



Bluechiip Limited

ABN 79 104 795 922

Appendix 4D

(ASX Listing Rule 4.2A.3)

Half-year Financial Report For the six-month period ended 31 December 2020

**Reporting period - 1 July 2020 to 31 December 2020
(Previous corresponding period - 1 July 2019 to 31 December 2019)**

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF-YEAR ENDED 31 DECEMBER 2020

PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The Appendix 4D should be read in conjunction with the half-year financial report for the six-month period ended 31 December 2020.

	Change	%	Half Year 31 December 2020	Half Year 31 December 2019
Net revenue from ordinary activities	Down	63.99%	50,870	\$141,251
Net loss after tax attributable to members	Down	8.63%	(\$2,034,156)	(\$2,226,379)

Dividends

It is not proposed to pay a dividend (2019: Nil).

There are no franked dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the 6 months ended 31 December 2020 (2019: Nil).

Net Tangible Assets per security

As at 31 December 2020: 1.38 cents

As at 31 December 2019: 2.07 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Cash Position

The Company is financially well supported with cash and cash equivalents of \$5.6m as at 31 December 2020, with no borrowings. The Company is awaiting approval for registration of the R&D Tax Incentive 2019/2020 and expects to receive refund of approximately \$1.6m on approval. Proforma 31 December cash on hand upon receipt of approximately \$1.6m in refund stands at \$7.2m. The Group's cash position is strong with a clear and significant runway. Management believes there is sufficient cash to absorb the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

Operating Results

For the half-year ended 31 December 2020, the Group reported revenue of \$50,870 (2019: \$141,251), a consolidated loss after providing for income tax of \$2,034,156 compared to a consolidated loss of \$2,226,379 for the half-year ended 31 December 2019. The consolidated net loss of \$2,034,156 represents 8.63% decline from consolidated net loss of \$2,226,379 for the half-year ended 31 December 2019. The Group's cash at bank was \$5,606,578 as at 31 December 2020 (30 June 2020: \$7,929,890).

Income

Sales during the half-year ended 31 December 2020 continue to be adversely affected by the global COVID-19 pandemic, nonetheless, the Company successfully delivered sales with revenue recognised from sales of the Group's products and licences received for the half-year was \$50,870 (2019: \$141,251) with receipts from customers of \$78,052 (2019: \$713,775). Other income for the half-year was \$1,164,011 (2019: \$1,038,363). Other income includes R&D Tax Incentive receivable of \$725,684 (2019: \$970,000) and Government JobKeeper and Cash-Flow Boost grants received of \$359,700 (2019: Nil) and Government JobKeeper grant receivable of \$48,889 (2019: Nil).

Expenses

During the half-year ended 31 December 2020, the Group made a provision to write down certain raw materials which has passed their technical shelf life with an amount of \$163,263 (2019: Nil) to their net realisable value. Included in the half-year result were total expenses for the period of \$3,249,037 (2019: \$3,405,993). The decline in expenses of 4.61% for the half-year result was largely attributable to a decrease in research and development expenses of \$244,809 to \$1,138,669 (2019: \$1,383,478) activities of which have been slightly affected by the lockdown imposed on the employees during the Covid-19 pandemic. Furthermore, there was a decline in the Group's business development and marketing activities, consequently, a decline in business development and marketing cost of 91.74% to \$10,804 (2019: \$130,793) activities of which have been hampered by border and travel restrictions arising from the Covid-19 pandemic.

Auditors Review Report

The review report prepared by the independent auditor Deloitte Touche Tohmatsu is not subject to any dispute or qualification.



