

Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2009

Corresponding period was the six months ended 31 December 2008

Results for announcement to the market

RESULTS					
		\$A	%		\$A
Revenues from ordinary activities	Down	331,153	53	to	294,080
Loss from ordinary activities after tax attributable to members	Up	447,322	16	to	(3,187,972)
Loss for the period attributable to members	Up	447,322	16	to	(3,187,972)

EPS

Earnings per Security (cents per share)	31 Dec 2009	31 Dec 2008
Basic loss per share (cents per share)	(1.70) cents	(1.64) cents
Diluted loss per share (cents per share)	(1.70) cents	(1.64) cents

Net Tangible Asset Backing

	31 Dec 2009	31 Dec 2008
Per Ordinary Security (cents per share)	4.32 cents	5.49 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 Interim Financial Report for the Half Year Ended 31 December 2009 and the 30 June 2009 Annual Financial Report.



BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

**Interim Financial Report for the Half Year Ended 31
December 2009**



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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 2009.

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

Dr Alan Li (Appointed 13th November 2009)

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 on low cost substrates at low temperature. BluGlass commenced activities in developing a high efficiency nitride solar cell prototype.

There were no significant changes in the nature of the consolidated entity's principle activities during the half year.

Operating Results

The consolidated loss amounted to \$3,187,972 for the half year ended 31 December 2009. This result is in line with budget forecasts for the period. BluGlass has a strong balance sheet and no debt. The cash position at 31st December 2009 was \$3,285,955. In addition to this available cash, BluGlass has access to over \$5 million of approved grant funding over the next 33 months.

Dividends Paid or Recommended

No dividends were paid or declared during the period.

Review of Operations

During the half year; advances have been made in the enhancement and optimisation of the RPCVD technology and its path to commercialisation. In particular, BluGlass has been able to expand its operations considerably as effort is being directed to the development of photovoltaic cells based on the RPCVD technology compliment the RPCVD LED technology.

In July BluGlass announced that it had received capital raising commitments from existing shareholders, institutional and sophisticated investors to raise a total of \$4.247 million, before costs. The capital raising has been undertaken by corporate adviser Lodge Corporate Pty Ltd and was made pursuant to the Company's 15% placement capability. The new funds are being used to expand the Company's development and commercialisation of it's RPCVD technology for LED and solar cell applications.

This expansion has already enabled the following:

- In October, Dr Ian Mann (PhD, MBA, BEng, GAICD) joined the company as the Chief Operations and Technology Officer to manage and implement the BluGlass technology roadmap. Ian brings a wealth of knowledge to the team with vast experience in transitioning R&D projects to commercialisation and production.
- Also in October BluGlass won \$4.95 million cash matched government backing under the Climate Ready program to assist with the development and commercialisation of its high efficiency thin-film solar cell technology. The associated project will move BluGlass towards deposition of Indium Gallium Nitride (InGaN). To assist with the commercialisation of this exciting new direction, BluGlass is actively seeking a suitable strategic partner to jointly develop this promising technology.
- In November, BluGlass strengthened its board with the appointment of Dr. Alan Li as a Non Executive Director. Dr. Li has 15 years experience in the LED industry holding a number of senior positions in semiconductor lighting and optoelectronics materials in China and Taiwan. He is currently General Manager and CTO of Rainbow Optoelectronics Materials (Shanghai) Co., Ltd and is a co-inventor of more than 37 optoelectronics patents. Dr. Li has also been a board member of FangDa Guoke Optronics, part of the FangDa Group Co.

DIRECTORS' REPORT

- BluGlass has now installed a third RPCVD deposition tool that will be fully operational in March 2010. This tool is fully automated and will add a further 30% tool capacity to the company's Silverwater facility which will significantly enhance the development and commercialisation program.
- In addition to hiring a new Chief Operations and Technology Officer and Director, BluGlass has also added skilled staff members to its research and engineering teams.
- BluGlass continues to grow its IP portfolio with its continual development and an additional patent application was filed in the half year. During the period, key patents have been granted in the USA, Japan, Singapore, Russia and Australia.
- BluGlass' technical and commercial staff continues to represent the technology and attend key industry conferences around the globe meeting potential customers and partners. Of particular note was our invitation to speak alongside Aixtron, Phillips Lumileds and Strategies Unlimited at the prestigious Semicon West forum in the USA to discuss lowering the cost of high power LEDs and the RPCVD technology.
- BluGlass also continues to work closely with leading Australian universities such as Macquarie, ANU and UTS under the ARC linkage grant program.
- As at 30 June 2009, the Directors had the value of acquired IP revalued and written down to accordingly reflect the normal impairment of the asset. As at December 31, the Directors are satisfied that no further impairment to this asset is required.

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 2009 and forms part of this report.

