass has vertically integrated its Silicon Valley wafer fab with equipment installation and commissioning, process verification tests, and commenced validation of its first vertically integrated laser lots. The acquisition will fast-track both development and production cycles and deliver significant cost savings over the long-term. The Company is now benefiting from having the core wafer fab processes under its operational control, with improvements being implemented to enhance production yield, increase product reliability, and drive manufacturing throughput.

US Department of Defense Microelectronics Commons contract with CLAWS Hub lead NCSU

BluGlass secured its largest contract to date during the half-year, signing an A$2.6 million laser development contract with North Carolina State University (NCSU) – the lead member of the Commercial Leap Ahead for Wide Bandgap Semiconductors (CLAWS) Hub.

The CLAWS Hub is one of eight Microelectronic Commons innovation hubs established by the US Department of Defense. Funded by the CHIPS and Science Act, the US$2.5B Microelectronics Commons program has been established to expand the USA's global leadership in microelectronics. Core development agreements are awarded on an annual basis.

Alongside BluGlass' first core development contract, the Company is also applying to participate in specialised, high-priority projects across expanded GaN wavelengths, epitaxy and process development, and high-value devices for quantum applications.

Customer engagement

BluGlass continues to expand customer and partner engagement, with its MOU with Applied Energetics a good example of a customer transitioning to a partner.

In the first half of FY24, the Company grew its laser sales and order back-log across its full portfolio and market verticals, securing first repeat customers and orders. BluGlass is working with diverse customers from industry-leading original equipment manufacturers (OEMs), a national lab, leading international research institutions to disruptive start-ups.

In addition to the growing sales pipeline, BluGlass is engaging with multiple potential customers and partners on product and proposal requests. The Company's ability to address specific customer challenges and design custom solutions validates its differentiated market approach. It highlights the growing demand for a collaborative, flexible supplier who can meet custom needs, deliver underserved wavelengths, and provide dedicated supply through a pure-play GaN laser offering.

As full qualification of semiconductor lasers in customer applications needing thousands of hours of lifetime in hostile operating environments can be a lengthy process, direct-to-market product revenues can scale slowly, building significant momentum over time. Large revenue-generating projects, such as the Microelectronics Commons, provide BluGlass with the fastest path to profitability while accelerating the development of higher-value lasers and new capabilities, leading to higher-volume and higher-value product sales.

Looking ahead

BluGlass' positive momentum has continued into the second half of FY24 with CLAWS Hub activity underway and new partnerships to develop novel products and capabilities, supported by an enhanced operational runway following the completion of a successful placement, upcoming SPP, and the associated option and piggyback options. Vertical integration and CLAWS Hub development further improve the quality, performance, and reliability of the Company's core 405nm-450nm lasers and next-generation DFB products.

At the same time, the Group is working hard to secure new and repeat customer orders, qualify its existing GaN lasers within customer applications, and enter distribution agreements for key markets.

BluGlass is following a well-established commercialisation path for laser companies – partnering with industry and defence primes on revenue-generating development projects while scaling its direct-to-market laser revenues. As the Group executes its technical and commercial roadmaps, each milestone enhances BluGlass' ability to grow market influence and drives the business towards sustainability and profitability.

As the only pure-play visible GaN laser supplier in the market, BluGlass has a long growth runway. The GaN market is growing rapidly and will continue to gain market share, given its significant competitive advantages over traditional IR laser technologies in many existing and ground-breaking applications.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 12 February 2024, BluGlass secured $4.3 million via a Placement to institutional and sophisticated investors and launched an SPP offer to raise up to $9 million.

On 16 February 2024 BluGlass secured funding of $1.15 million against the R&D tax claim for the financial year ending 30 June 2024.

No other matter or circumstance has arisen since 31 December 2023 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.