Iain Kirkwood
Non-Executive Chairman

25 February 2021



Andrew McLellan
Managing Director



BLUECHIP LIMITED

ABN 79 104 795 922

**Half-year Financial Report
For the six-month period ended
31 December 2020**

Bluechiip Limited

ABN 79 104 795 922

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Bluechiip Limited

ABN 79 104 795 922

Corporate Information

Directors

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Andrew Cox	Non-Executive Director

Company Secretary

Mr Lee Mitchell

Registered office

1 Dalmore Drive
Caribbean Business Park
Scoresby Victoria 3179
Phone: +613 9763 9763
Fax: +613 9763 9764

Principal place of business

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Scoresby Victoria 3179
Phone: +613 9763 9763
Fax: +613 9763 9764

Share registry

Automatic Registry Services
Level 3, 50 Holt Street
Sydney NSW 2010
Phone: 1300 288 664 (local)
Phone: +612 9698 5414 (international)
Fax: +612 9279 0664

Bluechiip Limited shares are listed on the Australian Stock Exchange (ASX: BCT).

Auditors

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne, VIC 3001

Website

www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

For the Half-year ended 31 December 2020

Your directors submit their report for the half-year ended 31 December 2020.

Directors

The names and details of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Andrew Cox	Non-Executive Director

Principal Activities

The principal activity of the Group during the half-year was the development and commercialisation of a wireless tracking solution for the healthcare and life science, security, defence and manufacturing industries which represents a generational change from current methods such as labels (hand-written and pre-printed), barcodes (linear and 2D) and microelectronic integrated circuit (IC)-based RFID (Radio Frequency Identification).

There have been no significant changes in the nature of these activities during the half-year.

Operating and Financial Review

Operating Results

For the half-year ended 31 December 2020, the Group reported revenue of \$50,870 (2019: \$141,251), a consolidated loss after providing for income tax of \$2,034,156 compared to a consolidated loss of \$2,226,379 for the half-year ended 31 December 2019. The consolidated net loss of \$2,034,156 represents 8.63% decline from consolidated net loss of \$2,226,379 for the half-year ended 31 December 2019. The Group's cash at bank was \$5,606,578 as at 31 December 2020 (30 June 2020: \$7,929,890).

Review of Operations

The Group progressed with product delivery despite challenges with marketing progress and activities hampered by the impact of the global coronavirus (**COVID-19**) pandemic. The Group's sales and marketing team both in Australia and the United States (**US**) continue to progress negotiations with potential OEMs in the IVF market, cell therapy and target biobanking space with interest for the Company's products and solutions gaining traction.

The Group recently commenced developing its own line of Bluechiip Enabled and Bluechiip branded cryovials and associated products with a focus on selling product directly into North America, Australia & New Zealand and through its distribution channels across the globe. With the reduced sales and marketing activities, the Group focused its activities on the ongoing improvements to the chip performance and efficiency, which it had embarked upon previously and the continuous enhancement of its readers and software.

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Directors' Report (continued)

For the Half-year ended 31 December 2020

Operating and Financial Review (continued)

Since the lawsuit filed against Labcon North America (**Labcon**) on 29 July 2020, Bluechiip has been working with its legal counsel in the US pursuing its full rights and remedies under the rescinded Agreement and has rejected a counterclaim by Labcon. Both parties have agreed to pursue private mediation to seek a resolution. The mediation between the Company and Labcon are well progressed towards an expected resolution.

The Group continues to receive financial support through Federal Government incentives Cashflow Boost and JobKeeper Payment. The Group also benefited from the Victorian Business Support Fund – Expansion program intended to support businesses through renewed COVID-19 restrictions.

During the period half-year ended 31 December 2020, the Company successfully completed its Implementation and received certification of ISO 9001 Quality Systems compliance.

Income

Sales during the half-year ended 31 December 2020 continue to be adversely affected by the global COVID-19 pandemic, nonetheless, the Company successfully delivered sales with revenue recognised from sales of the Group's products and licences received for the half-year was \$50,870 (2019: \$141,251) with receipts from customers of \$78,052 (2019: \$713,775). Other income for the half-year was \$1,164,011 (2019: \$1,038,363). Other income includes R&D Tax Incentive receivable of \$725,684 (2019: \$970,000) and Government JobKeeper and Cash-Flow Boost grants received of \$359,700 (2019: Nil) and Government JobKeeper grant receivable of \$48,889 (2019: Nil).

