

Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2008

Corresponding period was the six months ended 31 December 2007

Results for announcement to the market

RESULTS				
			%	\$A
Revenues from ordinary activities	Down	65	to	625,233
Profit/(Loss) from ordinary activities after tax attributable to members	Down	209	to	(2,740,650)
Profit/(Loss) for the period attributable to members	Down	209	to	(2,740,650)

EPS

Earnings per Security (cents per share)	31 Dec 2008	31 Dec 2007
Basic loss per share (cents per share)	(1.64) cents	(0.54) cents
Diluted loss per share (cents per share)	(1.64) cents	(0.54) cents

Net Tangible Asset Backing

	31 Dec 2008	31 Dec 2007
Per Ordinary Security (cents per share)	5.49 cents	7.83 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

Name of entity (or group of entities)	NIL
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Loss of control of entities having material effect

Name of entity (or group of entities)	NIL
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Details of associates and joint venture entities

Name of entity (or group of entities)	NIL
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This report is based on the Half Year Financial Report which has been subject to review by the Auditors. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the Half Year Financial Report and the 30 June 2008 Annual Financial Report.

BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

**Financial Report for the Half Year Ended
31 December 2008**

BLUGLASS LIMITED ABN 20 116 825 793 and Controlled Entities

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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 2008.

Directors

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

Dr Michael Taverner

Mr Gregory Cornelsen

Mr Chandra Kantamneni

Mr George Venardos (Appointed 10th December 2008)

Mr John Riedl (Appointed 10th December 2008)

Mr David Jordan (Resigned 16th September 2008)

Principal Activities

The principal activities of the consolidated entity during the half year were:

The commercialisation of novel technology for the manufacture of epitaxially grown gallium nitride on low cost substrates at low temperature.

No significant changes in the nature of the principal activities occurred during the half year.

Operating Results

The consolidated loss amounted to \$(2,740,650) for the half year ended 31 December 2008. This result is in line with budget forecasts for the period. BluGlass has a strong balance sheet and no debt. The cash position at 31 December 2008 was \$3,671,110. With this available cash and the addition of over \$2 million of approved grant funding available, BluGlass is in a reasonable position to fund working capital and the research programme. The Directors expect that following the proof of the technology, additional funding will be sought from the capital markets.

Dividends Paid or Recommended

No dividends were paid or declared during the period.

Review of Operations

- In July 2008, BluGlass commissioned the first full scale commercial reactor and the newly built cleanroom at the Silverwater NSW facility. The commercial reactor is mechanically operational and is undergoing performance testing and process improvement.
- Also in July, the Board appointed Mr Giles Bourne as Chief Executive Officer.
- BluGlass was pleased to announce the formation of the Technology Council to drive the research programme and the technology. The Technology Council brings together internal expertise with external consultants under a formal reporting structure. It replaces the Technology Advisory Committee.
- BluGlass RPCVD technology has made significant progress during the last six months. The facility has been operating up to three shifts per day to fast track commercial quality sample production.
- BluGlass has completed the design of a new hybrid reactor called the BLG150. This will feature the latest RPCVD technology.
- BluGlass continues to achieve in the global marketplace. BluGlass personnel have presented at key global marketing and technology conferences to build industry contacts and to raise global awareness of the RPCVD technology.
- BluGlass entered into negotiation and documentation with CNT International who were subsequently appointed as BluGlass sole agents and distributors for Korea. BluGlass also approved Itochu Plastics as the sole agent and distributor in Japan. Both Japan and Korea are the most significant countries in LED research, development and production.

DIRECTORS' REPORT

- BluGlass has continued to develop its relationships with leading Australian Universities and was pleased to announce an ARC Linkage grant with the University of Technology Sydney and a joint collaboration ARC Linkage grant with Macquarie University and the Australian National University. These programmes will assist BluGlass to further enhance its breakthrough technology.
- BluGlass continues to place importance on domestic and international grant funding and is vigorously pursuing additional grant assistance for its technology and commercial development. BluGlass has recently submitted an application for a Climate Ready Grant to assist with further research of RPCVD applications.
- In December 2008, the Chairman welcomed Mr John Riedl and Mr George Venardos as new non-executive directors to the Board.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half year ended 31 December 2008.

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



Michael Taverner
Chairman



Gregory Cornelsen
Director

Dated this 25th day of February 2009

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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 2008, 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 NSW
Chartered Accountants



N J Bradley
Partner

Sydney, 25 February 2009

BLUGLASS LIMITED ABN 20 116 825 793 and Controlled Entities

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated Group	
	31.12.2008	31.12.2007
	\$	\$
Revenue	625,233	1,773,247
Employee benefits expense	(1,317,783)	(941,108)
Professional fees	(23,700)	(72,345)
Board and Secretarial fees	(130,916)	(161,459)
Corporate compliance & Legal expenses	(79,173)	(62,526)
Consultant fees	(429,518)	(455,395)
Rent expense	(109,850)	(108,400)
Travel and accommodation expense	(104,498)	(140,303)
Marketing expense	(106,349)	(102,030)
Research expense	(174,001)	(172,400)
Depreciation expense	(716,317)	(206,721)
Finance costs	-	-
Other expenses	(173,778)	(238,050)
Loss before income tax	(2,740,650)	(887,490)
Income tax expense	-	-
Loss attributable to members	(2,740,650)	(887,490)
Basic loss per share (cents per share)	(1.64)	(0.54)
Diluted loss per share (cents per share)	(1.64)	(0.54)
Dividends per share (cents)	N/A	N/A

