

31 October 2024

September 2024 Quarter Activities Update

Highlights

- Secured A\$1.2 million for the first phase of a multi-year Joint Development Agreement with a US venture-backed start-up pioneering wide bandgap semiconductors and integrated photonics
- Negotiating with CLAWS and the Microelectronics Commons for its Year 2 core development contract
- Partnering with Macquarie University and defence company Aurizn on blue ocean LiDAR to develop a new laser-based method to measure subsurface water temperature and depth
- Successfully launched Semiconductor Australia 2024, Australia's premier investor conference for the semiconductor, quantum, and photonics industry
- Continues to grow revenue pipeline and advance customer negotiations

Global semiconductor developer BluGlass Limited (**ASX: BLG**) provides the following update and Appendix 4C Quarterly Report for the three months ended 30 September 2024 (Q1 FY25).

A\$1.2 million Joint Development Agreement

In October, BluGlass secured an A\$1.2 million contract for the first of a three-phase joint development agreement with a leading US-based venture-backed start-up pioneering integrated photonics. The multi-year development agreement will see BluGlass and its collaboration partner develop novel photonic chips that combine highly complementary technologies for the production of Heterogeneously Integrated Photonic Integrated Circuits (HIPIC).

The multi-phase, multi-year Joint Development Agreement has the potential for a minimum of two additional phases, each with a similar revenue and timeframe. The HIPIC technology is being developed in stealth to address an important end market, predicted to be worth \$5B by 2030. The parties agree to execute a follow-on Master Supply Agreement to produce the HIPIC devices, with significant commercial potential.

CEO Jim Haden said, "Our epitaxy expertise and production capabilities form the base of our core competitive advantage, enabling us to leverage our custom GaN solutions to solve our partner's most complex problems. This latest agreement brings together our leading blue laser technology with our partner's unique photonic integrated circuits to pioneer next-generation integrated photonics."

CLAWS Hub development progress

BluGlass is in negotiations with CLAWS Hub lead, North Carolina State University (NCSU) and the Microelectronics Commons for its Year 2 development contract. BluGlass has successfully delivered all milestones under its Year 1 A\$2.6 million contract with the CLAWS Hub. Importantly, our participation in the US Department of Defense's Microelectronics Commons has raised our business profile considerably throughout the industry and is leading to growing opportunities with primes, government agencies, and the broader quantum and dual-use markets.

Blue ocean LiDAR project

In early October, BluGlass signed an agreement with Macquarie University (project lead) and defence company Aurizon to develop and test a new laser-based method to measure subsurface water temperature and depth. BluGlass will provide visible gallium nitride (GaN) lasers to the project. The project will develop and run commercial trials of blue ocean LiDAR (Light Detection and Ranging) technology to enhance maritime situational awareness in defense and environmental contexts, such as detecting underwater objects and improving climate modelling.

CEO Jim Haden said, "This partnership leverages our advanced GaN laser technology in world-leading applications like blue ocean LiDAR. Unlike IR lasers, which are ineffective underwater, our high-power visible GaN lasers can target useable underwater wavelengths in the blue and aqua-marine ranges. GaN lasers offer advantages over current solid-state lasers such as compact size, high power efficiency, low cost, and broader wavelength availability, making them ideal for underwater communication and remote sensing applications including for defense and environmental monitoring."

Hosted Semiconductor Australia 2024

In October, BluGlass, in partnership with the Semiconductor Sector Services Bureau (S3B), and ShareCafe hosted Semiconductor Australia 2024, Australia's premier investor conference for the semiconductor, quantum, and photonics industry. The sold-out event was attended by over 200 in person participants, and hundreds more online. The one-day conference featured keynote presentations from Australia's Chief Scientist, Dr Cathy Foley and venture capitalist, Peter Barrett, expert roundtable sessions, and presentations from public and private Australian deep-tech leaders, including BluGlass CEO Jim Haden and Chair James Walker.

CEO Jim Haden said, "While semiconductors are a significant market globally, estimated to reach \$1 trillion by 2030, it is not a sector well-understood in Australia, representing just 0.03% of companies on the ASX, compared to 15% on the NASDAQ. Our goal with this conference was to educate the market on the importance of this sector and unlock funding to secure Australia's high-tech future. I would like to thank Stef Winwood, BluGlass' talented and hard-working team, S3B, ShareCafe, Bell Potter, and our many sponsors for their pivotal roles in successfully launching Australia's first national conference on semiconductors, one of the most important technologies on the planet."

The session recordings are being made available at: www.semiconductorausalia.com/news

Financials

September quarter revenue of \$1.04 million comprised of the NCSU contract revenue, laser orders, foundry services for a European wafer developer, and the Semiconductor Australia Conference.

BluGlass' quarterly research and development expenses were \$3.3 million, inclusive of salaries, materials, and fabrication costs. Payments to related parties in Q1 FY25 were \$104k encompassing Chair and Non-Executive Director fees.

At the end of the quarter, the cash balance was \$2.63 million, before the receipt of NCSU CLAWS receivable of \$682,000 and expected R&D rebate of ~\$5.37 million for development work completed in FY24.

Activity Undertaken	Amount paid during the quarter \$'000
Laser Diode product development	\$3,274
RPCVD development	\$55
Total direct expenditure	\$3,329

Growing Pipeline

The company continues to grow its pipeline of projects and opportunities, with several programs in various stages of negotiation— including Year 2 of the Microelectronics Commons CLAWS Hub contract. The Company is progressing a range of semi-custom development agreements and long-term projects, including the potential for follow-on production contracts and manufacturing supply agreements.

While these negotiations can take time to realise, cumulatively, they build significant momentum towards product commercialisation and profitability to secure the company's growth and sustainability. Large revenue generating projects fund the development of novel capabilities and extend the Company's laser portfolio, at the same time developing high-value partnerships and collaborations with primes, government agencies, and OEM customers.

BluGlass' approach is to tackle our customers' challenges head-on with flexible product, design, and manufacturing capabilities. Our world-leading GaN growth technology, novel laser architectures, and packaging and integration capabilities pave the way to winning market share in highly strategic and rapidly growing markets.

This announcement has been approved for release by the BluGlass Board.

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BluGlass Limited (ASX:BLG) is a leading supplier of GaN laser diode products to the global photonics industry, focused on the industrial, defense, bio-medical, and scientific markets.

Listed on the ASX, BluGlass is one of just a handful of end-to-end GaN laser manufacturers globally. Its operations in Australia and the US offer cutting-edge, custom laser diode development and manufacturing, from small-batch custom lasers to medium and high-volume off-the-shelf products.

Its proprietary low temperature, low hydrogen, remote plasma chemical vapour deposition (RPCVD) manufacturing technology and novel device architectures are internationally recognised, and provide the potential to create brighter, better performing lasers to power the devices of tomorrow.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

BluGlass Limited

ABN

20 116 625 793

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,374	2,374
1.2 Payments for		
(a) research and development	(1,433)	(1,433)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(35)	(35)
(d) leased assets	(375)	(375)
(e) staff costs	(2,591)	(2,591)
(f) administration and corporate costs	(441)	(441)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,501)	(2,501)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(441)	(441)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets (security deposits)	(16)	(16)
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	7	7
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(450)	(450)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,573	5,573
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,501)	(2,501)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(450)	(450)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	7	7
4.6	Cash and cash equivalents at end of period	2,629	2,629

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,441	5,385
5.2	Call deposits	188	188
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,629	5,573

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	104
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	1,149	1,149
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	1,149	1,149
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered or are proposed to be entered into after quarter end, include a note providing details of those facilities.		
A secured loan agreement from Radium Capital was obtained in FY24. With an annual interest rate of 15% and a maturity date of 31 December 2024. Borrowed against FY24 Quarter 1 R&D rebate.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,501)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,629
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,629
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: The company expects to have sufficient funds to meet its operating cashflows for the following reasons: <ol style="list-style-type: none"> 1) The company is generating revenue from its product and project sales; 2) On 9 October the Company received A\$682,000 (US\$443,000) from the ME Commons program for the June 2024 quarter. The September quarter's payment is due shortly. 3) The company expects to receive a significant R&D grant for the year ending 30 June 2024 in Q2 of FY25. The Company can also borrow against it, if needed. 	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, please refer to 8.6.1	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes - The anticipated product and project sales and access to R&D grant and funding, the company believes it will have sufficient working capital to meet its operational and business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2024

Authorised by: the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.