Expenses

During the half-year ended 31 December 2020, the Group made a provision to write down certain raw materials which has passed their technical shelf life with an amount of \$163,263 (2019: Nil) to their net realisable value. Included in the half-year result were total expenses for the period of \$3,249,037 (2019: \$3,405,993). The decline in expenses of 4.61% for the half-year was largely attributable to a decrease in research and development expenses of \$244,809 to \$1,138,669 (2019: \$1,383,478) activities of which have been slightly affected by the lockdown imposed on the employees during the Covid-19 pandemic. Furthermore, there was a decline in the Group's business development and marketing activities, consequently, a decline in business development and marketing cost of 91.74% to \$10,804 (2019: \$130,793) activities of which have been hampered by border and travel restrictions arising from the Covid-19 pandemic.

Covid-19

The Covid-19 pandemic which has caused international borders to close has affected the Group's ability to effectively mobilise its sales and marketing team in the international market particularly in North America. Engagements with customers have been made virtually, which is less productive than face to face meetings on customers' sites. In Melbourne, where the Group's head office is located, the State Government of Victoria have implemented policies and counter measures including travel restrictions, closure of offices and restrictive movement measures.

Bluechiip Limited

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Directors' Report (continued)

For the Half-year ended 31 December 2020

Operating and Financial Review (continued)

The Group has responded and addressed the impact of the pandemic in the following ways:

- Supporting our employees with regular updates and information and accommodating our employees;
- adopting the work from home approach. Where possible, we have reviewed and changed our work processes and procedures in the best interest of our employees;
- Continually assessing the risk and action plan across the business through a working group within the management; and
- Regularly reviewing the business continuity and response plans in the light of government's action plan on business and community.

Outlook

The Group continues to respond to market conditions by progressively reviewing several measures implemented; executing on potential opportunities in the US including evaluation systems into customer sites; and progressing negotiations with potential OEMs. The Group will continue to focus R&D activities on improving the quality, performance, and scalability of its chips. This is expected to attain higher quality and yield with the aim of achieving economies of scale and lowering production costs as the Company approaches full volume production.

Dividends

No dividends were paid or declared since the start of the financial year (2019: Nil).

Events during the Half-year

Since the lawsuit filed against Labcon North America on 29 July 2020, Bluechiip through its legal counsel in the US has been pursuing its full rights and remedies under the rescinded Agreement. Both parties have agreed and are progressing with private mediation to seek a resolution.

Events after Balance Date

There were no matters or circumstances that have arisen since the end of the half-year financial period which significantly affected or could significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the future financial years.

Basis of Preparation

The half-year financial report has been prepared on a going concern basis which takes into account the Group's assets and liabilities and assumes continuity of normal activities that funds will be obtained from several sources as outlined in Note 1 to the Consolidated Financial Statements.

The review opinion prepared by the independent auditor Deloitte Touche Tohmatsu is not subject to any dispute or qualification.

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Directors' Report (continued)

For the Half-year ended 31 December 2020

Auditor independence declaration

The directors received the declaration set out on page 19 of this report from the auditor of Bluechiip Limited.

Signed in accordance with a resolution of the directors pursuant to section 306(3)(a) of the Corporations Act 2001.