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

BLUGLASS LIMITED ABN 20 116 825 793 and Controlled Entities

BALANCE SHEET AS AT 31 DECEMBER 2008

	Consolidated Group	
	31.12.2008	30.06.2008
ASSETS	\$	\$
Current Assets		
Cash and cash equivalents	3,671,110	6,043,897
Trade and other receivables	103,598	271,233
Inventory	125,843	133,615
Other current assets	147,925	89,495
TOTAL CURRENT ASSETS	4,048,476	6,538,240
Non-Current Assets		
Property, plant and equipment	5,579,542	5,703,169
Intangible assets	12,130,080	12,130,080
TOTAL NON-CURRENT ASSETS	17,709,622	17,833,249
TOTAL ASSETS	21,758,098	24,371,489
LIABILITIES		
Current Liabilities		
Trade and other payables	397,436	658,834
Short-term provisions	68,368	105,348
TOTAL CURRENT LIABILITIES	465,804	764,182
Long-term provisions	15,833	-
TOTAL NON-CURRENT LIABILITIES	15,833	-
TOTAL LIABILITIES	481,637	764,182
NET ASSETS	21,276,461	23,607,307
EQUITY		
Issued capital	27,031,696	27,006,696
Reserves	2,301,624	1,916,820
Accumulated Losses	(8,056,859)	(5,316,209)
TOTAL EQUITY	21,276,461	23,607,307

The balance sheet should be read in conjunction with the following notes.

BLUGLASS LIMITED ABN 20 116 825 793 and Controlled Entities

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Issued Capital	Accumulated losses	Option Reserve	Total
	\$	\$	\$	\$
Consolidated Entity				
Balance at 1 July 2007	26,421,142	(2,629,342)	1,631,428	25,423,228
Net income recognised directly in equity	-	-	-	-
Loss attributable to members	-	(887,490)	-	(887,490)
Total recognised income and expense	26,421,142	(3,516,832)	1,631,428	24,535,738
Shares issued during the year	550,000	-	-	550,000
Stock options issued	-	-	64,023	64,023
Balance at 31 December 2007	26,971,142	(3,516,832)	1,695,451	25,149,761
Balance at 1 July 2008	27,006,696	(5,316,209)	1,916,820	23,607,307
Net Income recognised directly in equity	-	-	-	-
Loss attributable to members	-	(2,740,650)	-	(2,740,650)
Total recognised income and expense	27,006,696	(8,056,859)	1,916,820	20,866,657
Shares issued during the year	25,000	-	-	25,000
Stock options issued	-	-	384,804	384,804
Balance at 31 December 2008	27,031,696	(8,056,859)	2,301,624	21,276,461

The statement of changes in equity should be read in conjunction with the following notes

BLUGLASS LIMITED ABN 20 116 825 793 and Controlled Entities

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated Group	
	31.12.2008	31.12.2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants	468,239	1,575,838
Interest & other income received	156,994	304,667
Payments to suppliers and employees	(2,480,612)	(2,502,027)
Finance costs	-	-
Net cash used in operating activities	(1,855,379)	(621,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(542,408)	(2,193,405)
Proceeds from acquisition of subsidiary	-	-
Net cash used in investing activities	(542,408)	(2,193,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	25,000	550,000
Share issue costs	-	-
Net cash provided by financing activities	25,000	550,000
Net decrease in cash held	(2,372,787)	(2,264,927)
Cash at 1 July	6,043,897	11,676,356
Cash at 31 December	3,671,110	9,411,429

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Bluglass Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 30 June 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs.

Note 1: Loss for the period

	Consolidated Group	
	31.12.2008	31.12.2007
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Grant revenue	468,239	1,575,838

Note 2: Dividends

There were no dividends paid or declared during the period.

Note 3: Segment reporting

The consolidated group operates and reports predominantly in one business and geographic segment being the commercialisation of the RPCVD process of gallium nitride (GaN) deposition in Australia.

Note 4: Acquisition and Disposal of Subsidiaries and Restructuring

There were no acquisitions, disposals of subsidiaries or any restructuring completed during the period.

Note 5: Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 6: Events subsequent to reporting date

There were no subsequent events to reporting date.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 6 to 10 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the consolidated group;
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 **Michael Taverner**

Dated this 25th day of February 2009



Director **Gregory Cornelsen**

Dated this 25th day of February 2009

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BLUGLASS LIMITED

We have reviewed the accompanying half-year financial report of BluGlass Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports 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 financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF BLUGLASS LIMITED (cont)

Auditor's responsibility (cont)

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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON NSW
Chartered Accountants



N J Bradley
Partner

Sydney, 25 February 2009