

Appendix 4D

Interim Report

BLUGLASS LIMITED

ACN

116825793

Six Months Ended

31 DECEMBER 2007

Corresponding period was the six months ended 31 December 2006

Results for announcement to the market

RESULTS

		%		\$
Revenues from ordinary activities	Up	276	to	1,733,247
Profit/(Loss) from ordinary activities after tax attributable to members	Down	9.4	to	(887,490)
Profit/(Loss) for the period attributable to members	Down	9.4	to	(887,490)

Net Tangible Asset Backing

31 Dec 2007

31 Dec 2006

Per Ordinary Security (cents per share)

7.83 cents

8.79 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

Loss of control of entities having material effect

Name of entity (or group of entities)

NIL

Details of associates and joint venture entities

Name of entity (or group of entities)

NIL

Description of any audit dispute or qualification

Description

Not Applicable

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 2007 Annual Financial Report.

BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

**Financial Report for the Half Year Ended
31 December 2007**

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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 2007.

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 David Jordan

Mr Chandra Kantamneni

Dr Peter Dodd (resigned 1 February 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 \$(887,490) for the half year ended 31 December 2007

Dividends Paid or Recommended

No dividends were paid or declared during the period.

Review of Operations

- The commencement of construction work for the semiconductor class clean room facility.
- Progression of the eighteen month Joint Development Agreement with St Gobain working cooperatively with BluGlass on developing specially engineered, low cost substrates for the RPCVD process.
- Design finalization, build and successful testing of the commercial scale RPCVD deposition chamber plasma source at the Australian National University and continuation of the build of the full commercial scale system in conjunction with the Ireland based EMF Semiconductor Systems.
- Delivery by the Technology team of high quality GaN layers as evidenced by photoluminescence, the equal of commercially available material and the demonstration of light emission (electroluminescence) in simple heterojunction LED devices approaching commercial levels of performance.
- Near completion of in-house capability for fabricating RPCVD GaN devices and advanced materials characterization and device performance analysis.
- Continual development and review of the BluGlass business plan and revenue modeling with investor and industry road shows conducted in the Australian and SE Asian Regions.
- Successful completion of the first milestone deliverables for the \$5M Federal Government AusIndustry Commercial Ready Grant resulting in the award of \$1.5M in December.
- Agreement with Lakehead University in Canada for the purchase of a Buglass R&D Reactor for installation in 2008.
- The employment of additional key personnel in the crystal growing, (Satyanarayan Barik) and device fabrication, (Yong Kim) technical areas.

DIRECTORS' REPORT

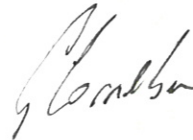
Auditor's Independence Declaration

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 2007.

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 2008

Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info@gtnew.com.au
W www.grantthornton.com.au

**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 and controlled entities for the half-year ended 31 December 2007, 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

GRANT THORNTON NSW
Chartered Accountants

N J Bradley

N J BRADLEY
Partner

Sydney

25 February 2008

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Group	
	31.12.2007	31.12.2006
	\$	\$
Revenue	1,773,247	471,077
Employee benefits expense	(941,108)	(331,185)
Professional fees	(72,345)	(52,552)
Board and Secretarial fees	(161,459)	(82,126)
Corporate compliance & Legal expenses	(62,526)	(126,044)
Consultant fees	(455,395)	(443,694)
Rent expense	(108,400)	(36,532)
Travel and accommodation expense	(140,303)	(9,891)
Marketing expense	(102,030)	(60,911)
Research expense	(172,400)	(38,919)
Depreciation expense	(206,721)	(22,722)
Finance costs	-	(6,717)
Other expenses	(238,050)	(70,690)
Loss before income tax	(887,490)	(810,906)
Income tax expense	-	-
Loss attributable to members	(887,490)	(810,906)
Basic loss per share (cents per share)	(0.54)	(0.7)
Diluted loss per share (cents per share)	(0.54)	(0.7)
Dividends per share (cents)	N/A	N/A

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

BALANCE SHEET AS AT 31 DECEMBER 2007

	Consolidated Group	
	31.12.2007	30.06.2007
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	9,411,429	11,676,356
Trade and other receivables	70,069	304,966
Inventory	25,000	-
Other current assets	149,932	90,414
TOTAL CURRENT ASSETS	9,656,430	12,071,736
Non-Current Assets		
Property, plant and equipment	3,917,946	1,931,262
Intangible assets	12,130,080	12,130,080
TOTAL NON-CURRENT ASSETS	16,048,026	14,061,342
TOTAL ASSETS	25,704,456	26,133,078
LIABILITIES		
Current Liabilities		
Trade and other payables	457,920	574,693
Short-term provisions	85,293	135,157
TOTAL CURRENT LIABILITIES	543,213	709,850
Long-term provisions	11,482	-
TOTAL NON-CURRENT LIABILITIES	11,482	-
TOTAL LIABILITIES	554,695	709,850
NET ASSETS	25,149,761	25,423,228
EQUITY		
Issued capital	26,971,142	26,421,142
Reserves	1,695,451	1,631,428
Retained earnings	(3,516,832)	(2,629,342)
TOTAL EQUITY	25,149,761	25,423,228

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 HALF YEAR ENDED 31 DECEMBER 2007

	Issued Capital	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Consolidated Group				
Balance at 1 July 2006	2,367,876	(388,192)	-	1,979,684
Net income recognised directly in equity	-	-	-	-
Loss attributable to members	-	(810,906)	-	(810,906)
Sub-total	2,367,876	(1,199,098)	-	1,168,778
Shares issued during the year	24,259,199	-	-	24,259,199
Share issue costs	(580,933)	-	-	(580,933)
Stock options issued	-	-	1,486,732	1,486,732
Balance at 31 December 2006	26,046,142	(1,199,098)	1,486,732	26,333,776
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)
Sub-total	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

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

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Group	
	31.12.2007	31.12.2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants	1,575,838	217,425
Interest received	304,667	265,005
Payments to suppliers and employees	(2,502,027)	(1,450,048)
Finance costs	-	(6,717)
Net cash used in operating activities	(621,522)	(974,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,193,405)	(214,284)
Proceeds from acquisition of subsidiary	-	197,143
Net cash used in investing activities	(2,193,405)	(17,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	550,000	13,040,765
Share issue costs	-	-
Net cash provided by financing activities	550,000	13,040,765
Net increase / (decrease) in cash held	(2,264,927)	12,049,289
Cash at 1 July 2007	11,676,356	2,070,053
Cash at 31 December 2007	9,411,429	14,119,342

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 2007

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 2007 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 2007 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: Profit for the period

	Consolidated Group	
	31.12.2007	31.12.2006
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Grant revenue	1,575,838	217,425

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: Contingent liabilities

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

Note 5: 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 5 to 11 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 2007 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.



Michael Taverner
Chairman



Gregory Cornelsen
Director

Dated this 25th day of February 2008



Grant Thornton

Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info@gtnew.com.au
W www.grantthornton.com.au

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Bluglass Limited (the Company) and the entities it controlled (the consolidated entity), which comprises the balance sheet as at 31 December 2007, 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 Bluglass Limited, the company and the entities it controlled 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 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 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 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 2007 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.



Grant Thornton

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 2007 and of its performance for the half-year ended on that date.
- 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 2008