Iain Kirkwood
Non-Executive Chairman

Melbourne, 25 February 2021



Andrew McLellan
CEO/Managing Director

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	3,606,578	5,929,890
Term deposit	7	2,000,000	2,000,000
Trade and other receivables	8	2,288,286	1,542,244
Other current assets	9	432,715	677,359
Inventory		253,017	646,690
TOTAL CURRENT ASSETS		8,580,596	10,796,183
NON-CURRENT ASSETS			
Inventory		471,137	-
Plant and equipment		48,161	60,853
TOTAL NON-CURRENT ASSETS		519,298	60,853
TOTAL ASSETS		9,099,894	10,857,036
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	675,028	532,764
Employee entitlements		105,976	72,976
TOTAL CURRENT LIABILITIES		781,004	605,740
NON-CURRENT LIABILITIES			
Employee entitlements		109,890	88,931
TOTAL NON-CURRENT LIABILITIES		109,890	88,931
TOTAL LIABILITIES		890,894	694,671
NET ASSETS		8,209,000	10,162,365
EQUITY			
Issued capital	11	42,417,745	42,417,745
Reserves	12	5,141,894	5,061,103
Accumulated losses		(39,350,639)	(37,316,483)
TOTAL EQUITY		8,209,000	10,162,365

Bluechiip Limited

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Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2020

	Note	2020 \$	2019 \$
Revenue from operating activities	3a	50,870	141,251
Cost of Sales (includes net realisable value expense)	3b	(189,166)	(104,707)
Gross Profit		(138,296)	36,544
Other income	4	1,164,011	1,038,363
Employee benefits expense		(1,059,585)	(993,317)
Superannuation		(75,334)	(71,062)
Contractor		(65,072)	(57,169)
Business development		(10,804)	(130,793)
Depreciation and amortisation		(12,951)	(63,024)
Research and Development		(1,138,669)	(1,383,478)
Patent costs		(104,462)	(24,649)
Travel and accommodation – non-marketing		(19)	(47,538)
Occupancy costs		(35,218)	(34,028)
Legal and professional fees		(243,908)	(147,852)
Share based payment expense - options		(80,791)	(66,159)
Other expenses	5	(233,058)	(282,217)
Loss before income tax		(2,034,156)	(2,226,379)
Income tax		-	-
Net loss after income tax		(2,034,156)	(2,226,379)
Other comprehensive income		-	-
Total comprehensive loss for the half-year		(2,034,156)	(2,226,379)
Earnings/(loss) per share			
Basic losses per share (cents)	6	(0.34)	(0.41)
Diluted losses per share (cents)	6	(0.34)	(0.41)

Bluechiip Limited

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Condensed consolidated Statement of Changes in Equity

For the Half-year Ended 31
December 2020

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2020		42,417,745	5,061,103	(37,316,483)	10,162,365
Transactions with owners in their capacity as owners					
Shares issued during the period	11	-	-	-	-
Transaction costs on shares issued	11	-	-	-	-
Performance rights exercised	12	-	-	-	-
Share based payments	12	-	80,791	-	80,791
		-	80,791	-	80,791
Comprehensive income					
Loss for the period		-	-	(2,034,156)	(2,034,156)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(2,034,156)	(2,034,156)
At 31 December 2020		42,417,745	5,141,894	(39,350,639)	8,209,000

For the Half-year Ended 31
December 2019

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2019		33,441,167	4,972,264	(32,815,398)	5,598,033
Transactions with owners in their capacity as owners					
Shares issued during the period		9,170,500	-	-	9,170,500
Transaction costs on shares issued		(318,892)	-	-	(318,892)
Performance rights exercised		113,544	(113,544)	-	-
Share based payments		-	66,159	-	66,159
		8,965,152	(47,385)	-	8,917,767
Comprehensive income					
Loss for the period		-	-	(2,226,379)	(2,226,379)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(2,226,379)	(2,226,379)
At 31 December 2019		42,406,319	4,924,879	(35,041,777)	12,289,421

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Condensed consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2020

	Note	December 2020 \$	December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		78,052	713,775
Payments to suppliers and employees		(2,773,572)	(3,936,369)
Interest income received		12,508	6,892
R&D tax incentive received		-	1,233,065
Government support programs		359,700	-
Net cash flows used in operating activities		(2,323,312)	(1,982,637)
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of a term deposit		-	(2,000,000)
Purchase of property, plant and equipment		-	(4,089)
Net cash flows used in investing activities		-	(2,004,089)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	9,170,500
Transaction costs on share issue		-	(327,722)
Repayment of borrowings		-	-
Net cash flows from financing activities		-	8,842,778
Net increase in cash held		(2,323,312)	4,856,052
Cash and cash equivalents at beginning of period		5,929,890	3,849,113
Cash and cash equivalents at end of period		3,606,578	8,705,165

