

BluGlass Limited and Controlled Entities Appendix 4E

Preliminary Final Report for the Financial Year ended 30 June 2007

ABN: 20 116 825 793

Results for Announcement to the Market

Revenue and Net Profit				
Revenues from ordinary activities	up	12497%	to	\$1,059,826
Loss from ordinary activities after tax attributable to members	down	477%	to	(\$2,241,150)
Net loss for the period attributable to members	down	477%	to	(\$2,241,150)

Dividends

No dividends were announced during the year

BLUGLASS LIMITED AND CONTROLLED ENTITIES
RESULT FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

The group incurred a loss over the year as forecast in the Prospectus. However significant advances have been made in terms of technology development and progress towards commercial demonstration.

Key developments include -

- Signing of a Joint Development Agreement with St Gobain (a very large French based multinational glass and special materials group) addressing optimization of special substrates suited to the BluGlass RPCVD gallium nitride deposition process.
- Signing of a development contract with EMF Semiconductor Systems in Ireland to construct a commercial scale RPCVD reactor to demonstrate the commercial potential of the BluGlass process.
- Fabrication of the first GaN p-n and heterojunction LED on buffered glass and synthetic sapphire, with demonstrated electroluminescence.
- Demonstration of uniform electroluminescent GaN deposition by the BluGlass RPCVD process on 4" and 6" buffered glass.
- Completion of external expert competitive cost of product modeling demonstrating the cost advantage of the BluGlass process at the wafer level.
- Relocation of all Macquarie University based research and semiconductor device fabrication equipment to new facilities at Silverwater NSW following the completion of Phase 1 of the site development including a laboratory, machine room, laser room and office by M+W Zander.
- Engagement of several expert global staff or consultants to assist the commercial equipment phase of the program. Key appointments include Professor Rod Boswell, an expert in plasma based processing equipment, and Conor Martin, a European based reaction chamber modeling expert with many years experience with the global leading equipment manufacturer in this industry.
- Dialogue with key players in all aspects of the industry, including equipment and materials suppliers, and major global manufacturers.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
Revenue	1,059,826	8,413	751,479	8,413
Expenses:				
Employee Benefits Expense	(1,128,425)	-	(697,908)	-
Professional Fees	(96,873)	-	(96,873)	-
Board and Secretarial	(177,381)	-	(177,381)	-
Corporate Compliance and Legal	(210,079)	(43,514)	(210,079)	(43,514)
Consultant Fees	(820,104)	(307,474)	(739,960)	(307,474)
Rent	(118,020)	-	(118,020)	-
Travel and Accommodation	(96,480)	(45,440)	(96,480)	(45,440)
Marketing Expenses	(135,467)	-	(135,467)	-
Research Expenses	(188,681)	-	(188,681)	-
Depreciation and Amortisation Expense	(72,562)	-	(72,562)	-
Other Expenses	(256,904)	(177)	(256,651)	(177)
Profit Before Income Tax	(2,241,150)	(388,192)	(2,038,583)	(388,192)
Income Tax Expense	-	-	-	-
Profit attributable to members	(2,241,150)	(388,192)	(2,038,583)	(388,192)
Overall Operations				
Basic loss per share (cents per share)	(1.61)	(0.65)		
Diluted loss per share (cents per share)	(1.61)	(0.65)		
Dividends per share (cents)	N/A	N/A		

The accompanying notes form part of these financial statements.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET AS AT 30 JUNE 2007
ABN: 20 116 825 793

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	11,676,356	2,070,053	11,672,136	2,070,053
Trade and other receivables	304,966	32,322	302,862	32,322
Financial assets	-	-	12,264,805	-
Other current assets	90,414	1,337	90,325	1,337
TOTAL CURRENT ASSETS	12,071,736	2,103,712	24,330,128	2,103,712
NON-CURRENT ASSETS				
Property, plant and equipment	1,931,262	-	1,929,144	-
Intangible assets	12,130,080	-	-	-
TOTAL NON-CURRENT ASSETS	14,061,342	-	1,929,144	-
TOTAL ASSETS	26,133,078	2,103,712	26,259,272	2,103,712
CURRENT LIABILITIES				
Trade and other payables	574,693	124,028	561,246	124,028
Short-term provisions	135,157	-	72,231	-
TOTAL CURRENT LIABILITIES	709,850	124,028	633,477	124,028
TOTAL LIABILITIES	709,850	124,028	633,477	124,028
NET ASSETS	25,423,228	1,979,684	25,625,795	1,979,684
EQUITY				
Issued capital	26,421,142	2,367,876	26,421,142	2,367,876
Reserves	1,631,428	-	1,631,428	-
Retained earnings	(2,629,342)	(388,192)	(2,426,775)	(388,192)
TOTAL EQUITY	25,423,228	1,979,684	25,625,795	1,979,684

