FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

BLUGLASS LIMITED and CONTROLLED ENTITIES
ABN 20 116 825 793

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DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the half-year ended 31 December 2019.

Directors

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

Dr William Johnson (Retired 7 February 2020)

Mr Giles Bourne

Mr Vivek Rao

Mr James Walker

Mr Stephe Wilks

Principal Activities

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

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

Operating Results

Total revenue has increased by $441,552 up 33.3% to $1,768,317 due to the following factor:

- Foundry revenue up 135.4% to $476,659 (2018: $202,456).
- R&D tax rebate revenue up 28.3% to $1,266,069 (2018: $987,142)

Total expenditure for the period has increased by $900,619 up 22.3% due to the following factors:

- Employee expenses up 15.8% to $1,581,907 (2018: $1,366,008).
- Depreciation expense up 416.1% to $473,437 (2018: $91,735)
- Share based payment expense up 133.8% to $515,337 (2018: $220,402)

The consolidated loss for the period amounted to $3,163,581 up 17.0% (2018: $2,704,519).

The company's net assets as at 31 December 2019 was $9,000,129 (30 June 2019: $11,643,573).

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

Dividends Paid or Recommended

No dividends were paid or declared during the period.

Significant changes in the state of affairs

No matter or circumstance has arisen since 31 December 2019 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.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the consolidated entity'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 this directors' report.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

During the 2020 half year, BluGlass launched a new laser diode business based on its recent technology breakthroughs achieved in the development of cascade LEDs.

This new business unit will take a direct-to-market approach with BluGlass taking control of the manufacturing process end-end; from epitaxy, die fabrication to product testing, validation and marketing of the end laser diode device.

This business unit will enable BluGlass to capture a greater market share of this high growth and high value market.

After significant market and technology evaluation it was deemed that controlling the supply chain for the laser diode market is the right strategic approach for these products, compared to BluGlass' traditional market approach with its LED technology. BluGlass will continue to pursue these markets through a partnering, licensing and equipment sales approach.

The laser diode market is a high value, high margin market with a defined volume, that can be effectively accessed by BluGlass' existing MOCVD and RPCVD capacity. These factors when coupled with our unique performance advantages for the creation of novel laser structures to address the large efficiency loss in gallium nitride (GaN) LDs, makes this direct-to-market approach the best strategy to provide near-term revenues and take the business to near term commercial revenues.

Laser diode Vs. LED Margin, volume and sale price:

The launch of this business unit capitalises on the significant development work that BluGlass has made over the past several years, working with several laser diode customers in our foundry business. It will also leverage BluGlass' unique tunnel junction technology. The RPCVD platform offers laser diode manufacturers a number of unique performance and cost advantages over the industry incumbent technology:

- Higher performing devices and reduced optical loss
- Productivity and cost improvements
- Unique laser diode design

BluGlass is developing GaN laser diode prototypes and expects to deliver its first laser diode product this calendar year.

BluGlass' other key business units include; LED markets such as cascade LEDs, microLEDs and longer wavelength LEDs (RGB) that all exploit the unique performance advantages of lower temperature deposition. These applications continue to make positive technical progress in conjunction with our international collaboration partners and customers.

The strategic importance of low temperature deposition was again strongly validated at a key industry conference, SPIE Photonics West, last month. Our customers, collaborators and downstream supply chain partners have confirmed that RPCVD is an important technology enabler for their product strategy and plans. Our customers continue to work with us now to develop the solutions to enable the technologies of tomorrow.