Bluechiip Limited

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Note 1 Basis of preparation and Accounting Policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report together with any public announcements made by Bluechiip Limited during the half-year. Several amendments and interpretations apply for the first time, however, they do not have a material impact on the financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020 and should be read in conjunction with the annual report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, and all values are rounded to the nearest dollar unless otherwise stated.

Revenue Recognition

The Group recognises revenue at a point in time or an over time depending when the Group expects to satisfy the performance obligation and, on the nature, and specifications of contracts entered into with its customers from the following major sources:

Licence Income

Licence income is the fee income received from customers in consideration to grant the customer the rights and access to use the Bluechiip intellectual property technology. Licence income is recognised over time where the Group continues to retain the responsibility for the performance obligations associated with the licence and that the customer simultaneously receives and consumes the benefits from the Group. Amounts collected for rights and access not yet provided are recorded as deferred revenue in the balance sheet.

Sale of Goods

Sale of goods is recognised at a point in time when the performance obligations of the sale has been fulfilled and control of the goods has transferred to the customers, which continues to occur at the point of sale when goods were collected or delivered from the premise. In recognising revenue from the sale of goods, the Group considers its historical experience with sales return to determine if it is highly probable that a significant reversal of revenue will arise in the future.

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Basis of Preparation (continued)

Sale of Services

Sale of services is recognised at a point in time when the performance obligations of rendering the services has been fulfilled which continues to occur at the point of sale when the customers assumes the delivery of the goods with performed services.

The Group has applied all of the new and revised accounting standards and interpretations issued by the AASB that are relevant to its operations for the half-year. These are noted below.

Government Grants

During the half-year, the Group continued to be eligible for government support in response to the Covid-19 pandemic as explained in the Group's annual report. The Group's accounting policy is consistent with that of the annual report.

Going Concern

The half-year financial report has been prepared on a going concern basis, which takes into account the Group's assets and liabilities and assumes continuity of normal business and the Directors' assessment including:

- current cash balances recorded in the balance sheet;
- sales revenue anticipated to be generated over the next twelve months;
- grants from the Australian state and federal governments which the Group continues to actively pursue;
- receipts from the Federal R&D Tax incentive programme on the basis that the Group continues to qualify for these receipts; and
- up-front license fees, milestone payments, co-development or collaboration funding from third party joint ventures may be generated within the next twelve months.

As a result, the Directors are of the opinion that the use of the going concern assumption is appropriate.

Discretionary valuations and accounting estimates

The preparation of the half-year Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this half-year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those applied to the Annual Financial Report for the financial year ended 30 June 2020.

The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Provision for obsolete inventory

The net realisable value expense for obsolete inventories requires a degree of estimation and judgement. Net realisable value is established for obsolete and slow-moving inventories, taking into consideration the ageing of inventories, technical obsolescence, discontinued lines, sell through history and forecast sales.

During the half-year ended 31 December 2020, the Group made a provision to write down certain raw materials which has passed their technical shelf life with an amount of \$166,263 (2019: Nil) to their net realisable value.

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Note 2 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker or CODM) in assessing performance and in determining the allocation of resources. The CODM only reviews consolidated financial information and as such, it has been determined that there is only one segment at the present time. Consistent with Financial Year 2020, the Group's operations predominantly relate to provision of products and services to OEM customers primarily in the healthcare and life science industries based in the North America. During the half-year financial period, sales of products to North America only amounted to \$388 which represents 1% of the Group's total products sales (2019: \$109,218; 76%). This was attributed to sales disruption arising from an ongoing dispute with a major customer in North America and also the Covid-19 pandemic which has hampered the sales and marketing in the North America.