James Walker
Non-Executive Chair

Dated 28 February 2024

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

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 2023, 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

M Aziz
Partner – Audit & Assurance

Sydney, 28 February 2024

PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note		Consolidated Entity	
			31 December 2023 $	31 December 2022 $
Revenue	3		1,044,107	506,766
Other income	3		3,063,022	3,969,859
Finance income	3		59,893	565
Employee benefits expense			(3,129,735)	(2,948,826)
Professional fees			(116,401)	(142,980)
Board and secretarial fees			(248,428)	(251,095)
Corporate compliance & legal expense			(106,191)	(90,046)
Consultant fees			(47,158)	(43,271)
Finance cost			(185,020)	(100,938)
Office Utilities			(690,101)	(705,419)
Rent expense			(116,082)	(50,066)
Travel and accommodation expense			(120,192)	(93,591)
Consumables			(928,825)	(1,161,731)
Depreciation and amortisation expense	8		(1,359,354)	(1,778,570)
Share based payment expense			(444,010)	(47,798)
Other expenses			(2,009,632)	(2,424,888)
Loss before income tax			**(5,334,107)**	**(5,362,029)**
Income tax expense			(350,787)	-
Loss for the period			**(5,684,894)**	**(5,362,029)**
Other comprehensive income			**(96,139)**	**6,362**
Total comprehensive income			**(5,781,033)**	**(5,355,667)**
Loss attributable to:				
• Members of the parent entity			**(5,684,894)**	**(5,362,029)**
• Non-controlling interest			-	-
			(5,684,894)	**(5,362,029)**
Total Comprehensive Income attributable to:				
• Members of the parent entity			**(5,781,033)**	**(5,355,667)**
• Non-controlling interest			-	-
			(5,781,033)	**(5,355,667)**
Earnings Per Share				
Basic loss per share (cents per share)			(0.37)	(0.42)
Diluted loss per share (cents per share)			(0.37)	(0.42)

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

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note		Consolidated Entity	
			31 December 2023 $	30 June 2023 $
Current Assets				
Cash and cash equivalents			2,724,868	4,258,334
Trade and other receivables			3,771,433	7,600,240
Inventories			660,084	589,934
Other current assets			81,426	78,358
TOTAL CURRENT ASSETS			**7,237,811**	**12,526,866**
Non-Current Assets				
Security deposit			410,336	514,839
Property, plant and equipment	**8**		9,239,095	8,653,309
Intangible assets			-	-
TOTAL NON-CURRENT ASSETS			**9,649,431**	**9,168,148**
TOTAL ASSETS			**16,887,242**	**21,695,014**
Current Liabilities				
Trade and other payables			1,059,585	1,184,789
Lease liabilities	**9**		832,236	788,654
Short-term provisions			517,119	571,333
TOTAL CURRENT LIABILITIES			**2,408,940**	**2,544,776**
Non-Current Liabilities				
Lease liabilities	**9**		3,059,984	3,699,421
Deferred Tax Liability			275,448	-
Long-term provisions			1,560,240	1,563,657
TOTAL NON-CURRENT LIABILITIES			**4,895,672**	**5,263,078**
TOTAL LIABILITIES			**7,304,612**	**7,807,854**
NET ASSETS			**9,582,630**	**13,887,160**
Equity				
Issued capital	**7**		103,073,127	101,886,520
Reserves			111,616	(82,141)
Accumulated losses			(93,602,113)	(87,917,219)
TOTAL EQUITY			**9,582,630**	**13,887,160**

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

CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2023

		Issued Capital	Share-Based Payments Reserve	Other Reserves	Accumulated Losses	Total
Consolidated Entity		**$**	**$**	**$**	**$**	**$**
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**

Balance at 1 July 2023		**101,886,520**	**372,581**	**(454,722)**	**(87,917,219)**	**13,887,160**
Loss for the period		-	-	-	(5,684,894)	(5,684,894)
Other comprehensive income		-	(1,816)	(94,323)		(96,139)
Total comprehensive income for the period		**-**	**(1,816)**	**(94,323)**	**(5,684,894)**	**(5,781,033)**
Transactions with owners in their capacity as owners						
Shares issued during the period	7	1,032,493	-	-	-	1,032,493
Share transaction costs during the period		-	-	-	-	-
Shares issued in lieu of cash	7	134,669	(134,669)	-	-	-
Share based payments		-	444,010	-	-	444,010
Rights exercised	7	19,445	(19,445)	-	-	-
Rights lapsed		-	-	-	-	-
Balance at 31 December 2023		**103,073,127**	**660,661**	**(549,045)**	**(93,602,113)**	**9,582,630**

CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note		Consolidated Entity	
			31 December 2023 $	31 December 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers			668,111	608,661
Research and development tax rebate			7,306,966	4,049,632
Interest received			59,893	565
Interest paid			(103,222)	(101,366)
Government grants			-	49,423
Payments to suppliers and employees			(7,838,922)	(8,140,285)
Net cash from / (used in) operating activities			**92,826**	**(3,533,370)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for security deposits			-	(74,569)
Purchase of property, plant and equipment	8		(1,149,272)	(429,619)
Net cash used in investing activities			**(1,149,272)**	**(504,188)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share	7		-	1,914,226
Transaction costs on issue of shares			-	(36,306)
(Repayment of) lease liabilities			(395,223)	(175,284)
Interest paid			(81,797)	-
Net cash (used in) / provided by financing activities			**(477,020)**	**1,702,636**
Net (decrease) / increase in cash held			(1,533,466)	(2,334,922)
Cash at beginning of financial year			**4,258,334**	**5,351,589**
Cash at end of financial period			**2,724,868**	**3,016,667**

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 2023 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 2023, 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 2023. The financial statements of BluGlass Limited for the half-year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 28 February 2024.

Going Concern

The Group incurred a loss after tax of $5,684,894 (2022: $5,362,029) and positive cashflows from operations of $92,826 (2022: negative cashflows of $3,533,370) for the half-year ended 31 December 2023. Notwithstanding the loss, 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 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 $2,724,868 as at 31 December 2023 (30 June 2023: $4,258,334). As at that date, the Group had current assets of $7,237,811 (30 June 2023: $12,526,866) and net assets of $9,582,630 (30 June 2023: $13,887,160). The Group has performed a detailed cash flow forecast, and determined that it will have adequate cash resources with the anticipated research and development tax rebate and future capital raise;
- 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 $4.3 million in the 2024 financial year. 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 further finance the 2024 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.

As a result of these factors, there is material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business at the amounts stated in the financial report.

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Reclassification of balances and accounts

During the reporting period, certain balances and accounts have been reclassified in order to better reflect the nature and purpose of the underlying transactions. These reclassifications have been made in accordance with applicable accounting standards and guidelines. None of these reclassifications had an impact on profit or loss and equity.

Revenue and Other Income

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

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract for foundry revenue and laser diode revenue 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 consistent with the pattern of transfer of control of the underlying good or service to the customer. Accordingly, when the entity satisfies a distinct performance obligation at a point in time (such as on the delivery of wafers), revenue attributable to the associated good or service is recognised in full at that time. Alternatively, when the entity satisfies a distinct performance obligation over time (such as when it undertakes or provides research and development services to a customer), revenue attributable to the associated good or service is recognised on a pro-rata basis over the relevant period. The Group currently has no obligation for returns, refunds or warranties.

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.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements 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 judgement – Laser diode project revenue

BluGlass has recognised laser diode project revenue in accordance with AASB 15. Laser diode project revenue customers are parties that have contracted with the Group to obtain research and development services in exchange for consideration. Laser diode project revenue is recognised over time when the entity provides this service and satisfies the distinct performance obligation.

NOTE 3: REVENUE, OTHER INCOME AND FINANCE INCOME

The following revenue items are relevant in explaining the financial performance for the half year period	Consolidated Group 31 December 2023	31 December 2022
Revenue		
Foundry Services Revenue	328,554	475,568
Laser Diode Product Revenue	7,126	31,198
Laser Diode Project Revenue	708,427	-
Total Revenue	**1,044,107**	**506,766**
Other income		
Research and development tax rebate	3,058,613	3,782,808
Government grants - Job keeper, cash flow boost and Job Saver	-	49,423
Other	4,409	137,628
Total Other income	**3,063,022**	**3,969,859**
Finance Income		
Interest received	59,893	565
Total Finance Income	**59,893**	**565**

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 did not discontinue any of its existing operations during the year.