The accompanying notes form part of these financial statements.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

	Ordinary Shares	Retained Earnings	Option Reserve	Total
Consolidated Group				
Balance at 1 July 2005	-	-	-	-
Loss attributable to members		(388,192)		(388,192)
Total recognised income and expense for the period	-	(388,192)	-	(388,192)
Shares issued during the year	2,417,320	-	-	2,417,320
Share issue costs	(49,444)	-	-	(49,444)
Balance at 30 June 2006	2,367,876	(388,192)	-	1,979,684
Loss attributable to members	-	(2,241,150)	-	(2,241,150)
Total recognised income and expense for the period	-	(2,241,150)	-	(2,241,150)
Shares issued during the year	24,634,199	-	-	24,634,199
Share issue costs	(580,933)	-	-	(580,933)
Stock options issued	-	-	1,631,428	1,631,428
Balance at 30 June 2007	26,421,142	(2,629,342)	1,631,428	25,423,228

The accompanying notes form part of these financial statements.

Parent Entity				
Balance at 1 July 2005	-	-	-	-
Loss attributable to members	-	(388,192)	-	(388,192)
Total recognised income and expense for the period	-	(388,192)	-	(388,192)
Shares issued during the year	2,417,320	-	-	2,417,320
Share issue costs	(49,444)	-	-	(49,444)
Balance at 30 June 2006	2,367,876	(388,192)	-	1,979,684
Loss attributable to members	-	(2,038,583)	-	(2,038,583)
Total recognised income and expense for the period	-	(2,038,583)	-	(2,038,583)
Shares issued during the year	24,634,199	-	-	24,634,199
Share issue costs	(580,933)	-	-	(580,933)
Stock options issued	-	-	1,631,428	1,631,428
Balance at 30 June 2007	26,421,142	(2,426,775)	1,631,428	25,625,795

The accompanying notes form part of these financial statements.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	310,546	-	-	-
Interest received	675,163	8,413	686,317	8,413
Payments to suppliers and employees	(2,825,991)	(306,236)	(2,335,794)	(306,236)
Finance costs	-	-	-	-
Net cash used in operating activities	(1,840,282)	(297,823)	(1,649,477)	(297,823)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,003,824)	-	(2,001,706)	-
Cash acquired on purchase of subsidiary	197,143	-	-	-
Net cash provided by (used in) investing activities	(1,806,681)	-	(2,001,706)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	13,834,199	2,367,876	13,834,199	2,367,876
Share issue costs	(580,933)	-	(580,933)	-
Net cash provided by (used in) financing activities	13,253,266	2,367,876	13,253,266	2,367,876
Net increase in cash held	9,606,303	2,070,053	9,602,083	2,070,053
Cash at beginning of financial year	2,070,053	-	2,070,053	-
Cash at end of financial year	11,676,356	2,070,053	11,672,136	2,070,053

The accompanying notes form part of these financial statements.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

Basis of Preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies applied are consistent with those applied in the 2006 annual report.

There have been no changes in these accounting policies.

This report is based on accounts that are in the process of being audited.

Revenue

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other Revenue				
— interest received	749,863	8,413	751,479	8,413
— other revenue (Aus Industry Grant)	309,963	-	-	-
Total Other Revenue	1,059,826	8,413	751,479	8,413
Other Income				
Interest revenue from:				
— other persons	749,863	8,413	751,479	8,413
Total interest revenue	749,863	8,413	751,479	8,413

IPO Expenses

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
— Expenses directly related to the IPO were:				
— Printing and publication of prospectus	34,275	-	34,275	-
— Legal	36,049	-	36,049	-
— Consulting	187,869	-	187,869	-
— Accounting services	20,000	-	20,000	-
— ASX listing fees	48,343	-	48,343	-
	326,536	-	326,536	-

Earnings per Share

	Consolidated Group	
	2007	2006
	\$	\$
(a) Profit	(2,241,150)	(388,192)
	No.	No.
Weighted average number of ordinary shares outstanding during the year	138,985,055	59,404,002
(c) Earnings per share (cents per share)	(1.61)	(0.65)