Note 3a Revenue from operating activities

	31 December 2020 \$	31 December 2019 \$
Gross revenue from sale of products	50,870	169,252
Trade discounts	-	(28,001)
Net revenue from sale of products	50,870	141,251
Less: Cost of products sold (see Note 3b)	(22,903)	(104,707)
Gross Profit from sale of products	27,967	36,544

Note 3b Cost of Sales

Cost of products sold	22,903	104,707
Net realisable value expense (a)	166,263	-
	189,166	104,707

- (a) During the half-year ended 31 December 2020, the Group made a provision to write down certain raw materials which has passed their technical shelf life with an amount of \$166,263 (2019: Nil) to their net realisable value.

Note 4 Other Income

	31 December 2020 \$	31 December 2019 \$
Other income		
- Interest income	28,508	35,431
- R&D tax incentive	725,684	1,002,932
- Government Support Programs (a)	408,589	-
- Exchange Gains/Losses-Realised	1,230	-
Total other income	1,164,011	1,038,363

- (a) The Government Support Programs include JobKeeper Payments, Cashflow Boost for Employers Program and Victoria Business Support Fund

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Note 5 Other Expenses

	31 December 2020 \$	31 December 2019 \$
Expense information:		
Share registry, administration and secretarial	54,435	84,639
Packaging and delivery	56,193	37,120
Insurance	26,579	25,040
Advertising and branding	19,252	19,108
Telecommunication	5,706	8,187
Computer expenses	28,281	37,654
Quality Management System	16,244	23,568
Other	26,368	46,901
Total Other Expenses	233,058	282,217

Note 6 Earnings per share

Earnings used to calculate basic and dilutive EPS	(2,034,156)	(2,226,379)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half-year – number used in calculating basic EPS	593,047,647	543,415,761

The impact of options was anti-dilutive and as such, basic and diluted EPS are the same amount.

Note 7 Cash and Cash Equivalents & Term Deposit

	31 December 2020 \$	30 June 2020 \$
Current assets – Cash and Cash Equivalents		
Cash at bank	3,606,578	5,929,890
Current assets - Term Deposit (a)	2,000,000	2,000,000

- (a) Relates to a term deposit placed with a bank and designated as cash expected to be utilised within 12 months, therefore designated as a cash equivalents.

Note 8 Trade and Other Receivables

	31 December 2020 \$	30 June 2020 \$
Trade receivables	13,713	42,244
R&D tax off-set receivable	2,225,684	1,500,000
Government program – JobKeeper	48,889	-
	2,288,286	1,542,244

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Note 9 Other Current Assets

	31 December 2020 \$	30 June 2020 \$
Prepayments	42,110	32,661
Other debtors	32,000	19,117
Advance Payment (a)	358,605	625,581
	<u>432,715</u>	<u>677,359</u>

(a) This advance payment represents balance of payments made to the manufacturer for the purchase of raw materials to manufacture the Company's development and production of chips.

Note 10 Trade and Other Payables

	31 December 2020 \$	30 June 2020 \$
Trade payables	610,659	527,774
Sundry payables and accrued expenses	64,369	4,990
	<u>675,028</u>	<u>532,764</u>