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



Michael Taverner
Chairman



George Venardos
Director

Dated this 25th day of February 2010

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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 2009, 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



N.J. Bradley
Director – Audit & Assurance Services

Sydney, 25 February 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$	\$
Revenue	2	294,080	625,233
Employee benefits expense		(962,671)	(932,979)
Professional fees		(22,440)	(23,700)
Board and secretarial fees		(120,519)	(130,916)
Corporate compliance & legal expenses		(184,459)	(79,173)
Consultant fees		(441,027)	(429,518)
Rent expense		(105,477)	(109,850)
Travel and accommodation expense		(83,766)	(104,498)
Marketing expense		(32,906)	(106,349)
Engineering, consumable & repairs expense		(116,215)	(174,001)
Depreciation expense		(872,264)	(716,317)
Option expense		(206,600)	(384,804)
Other expenses		(333,708)	(173,778)
Loss before income tax		(3,187,972)	(2,740,650)
Income tax expense		-	-
Loss for the period		(3,187,972)	(2,740,650)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the parent entity		(3,187,972)	(2,740,650)
Earnings per share			
Basic loss per share (cents per share)		(1.70)	(1.64)
Diluted loss per share (cents per share)		(1.70)	(1.64)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	30.06.2009
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	3,285,955	2,174,918
Inventory	249,292	156,397
Other current assets	307,473	219,192
TOTAL CURRENT ASSETS	3,842,720	2,550,507
Non-Current Assets		
Property, plant and equipment	4,986,737	5,270,421
Intangible assets	8,695,000	8,695,000
TOTAL NON-CURRENT ASSETS	13,681,737	13,965,421
TOTAL ASSETS	17,524,457	16,515,928
LIABILITIES		
Current Liabilities		
Trade and other payables	209,168	249,921
Short-term provisions	170,992	124,789
TOTAL CURRENT LIABILITIES	380,160	374,710
Non-current Liabilities		
Long-term provisions	141,139	141,139
TOTAL NON-CURRENT LIABILITIES	141,139	141,139
TOTAL LIABILITIES	521,299	515,849
NET ASSETS	17,003,158	16,000,079
EQUITY		
Issued capital	31,108,647	27,124,196
Reserves	2,841,972	2,635,372
Accumulated Losses	(16,947,461)	(13,759,489)
TOTAL EQUITY	17,003,158	16,000,079

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2008	27,006,696	1,916,820	(5,316,209)	23,607,307
Total comprehensive income for the period	-	-	(2,740,650)	(2,740,650)
Transactions with owners in their capacity as owners:				
Shares issued during the period	25,000	-	-	25,000
Stock options issued	-	384,804	-	384,804
Dividends paid or provided for	-	-	-	-
Balance at 1 December 2008	<u>27,031,696</u>	<u>2,301,624</u>	<u>(8,056,859)</u>	<u>21,276,461</u>
Balance at 1 July 2009	27,124,196	2,635,372	(13,759,489)	16,000,079
Total comprehensive income for the period	-	-	(3,187,972)	(3,187,972)
Transactions with owners in their capacity as owners:				
Shares issued during the period	4,223,455	-	-	4,223,455
Share transaction costs during the period	(239,004)	-	-	(239,004)
Stock options issued	-	206,600	-	206,600
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2009	<u>31,108,647</u>	<u>2,841,972</u>	<u>(16,947,461)</u>	<u>17,003,158</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated Group	
	31.12.2009	31.12.2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants	239,816	468,239
Interest & other income received	54,264	156,994
Payments to suppliers and employees	(2,562,939)	(2,480,612)
Net cash used in operating activities	(2,268,859)	(1,855,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(604,555)	(542,408)
Net cash used in investing activities	(604,555)	(542,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	4,223,455	25,000
Share issue costs	(239,004)	-
Net cash provided by financing activities	3,984,451	25,000
Net increase/(decrease) in cash held	1,111,037	(2,372,787)
Cash and cash equivalents at beginning of period	2,174,918	6,043,897
Cash and cash equivalents at end of period	3,285,955	3,671,110

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 1: Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim 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 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard.
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items. We have determined that only one comparative period for the Statement of Financial Position was required for the current reporting period, as the application of the new standards has not impacted the historical financial position which was previously reported.

Operating Segments

AASB 8 is applicable from 1 July 2009 and requires that operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report need to be included. However, the Group currently operates in the semi-conductor sector in Australia. Therefore the Group only has a single operating segment where segment information is disclosed on the basis of regular internal Board reports. Therefore no additional Operating Segment reporting is required in this interim financial report.

Business Combination and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. The Group has not acquired any entities since that time and the adoption of this Standard has no impact in this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 1: Basis of Preparation (cont.)

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Going Concern

Notwithstanding the net loss for the half-year and the accumulated losses for the company and the consolidated entity, the directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the company and consolidated entity. The directors have prepared the financial statements on a going concern basis, as the directors have a number of strategies in progress to generate revenues from operations and maintain the company in a cashflow positive position. These strategies for which the outcome is currently uncertain include securing further grant funding, sale of equipment, possible joint ventures to further develop the technology, other research partners and additional capital raisings.

Note 2: Loss for the Period

	Consolidated Group	
	31.12.2009	31.12.2008

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Grant revenue	239,816	468,239
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Note 3: Dividends

There were no dividends paid or declared during the period.

Note 4: Business Combinations

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

Note 5: Operating Segments

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

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 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 6 to 11 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 2009 and of the performance for its performance for the 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 **Michael Taverner**

Dated this 25th day of February 2009



Director **George Venardos**

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 (the Company) which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the company and the entities it controlled at the half-year's end or from time to time during the 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 controls 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 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 2009 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.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$3,187,972 for the half year ended 31 December 2009 and negative cash flows from operations. These conditions, along with other matters as disclosed in Note 1, indicate the existence of a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Independence

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

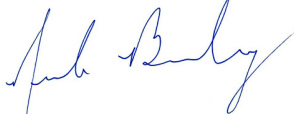
Conclusion

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 2009 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 AUDIT PTY LTD
Chartered Accountants



NJ Bradley
Director – Audit & Assurance Services

Sydney, 25 February 2010