NOTE 5: OPERATING SEGMENTS (CONTINUED)

	Australia	USA	Intersegmental Elimination	Total
31 December 2023	**$**	**$**	**$**	**$**
Sales to Customers	328,554	715,553	-	1,044,107
Intersegment Revenue	-	4,620,888	(4,620,888)	-
Other Revenue	3,058,613	4,409	-	3,063,022
Interest Revenue	59,893	-	-	59,893
Total Segment Revenue	**3,447,060**	**5,340,850**	**(4,620,888)**	**4,167,022**
Depreciation and amortisation	215,514	1,143,840	-	1,359,354
Employee benefit expense	934,528	2,195,207	-	3,129,735
Other expenses	7,505,823	2,477,892	(4,620,888)	5,362,827
Segment Results	**(587,917)**	**(4,789,463)**	**-**	**(5,377,380)**
Segment Assets	12,649,689	9,055,760	(4,818,207)	16,887,242
Segment Liabilities	3,294,632	9,287,381	(5,277,401)	7,304,612

	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
30 June 2023				
Segment Assets	16,764,022	7,774,048	(2,843,056)	21,695,014
Segment Liabilities	3,744,948	7,671,511	(3,608,605)	7,807,854

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 2023 and 2022.

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 2023	6 months to 31 December 2022
Weighted average number of shares used in basic earnings per share	1,530,766,101	1,288,521,838
Weighted average number of shares used in diluted earnings per share	**1,530,766,101**	**1,288,521,838**

NOTE 7: ISSUED CAPITAL

	6 months to 31 December 2023 No.	Year to 30 June 2023 No.
Shares issued and fully paid		
Beginning of the period	1,528,045,654	1,275,646,626
Issued under share-based payment plans in lieu of cash	2,992,650	-
Issued under share-based payment plans from vested Rights	810,199	-
Shares issued	17,436,558	252,399,028
Shares issued and fully paid	**1,549,285,061**	**1,528,045,654**
Shares authorised for share-based payments	60,837,495	33,550,001
Total shares authorised at the end of the period	**1,610,122,556**	**1,561,595,655**

	Shares	$
Shares issued and fully paid		
Beginning of the period	1,528,045,654	101,886,520
Shares issued	17,436,558	1,032,493
Shares issued in lieu of cash	2,992,650	134,669
Share transaction costs	-	-
Rights exercised	810,199	19,445
As at 31 December 2023	**1,549,285,061**	**103,073,127**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

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

	Right-of-use asset	Plant and Equipment	Lease Make Good	Leasehold Improvements	Computer Equipment	Furniture & Fittings	Total
	$	$	$	$	$	$	$
Balance at 30 June 2023	**4,088,214**	**3,590,505**	**732,450**	**98,440**	**87,458**	**56,242**	**8,653,309**
Additions	-	2,121,185	-	11,945	6,151	42,484	2,181,765
Transfer in/(out)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Remeasurement of lease liability	(198,203)	-	-	-	-	-	(198,203)
Depreciation expense	(403,131)	(767,017)	(105,358)	(49,485)	(21,339)	(13,024)	(1,359,354)
Exchange rate movement	(14,440)	(20,478)	(2,597)	(252)	(299)	(356)	(38,422)
Balance at 31 December 2023	**3,472,440**	**4,924,195**	**624,495**	**60,648**	**71,971**	**85,346**	**9,239,095**

*The value of assets under construction of $155,659 (30 June 2023: $Nil) are included within plant and equipment that is not yet depreciated

The additions value includes Plant and Equipment from the acquisition of GaNWorks Foundry Assets for a consideration of $1,032,493 paid in BLG ordinary shares (17,436,556 Shares) and $184,672 in cash.

NOTE 9: LEASE LIABILITIES

The Group has held the following leases for the following facilities at 31 December 2023:

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

Future minimum lease payments at 31 December 2023 were as follows:

	31 December 2023	30 June 2023
Lease liabilities (current)	832,236	788,654
Lease liabilities (non-current)	3,059,984	3,699,421
	3,892,220	**4,488,075**

NOTE 10: COMMITMENTS AND CONTINGENCIES

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 11: EVENTS SUBSEQUENT TO REPORTING DATE

On 12 February 2024, BluGlass secured $4.3 million via a Placement to institutional and sophisticated investors and launched an SPP offer to raise up to $9 million.

On 16 February 2024, BluGlass secured funding of $1.15 million against the R&D tax claim for the financial year ending 30 June 2024.

No other matter or circumstance has arisen since 31 December 2023 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.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 17 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 2023 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.

James Walker
Non-Executive Chair

Dated 28 February 2024

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

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 2023, 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 summary of significant 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 2023 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 $5,684,894 and an operating net cash inflow of $92,826 during the half year ended 31 December 2023. 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 2023 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Aziz
Partner – Audit & Assurance

Sydney, 28 February 2024