Net tangible assets per security

	Consolidated Group	
	2007	2006
	\$	\$
(a) Net tangible assets	13,293,148	1,979,684
	No.	No.
(b) Ordinary shares outstanding at 30 June 2007	163,610,196	59,404,002
(c) Net tangible assets per share (cents per share)	8.12	3.33

BLUGLASS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	11,572,036	2,063,380	11,567,816	2,063,380
Short-term bank deposits	102,829	6,673	102,829	6,673
Petty Cash	1,491	-	1,491	-
	<u>11,676,356</u>	<u>2,070,053</u>	<u>11,672,136</u>	<u>2,070,053</u>

The effective interest rate on short-term bank deposits was 5.15%; these deposits have an average maturity of 14 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	11,676,356	2,070,053	11,672,136	2,070,053
Bank overdrafts	-	-	-	-
	<u>11,676,356</u>	<u>2,070,053</u>	<u>11,672,136</u>	<u>2,070,053</u>

Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Trade receivables	74,700	32,322	64,144	32,322
	<u>74,700</u>	<u>32,322</u>	<u>64,144</u>	<u>32,322</u>
Term receivables				
— GST Paid Net of GST Received	225,739	-	233,173	-
	<u>225,739</u>	<u>-</u>	<u>233,173</u>	<u>-</u>
Amounts receivable from:				
— wholly-owned subsidiaries	-	-	1,018	-
— key management personnel	4,527	-	4,527	-
	<u>304,966</u>	<u>32,322</u>	<u>302,862</u>	<u>32,322</u>

Intangibles

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Purchased in-process research	12,130,080	-	-	-

Controlled Entities

(a) **Controlled Entities Consolidated**

Parent Entity:
BLUGLASS LIMITED
Ultimate Parent Entity:

Subsidiaries of BLUGLASS LIMITED:
Gallium Enterprises Pty Limited

Country of Incorporation	Percentage Owned (%)*	
	2007	2006
Australia	-	-
Australia	100.00%	-

* Percentage of voting power is in proportion to ownership

(b) **Acquisition of Controlled Entities**

On September 21 2006, the parent entity acquired 100% of Gallium Enterprises Pty Ltd, with Bluglass Limited entitled to all profits earned from 21st September 2006 for a purchase consideration of \$12,264,805.

BLUGLASS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
ABN: 20 116 825 793

Trade and Other Payables

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	296,578	92,204	296,578	92,204
Sundry payables and accrued expenses	134,033	31,824	120,426	31,824
Amounts payable to:				
— other related parties	142,649	-	142,649	-
— Suspense	1,433	-	1,593	-
	<u>574,693</u>	<u>124,028</u>	<u>561,246</u>	<u>124,028</u>

Cash Flow Information

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	(2,241,150)	(388,192)	(2,038,583)	(388,192)
Non-cash flows in profit				
Amortisation				
Depreciation	72,562	-	72,562	-
Write-off of capitalised expenditure				
Share options expensed	166,623		166,623	
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase) in trade and term receivables	(272,644)	-	(270,540)	-
(Increase) in prepayments	(89,077)	(3,055)	(88,988)	(3,055)
Increase in trade payables and accruals	388,247	93,424	437,218	93,424
Increase in provisions	135,157		72,231	
Cash flow used in operations	<u>(1,840,282)</u>	<u>(297,823)</u>	<u>(1,649,477)</u>	<u>(297,823)</u>

(d) **Acquisition of Entities**

During the year 100% of the controlled entity Gallium Enterprises was acquired. Details of this transaction are:
Purchase consideration - Issue of shares

12,264,805	-	12,264,805	-
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Assets and liabilities held at acquisition date:

Cash	197,143	-	-	-
Intellectual property	12,130,080	-	-	-
Payables	(62,418)	-	-	-
	<u>12,264,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
Goodwill on consolidation	-	-	-	-
	<u>12,264,805</u>	<u>-</u>	<u>-</u>	<u>-</u>

Company Details

The registered office of the company is:
BLUGLASS LIMITED
74, ASQUITH STREET
SILVERWATER
NSW-2128

The principal place of BLUGLASS LIMITED is:
BLUGLASS LIMITED
74, ASQUITH STREET
SILVERWATER
NSW-2128