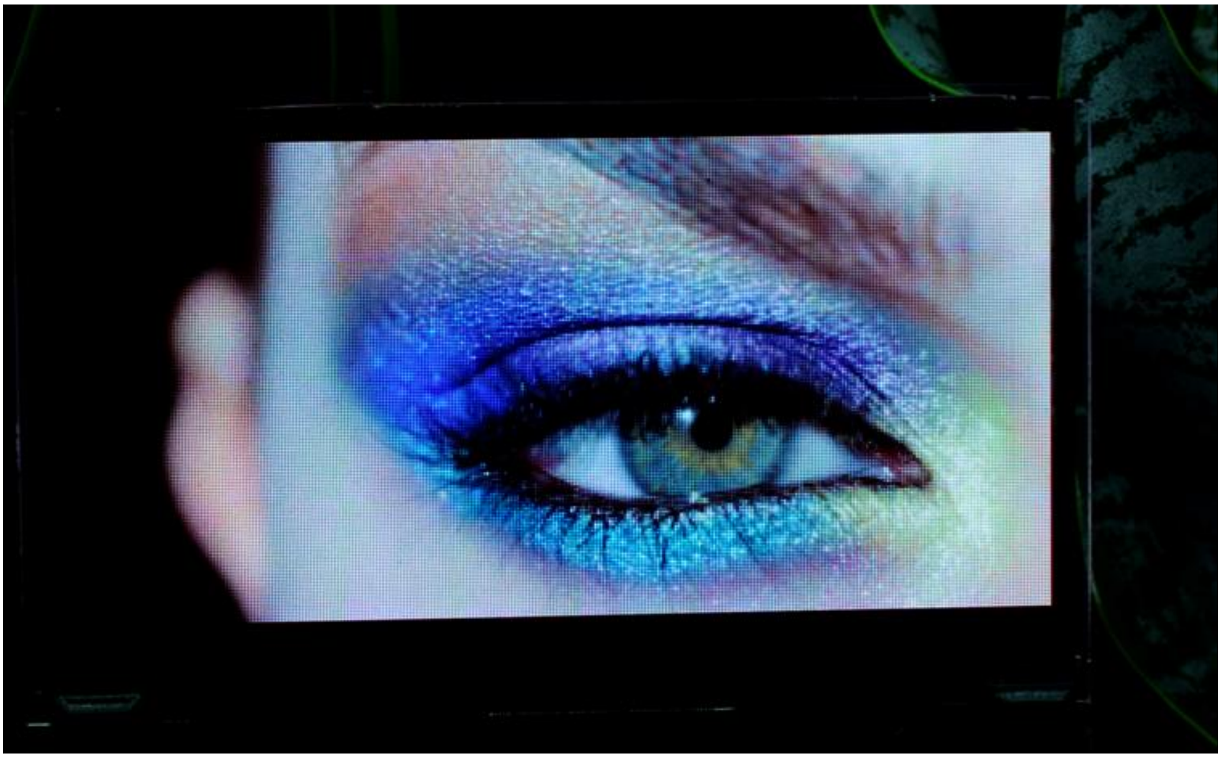


Image: **X-Display (X-Celeprint subsidiary) microLED display prototype grown using BluGlass' RPCVD technology**

Key highlights during the period:

- Launch of the laser diode business unit and developing plans to manufacture a product
- Continued to develop and validate the competitive advantages of RPCVD:
  - Achieved our proof of concept milestone with an RPCVD tunnel junction enabled cascade LED
  - Presented a new paper on novel laser diode designs using RPCVD tunnel junctions
- Completed the build of the Paul Dunnigan laboratories that will triple BluGlass' manufacturing output capacity (with the commissioning of the installed G4)
- Continued progress along the path to the commercial scaling of the RPCVD platform to customer ready adoption with our equipment partner, AIXTRON
- Joint development of applications with industry customers and partners for high-performance LEDs, microLEDs and power electronics applications
- Growth of our intellectual property portfolio with the granting of a critical US patent protecting our RPCVD Tunnel Junction capabilities. Our intellectual portfolio now comprises 72 internationally granted patents

BluGlass' efforts in the short term will be concentrated on progress towards product delivery, growing our significant near-term revenue opportunities with our laser diode business unit and continuing to bring our mid-long term revenue opportunities to bear in our traditional licensing and equipment commercialisation streams.

The Half Year in Review:

Advancing our collaborations with a number of industry leading partners

During the period BluGlass continued to advance its paid joint venture agreement with commercial lighting developer, Bridgelux. The two parties are collaborating to build on BluGlass' remote plasma chemical vapour deposition (RPCVD) tunnel junction technology, to develop cascade LEDs and establish a path to market for cascade LEDs.

In December BluGlass also announced that it had entered into a non-exclusive collaboration with California-based LED innovator, Luminus. The two companies are co-developing cascade LEDs for the rapidly growing entertainment, display and projector application markets.

Luminus is eager to exploit the performance advantages of RPCVD tunnel junctions to further improve their unique projector lighting technologies. Projectors applications require ultra-high-performance LEDs and could benefit from the smaller form factor, higher performance (intensity) and lower cost benefits that RPCVD-enabled cascade LEDs potentially offer. Projectors are also heat-sensitive devices, ideally operated at lower current densities to achieve peak efficiencies - a key benefit enabled by cascade LEDs.

Luminus is an industry leader in developing leading-edge LED technology for high performance, high value LED segments including industrial, medical, horticulture and entertainment applications. Luminus works hand-in-hand with the automotive, display and projection industries most innovative companies to illuminate everything from heads-up displays to projection systems for the next generation of vehicles and consumer technologies.

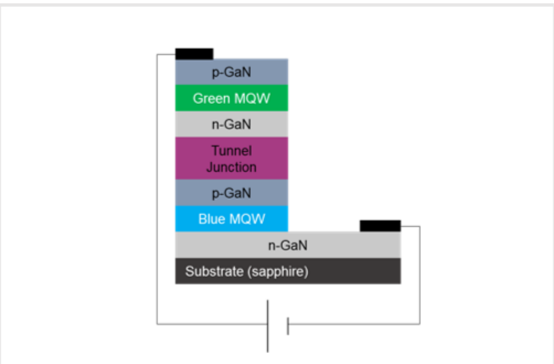
Our foundry customer X-Celeprint has successfully spun-off a microLED subsidary, X-Display. X-Display has been formed to commercialise X-Celeprint's unique display technology in the enormous microLED market opportunity. X-Display continues to use BluGlass' foundry services and leverages the advantages of low temperature RPCVD in its display prototypes.

Technology Update

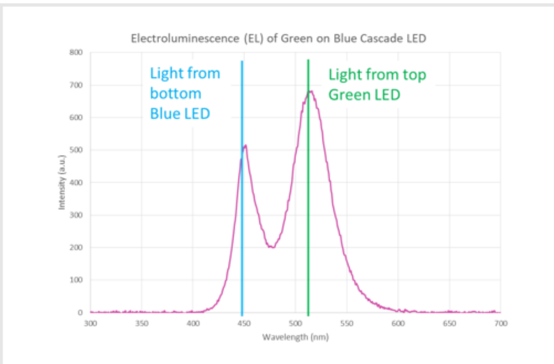
In November, BluGlass announced that it had achieved a critical proof of concept milestone, demonstrating a two colour cascade LED (green on blue), utilising BluGlass' unique 'active-as-grown' (AAG) tunnel junction technology.

This exciting demonstration of RPCVD tunnel junction capabilities significantly advances our cascade LED collaborations with Bridgelux and Luminus.

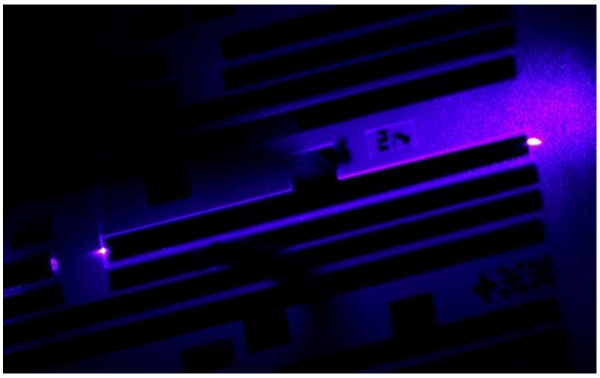
Image: **Proof of concept: Green on blue 2 colour cascade LED using RPCVD tunnel junctions**



2-colour cascade LED. Single device with two active regions, each emitting at different wavelength. Only the tunnel junction is grown with RPCVD.



BluGlass wafer level LED quick test of Green on Blue Cascade LED. The emission spectrum shows two peaks, one from the blue active region and one from the green active region – the signature of a cascade LED.



In February 2020, BluGlass presented its latest RPCVD results and simulations in a laser diode paper at the 2020 SPIE Photonics West Conference, San Francisco, USA.

Our Head of Epitaxy, Dr. Josh Brown presented a paper on the technical approach and advantages for high-brightness laser diodes, using RPCVD tunnel junction technology to grow unique laser diode structures capable of reducing optical and heat losses and create higher performance lasers.

The paper has received strong industry interest, and a feature article on the paper is being released in Compound Semiconductor magazine in March.

Board Changes

In December, following three years as Chair of the BluGlass Board and ten years as a Non-Executive Director, Bill Johnson announced his intention to retire.

James Walker has accepted the role of non-executive Chair of the Company, following Bill's resignation. This change was effective from 7 February 2020.

James has served on the BluGlass Board since July 2017 and is an experienced leader in commercialising new technologies across global markets. In taking on the Board Chair role, James will work closely with the executive team to further drive the focus on delivering near term commercial revenue and business opportunities.

Bill's impact during his tenure has been instrumental in the Company's transition from pure R&D to a market focused company with a strongly differentiated technology with multiple revenue and commercialisation paths. Bill provided invaluable industry insight, guidance and support to the Board, management and technical team. The Board and BluGlass team thank Bill for his leadership and effort over his time with the Company.

Aixtron G4 2800 Retrofit project and commercial scaling of RPCVD

The significant scaling program to retrofit the AIXTRON G4 to RPCVD mode continues to make progress with all RPCVD hardware components now fully simulated and designed. These parts are now being machined by our specialist manufacturing partners locally and overseas.

Our collaboration partner, AIXTRON were onsite last month at BluGlass' Silverwater facility to complete their software installation for the RPCVD retrofit.

The G4 commissioning is ongoing with some parts delayed in part due to supplier delays. BluGlass is awaiting the arrival of these parts before the final installation and commissioning process can be completed. We expect to take delivery in the coming weeks which has resulted in a revised commissioning date for the G4 to come online in mid-year. This commissioning delay does not impact the project timelines of other BluGlass activites in its laser diode product development plans or customer and partner collaborations. The BLG-300 and BLG-300II are in full operation across extended shifts to continue our accelerated development schedule.

New Manufacturing Laboratories & BLG-300II Commissioning

During the period, BluGlass formally opened its Paul Dunnigan laboratories at its state-of-the-art facility in Silverwater, Sydney.

The new laboratories incorporates two new cleanrooms which house two additional semiconductor deposition systems, significantly expanding the Company’s operational and manufacturing capacity.

The output from these new facilities will be used in commercial contracts, on collaborations with commercial partners, and as part of BluGlass’ continuing development of RPCVD for the manufacture of laser diodes, LEDs, microLEDs, powerelectronics and other optoelectronic devices.

The first of these new systems, the BLG-300II, was commissioned in July 2019 and has significantly expedited the technology progress and customer output.

Intellectual Property Update:

Our intellectual property (IP) portfolio is a critical foundation to our future commercialisation success. During the half year the United States Patent and Trademark Office granted BluGlass US Patent *10,355,165, Buried Activated p-(Al,In)* GaN Layers for our breakthrough development into tunnel junctions. This patent is critical to the laser diode business unit and the commercialisation of our cascade LED collaborations and products. The RPCVD tunnel junction technology has potential applications in high-brightness LEDs, microLEDs, laser diodes, power-electronics, solar cells and other opto-electronic devices and this patent granting forms an important cornerstone of BluGlass’ intellectual property portfolio.

BluGlass currently has 71 internationally granted patents with 12 applications across 8 patent families in key semiconductor markets, including the US, Europe, Japan and China.

The Year Ahead:

As we head into the remaining 2020 financial year, BluGlass' immediate focus is on continuing to secure its downstream supply chain for its laser diode business, and delivering on its technical milestones in both its laser diode and LED programs.

BluGlass' strategic focus is on driving near-term revenue growth to deliver the Company to profitability across multiple markets. BluGlass will also continue to develop commercial outcomes for the technology with one or more of our industry partners.

The BluGlass Board and Management look forward to keeping the market up-to-date on the progress and development by the Company in the half year ahead.

Director James Walker

Director Giles Bourne

Dated this 27th day of February 2020

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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 2019, 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

P J Woodley
Partner – Audit & Assurance

Sydney, 27 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		31 December 2019	31 December 2018
		$	$
Revenue	3	476,659	202,456
Other income	3	1,266,069	987,142
Finance income	3	25,589	137,162
Employee benefits expense		(1,581,907)	(1,366,008)
Professional fees		(82,643)	(120,758)
Board and secretarial fees		(201,667)	(190,696)
Corporate compliance & legal expenses		(45,740)	(75,417)
Consultant fees		(285,576)	(226,932)
Rent expense		(37,223)	(142,665)
Travel and accommodation expense		(108,830)	(118,827)
Consumables		(1,055,104)	(1,061,022)
Finance cost		(44,983)	-
Depreciation expense		(532,197)	(91,735)
Share based payment expense		(515,337)	(220,402)
Other expenses		(440,691)	(416,817)
Loss before income tax		**(3,163,581)**	**(2,704,519)**
Income tax expense		-	-
Loss for the period		**(3,163,581)**	**(2,704,519)**
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the parent entity		**(3,163,581)**	**(2,704,519)**
Loss attributable to:			
-- members of the parent entity		**(3,163,581)**	**(2,704,519)**
		(3,163,581)	**(2,704,519)**
Total Comprehensive loss attributable			
-- members of the parent entity		**(3,163,581)**	**(2,704,519)**
		(3,163,581)	**(2,704,519)**
Loss per share			
Basic loss per share (cents per share)		(0.76)	(0.65)
Diluted loss per share (cents per share)		(0.76)	(0.65)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31 December 2019	30 June 2019
ASSETS		$	$
Current Assets			
Cash and cash equivalents		3,599,464	6,116,427
Trade and other receivables		1,308,543	2,262,133
Inventories		176,997	137,140
Other current assets		147,843	42,651
TOTAL CURRENT ASSETS		**5,232,847**	**8,558,351**
Non-Current Assets			
Property, plant and equipment	**8**	7,814,378	5,394,925
Intangible assets		-	-
TOTAL NON-CURRENT ASSETS		**7,814,378**	**5,394,925**
TOTAL ASSETS		**13,047,225**	**13,953,276**
LIABILITIES			
Current Liabilities			
Trade and other payables		391,055	473,456
Short-term provisions		541,140	529,975
Lease liabilities	**9**	153,736	**-**
TOTAL CURRENT LIABILITIES		**1,085,931**	**1,003,431**
Non-current Liabilities			
Long-term provisions		1,313,547	1,306,272
Lease liabilities	**9**	1,647,618	-
TOTAL NON-CURRENT LIABILITIES		**2,961,165**	**1,306,272**
TOTAL LIABILITIES		**4,047,096**	**2,309,703**
NET ASSETS		**9,000,129**	**11,643,573**
EQUITY			
Issued capital	**7**	67,566,594	67,412,994
Reserves		162,580	(203,957)
Accumulated Losses		(58,729,045)	(55,565,464)
TOTAL EQUITY		**9,000,129**	**11,643,573**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Share based payments Reserve	Other Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2018	67,380,834	328,814	(982,452)	(41,338,197)	25,388,999
Total comprehensive loss for the period	-	-	-	(2,704,519)	(2,704,519)
Transactions with owners in their capacity as owners:					
Share options issued	-	220,402	-	-	220,402
Share options expired	-	(193,500)	-	193,500	-
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2018	**67,380,834**	**355,716**	**(982,452)**	**(43,849,216)**	**22,904,882**
Balance at 1 July 2019	67,412,994	778,495	(982,452)	(55,565,464)	11,643,573
Total comprehensive loss for the period	-	-	-	(3,163,581)	(3,163,581)
Transactions with owners in their capacity as owners:					
Share options issued	-	515,337	-	-	515,337
Exercise of share options	153,600	(148,800)	-	-	4,800
Dividends paid or provided for	-	-	-	-	-
Balance at 31 December 2019	**67,566,594**	**1,145,032**	**(982,452)**	**(58,729,045)**	**9,000,129**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	31 December 2019	**31 December 2018**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	476,659	202,456
Research and development tax rebate	1,266,069	987,142
Interest received	25,589	137,162
Payments to suppliers and employees	(3,094,801)	(2,635,257)
Net cash used in operating activities	**(1,326,484)**	**(1,308,497)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,073,428)	(2,325,077)
Net cash used in investing activities	**(1,073,428)**	**(2,325,077)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(76,868)	-
Interest paid	(44,983)	-
Proceeds from options exercised	4,800	-
Net cash provided by financing activities	**(117,051)**	**-**
Net increase in cash held	(2,516,963)	(3,633,574)
Cash at beginning of financial period	6,116,427	15,353,774
Cash at end of financial period	**3,599,464**	**11,720,200**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 1: Nature of Operation

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

Note 2: Basis of Preparation

These general-purpose financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and AASB 134: *H Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial reporting standard IAS34 half year 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 2019, 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 2019.

The financial statements of BluGlass Limited for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 27 February 2020.

Going Concern

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

The 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 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 $11 million in the previous year's reporting period 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.

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.

Notwithstanding the above, the Directors are confident they will be successful in one of or a combination of the above factors and on this basis the financial report has been prepared on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and of the liabilities that might be necessary should the Group not continue as a going concern. Accordingly, the Directors have prepared the financial report on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

New standard, interpretations of amendments adopted by the Group

The Group has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2019.

The Group has applied AASB 16 for the half- year ended 31 December 2019, using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of

costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate.

The change in accounting policy to comply with AASB 16 has been applied in accordance with the transitional provisions of the standard. No adjustments were required to retained earnings at 1 July 2019. The impact on the half-year ended 31 December 2019 was as follows:

	Carrying amount at 1 July 2019	Remeasurement	AASB16 carrying amount at 1 July 2019
Property, plant and equipment	-	1,878,222	1,878,222
Lease liability	-	(1,878,222)	(1,878,222)
Total	**-**	**-**	**-**

Note 3: Loss for the Period

	Consolidated Group	
	31 December 2019	31 December 2018
The following revenue items are relevant in explaining the financial performance for the half year period:		
Foundry Revenue	476,659	202,456
R&D Tax rebate	1,266,069	987,142
Finance Income	25,589	137,162
	1,768,317	1,326,760

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 4: Dividends

There were no dividends paid or declared during the period.

Note 5: Operating Segments

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

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 2019 and 2018.

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 2019	6 months to 31 December 2018
Weighted average number of shares used in basic earnings per share	418,640,985	418,307,072
Weighted average number of shares used in diluted earnings per share	**418,640,985**	**418,307,072**

Note 7: Share Capital

	6 months to 31 December 2019 No.	Year to 30 June 2019 No.
Shares issued and fully paid		
Beginning of the period	418,427,072	418,307,072
Issued under share-based payment plans	480,000	120,000
Shares issued	-	-
Shares issued and fully paid	**418,907,072**	**418,427,072**
Shares authorised for share based payments	22,160,112	22,160,112
Total shares authorised at the end of the period	**441,067,184**	**440,587,184**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 8: Property, Plant and Equipment

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

	Plant and Equipment	Lease Make Good	Leasehold Improvements	Furniture and Fittings	Right-of-use asset	Computer Equipment	Total
	$	$	$	$	$	$	$
Balance at 30 June 2019	**1,743,939**	**1,006,259**	**2,610,573**	**2,957**	**-**	**31,197**	**5,394,925**
Recognition of Right-of-use asset upon adoption of AASB16	-	-	-	-	1,878,222	-	1,878,222
Additions	886,520	-	186,908	-	-	-	1,073,428
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	(58,760)	(344,557)	(365)	(108,883)	(19,632)	(532,197)
Balance at 31 December 2019	**2,630,459**	**947,499**	**2,452,924**	**2,592**	**1,769,339**	**11,565**	**7,814,378**

Included in the carrying amount of property, plant and equipment are right-of-use assets as follows:

Right-of-use asset	**31 December 2019**	**30 June 2019**
Right-of-use	1,769,339	-
Total right-of-use assets	**1,769,339**	-

Note 9: Finance lease liability

The Group has a lease for the main warehouse and office. Future minimum lease payments at 31 December 2019 were as follows:

Lease liabilities	**31 December 2019**	**30 June 2019**
Lease liabilities (current)	153,736	**-**
Lease liabilities (non-current)	1,647,618	**-**
	1,801,354	**-**

	$
Total Operating commitments disclosed at 30 June 2019	**838,400**
Other adjustments- Option to renew	1,519,491
Operating leases liability before discounting	2,357,891
Discounted using incremental borrowing rate (4.79%)	(434,686)
Finance cost	(44,983)
Repayments in the period	(76,868)
Total lease liabilities recognised under AASB 16 at 31 December 2019	**1,801,354**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 9: Finance lease liability (Cont.)

Minimum lease payments due:

31 December 2019	Within one year $	One to five years $	After five years $	Total $
Lease payments	243,703	775,860	1,216,476	2,236,039
Finance Charges	(89,967)	(222,861)	(121,858)	(434,686)
Net Present Values	153,736	552,999	1,094,619	1,801,354

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

There were no events subsequent to reporting date.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages [11] to [19] 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 2019 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.

Director	***James Walker***	Director	***Giles Bourne***

Dated this 27th day of February 2020

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Independent Auditor's Report

To the Members of BluGlass Limited

Report on the review of 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 2019, 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, nothing has come to our attention that causes us to believe that the half year financial report of BluGlass Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $3,163,581 during the half year ended 31 December 2019, and had net cash outflows of $2,516,963. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, 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 2019 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*. As the auditor of BluGlass Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 27 February 2020