Note 11 Issued Capital

	31 December 2020 \$	30 June 2020 \$
Opening Balance at reporting period/financial year	42,417,745	33,441,167
Transaction cost for shares issued pursuant to the 2019 Placement and 2019 SPP	-	(307,466)
Shares issued during the period/financial year:		
- Issue of ordinary shares pursuant to the 2019 Placement	-	4,675,750
- Issue of ordinary shares pursuant to the 2019 Share Purchase Plan	-	4,494,750
Shares issued pursuant to exercise of the following:		
- Issue of ordinary shares pursuant to exercise of Tranche 3 Performance Rights 2016 to CEO, Andrew McLellan	-	44,759
- Issue of ordinary shares pursuant to exercise of Tranche 3 Performance Rights 2016 to eligible employees	-	
- Issue of ordinary shares pursuant to exercise of Tranche 1 Performance Rights 2017 to CEO, Andrew McLellan	-	24,723
- Issue of ordinary shares pursuant to exercise of Tranche 2 Performance Rights 2017 to eligible employees	-	24,476
- Issue of ordinary shares pursuant to exercise of Tranche 1 Performance Rights 2018 to eligible employees	-	19,586
Issued share capital during the period/financial year	-	9,284,044
Closing Balance at reporting period/financial year	<u>42,417,745</u>	<u>42,417,745</u>

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Note 11 Issued Capital (continued)

(a) Number of Ordinary Shares	31 December 2020 No.	30 June 2020 No.
At the beginning of the reporting period/financial year	593,047,647	527,162,235
Shares issued during the reporting period/financial year:		
- Issue of ordinary shares pursuant to the 2019 Placement	-	31,171,669
- Issue of ordinary shares pursuant to the 2019 SPP	-	29,964,947
Shares issued pursuant to exercise of the following:		
- Tranche 3 Performance Rights 2016 to CEO, Andrew McLellan	-	1,000,000
- Tranche 3 Performance Rights 2016 to eligible employees	-	1,224,000
- Tranche 1 Performance Rights 2017 to CEO, Andrew McLellan	-	1,000,000
- Tranche 2 Performance Rights 2017 to eligible employees	-	990,000
- Tranche 1 Performance Rights 2018 to eligible employees	-	534,796
Total shares issued during the period/financial year	-	65,885,412
Total issued and fully paid ordinary shares	593,047,647	593,047,647

As at 31 December 2020, there were no options outstanding (30 June 2020: Nil).

As at 31 December 2020, there were 12,295,418 (30 June 2020: 12,630,843) unexercised performance rights on issue (zero exercise price options) over ordinary shares of which 6,090,600 (30 June 2020: 1,937,231) performance rights have been vested but remain unexercised.

Note 12 Employee Equity Benefits Reserve

	31 December 2020 \$	30 June 2020 \$
Opening balance	5,061,103	4,972,264
Share based expense	80,791	202,382
Performance Rights exercised:		
- 375,000 Tranche 2 Performance Rights 2015	-	-
- 2,224,000 Tranche 3 Performance Rights 2016	-	(44,759)
- 1,990,000 Tranche 1 and 2 Performance Rights 2017	-	(49,199)
- 534,796 Tranche 1 Performance Rights 2018	-	(19,585)
Performance Rights exercised during the period/financial year	-	(113,543)
Total Employee Equity Benefits Reserve	5,141,894	5,061,103

Note 13 Related Party Disclosures

Transactions with related parties

There were no transactions with related parties during the period.

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Note 14 Commitments

There were no lease commitments as at 31 December 2020 (June 2020: Nil).

Note 15 Contingencies

The Company has no contingent liabilities or contingent assets as at 31 December 2020.

Note 16 Events After the Balance Sheet Date

There were no matters or circumstances that have arisen since the end of the half-year financial period which significantly affected or could significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the future financial years.

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Directors' Declaration

In accordance with a resolution of the Directors of Bluechiip Limited, we state that:

1. In the opinion of the Directors:
 - (a) The financial statements and notes of Bluechiip Limited for the half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - ii. Complying with Accounting Standard AASB134 Interim Financial Reporting and the *Corporations Regulations 2001*
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the board,



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 25 February 2021

Independent Auditor's Review Report to the members of Bluechiip Limited

Conclusion

We have reviewed the half-year financial report of Bluechiip Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants
Melbourne, 25 February 2021

25 February 2021

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Board Members

Bluechiip Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bluechiip Limited.

As lead audit partner for the review of the financial report of Bluechiip Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants