

## ***CEO REPORT AGM 2008***

### **Introduction**

Welcome to BluGlass' AGM for 2008, this is my first AGM as CEO and it gives me great pleasure to provide you with a comprehensive update on BluGlass' performance to date and outlook for 2009.

As CEO, I combine enthusiasm with experience in commercialising high technology into global markets. I am committed to the implementation of the RPCVD manufacturing process as quickly as possible with BluGlass becoming a significant technology provider to the global semi-conductor industry.

We are all aware that the global economic climate has not been favourable of late and recent events have seen a downturn in the world's share markets and unfortunately BluGlass has not being immune to these events. However, I am pleased to see that given current market conditions BluGlass has held up well and remains a stable company with bright prospects. Tight fiscal control is being exercised – despite the budgeted expenses in establishing the pilot plant. Our cash reserves remain in-excess of \$4.8m.

BluGlass' forward budget is focussed on commercial realisation. Business development in target markets is promising and ongoing technology development is progressing rapidly. BluGlass has leveraged government funding where possible, for example we secured a substantial Commercial Ready Grant (over 3 years) before the program was ended. Together with the ARC Linkage grant, support from Austrade through the EMDG scheme and our involvement with ATS, BluGlass has secured considerable additional funding for its operations.

You are assured of our commitment to maximising shareholder value. Let me share with you our achievements this year and outlook for 2009.

### **Year in Review**

This has been a year of significant advancement that has marked the company's transition from a research-based, proof of technology enterprise to a market-focussed product development company.

This has been an extraordinary achievement given the company was only spun-off from Macquarie University in 2006 and has entailed:

- establishing a pilot manufacturing plant and commissioning the first commercial scale reactor
- leading world class RPCVD technological development and reinforcing the company's intellectual property position
- strengthening of the commercial focus
- establishing business development capability and industry presence

## ***Site Opening***

Undoubtedly the primary accomplishment this year was the commissioning of BLG's first commercial scale reactor and official opening of our pilot manufacturing plant and headquarters in July 2008. If you were unable to attend, a short video of the event will soon be available for download from our website.

To recap the highlights:

The Silverwater premises were officially opened on 17 July 2008 by the Hon Peter Garrett, AM, MP Minister for the Environment, Heritage and the Arts and the event was attended by over 100 people (including shareholders, stakeholders and media).

We were proud to show off our dedicated and fully operational 1,260m<sup>2</sup> manufacturing facility which consists of:

- a Class 1000 cleanroom with full device processing capability
- a Class 100,000 laboratory housing the RPCVD deposition equipment, and
- full mechanical workshop
- ancillary offices, boardroom, warehouse and reception area.

BluGlass is now in a position to demonstrate the commercial capability of our cost-cutting technology as we pursue sales to global lighting industry majors and semi-conductor makers. More on that later in this report.

The commercial reactor is currently being performance tested and the data is being evaluated by a tier one, vertically integrated electronics manufacturer as well as a number of other industry players. The next steps are 1) to establish robust process systems and 2) to supply samples that meet the highest specifications for testing by overseas manufacturers. This is the current focus of the technical team.

The newly established Technology Council brings external industry expertise to boost BluGlass' pool of high-tech specialists. Headed by eminent authority, Professor Chennupati Jagadish, a specialist in semiconductor optoelectronics and nanotechnology, the Council is already making significant progress supporting BluGlass' transition to a commercial growth phase.

Unfortunately, as reported, Dr. Scott Butcher stepped down from the CTO role in September for health reasons and has since resigned from the company. BluGlass would like to thank Dr. Butcher for his contribution to the organisation and wish him well for the future.

## ***Key Markets***

RPCVD is potentially suitable for any nitride based III/V electronic devices including LEDs, solar cells and power electronics.

Our initial focus is on high brightness LEDs because of the significant energy and cost savings that BluGlass' process is expected to deliver for next-generation LED lighting products. An independent analysis of the technology has found that cost savings of more than 48% could be achieved at the wafer

level (Wright, Williams and Kelly, 2007). Right now, 95% of LED use is in non-lighting technologies such as mobile appliances but within the next decade or two, every single light on this planet will move to LED technology, so interest in our process is strong.

BluGlass's low cost manufacture of GaN could allow LEDs into mass markets. BluGlass intends to sell its own reactors, license its technology and earn royalties from the LED chips that its clients produce.

### ***IP and technology developments***

Industry adoption of new technology takes time to build momentum and while BluGlass is actively marketing, we are also continuing leading edge technology development.

The Company has successfully leveraged government grants to support its technical program. A \$5m Commercial Ready Grant awarded last year to help expedite the development of the commercial tool is ahead of scheduled milestones. An ARC Linkage grant of \$450,000 will enable BluGlass to further enhance our plasma technology capability by pulling on resources from leading research institutions, including Macquarie University and the Australian National University. In our latest newsletter out this week, Professor Rod Boswell at the ANU talks further about our plasma source development.

BluGlass has also designed and developed peripheral equipment that includes innovative measurement tools that have commercial potential, including the "Micro Uv Vis" – for measuring film thickness and band gap, together with a custom built probe station for elector and optical characterisation.

The IP portfolio now comprises four patents lodged: three in international filing and one accepted in the USA, South Africa and Singapore. The most recently filed patent is of high significance. It encompasses recent improvements in the Gallium Nitride (GaN) material that have allowed photoluminescence intensities (a measure of material quality) of up to 20 times higher than that of some other commercially available samples. The filing of this patent will allow BluGlass to now discuss in greater detail aspects of this breakthrough in technology with its potential customer base. Until now even the results of this breakthrough had to be maintained as a closely guarded secret.

In addition to the commercial reactor, a small scale reactor has been designed to exploit a lucrative niche market and is considered an important market stimulator and enabler for the commercial scale reactor.

### ***Current state-of-play***

#### *Who are we speaking to?*

Our largest target market is Asia and we have been talking to all the major players in that region - especially in Taiwan, Korea, China and Malaysia. Agents have been appointed in Asia to act on

our behalf, maintaining our relationships and to help push deals forward. Multiple opportunities are also being actively explored in the USA, Japan and in Europe.

BluGlass continues to work with key strategic global partners such as St. Gobain in France, whilst developing other strategic supplier, technology and business development partnerships in North America and Europe to assist with future global expansion.

Awareness of the technology is building – BluGlass has recently been featured in the Asian press (Nikkei Business Press Oct 2008). Throughout the year BluGlass has appeared in a wide range of domestic and international media showcasing the unique RPCVD technology.

BluGlass is very active in the key nitrides and LED conferences around the world, profiling RPCVD technology and meeting with future customers, suppliers and industry colleagues. Conferences attended include;

- Blue 2008, Taiwan
- IWM (Nitrides workshop) 2008, Montreux, Switzerland
- Strategies in Light 2008, Santa Clare, Silicon Valley
- International Conference on Electronic Materials 2008, Sydney
- The Key Conference 2008, Key West, Florida
- Photonics Industry & Technology Development Association, Nov 2007, Taiwan

### ***Outlook***

Over the next 12 months BluGlass will continue on its path to commercialisation as well as enhancing RPCVD technology. Over the next 12 months BluGlass expects to;

- Complete the process development
- Provide samples to key potential customers
- Invite prospective customers from Asia and North America to the BluGlass facilities for live demonstrations
- Develop strategic partnerships and explore potential for joint ventures
- Execute license deals and equipment sales

### ***In Summary***

The prospects for BluGlass for 2009 are very bright, especially as we are fast approaching the final technology hurdles for proving the commercial viability of the RPCVD process. We are extremely lucky to have a very talented team from all corners of the world dedicated to the success of our technology and company.

We look forward to a very prosperous 2009.