

BLUECHIIP LIMITED
Half Year FY 2022 Results

Bluechiip Limited (**Bluechiip** or the **Company**) (**ASX: BCT**), a leader in the development of advanced sample management solutions for harsh environments, is pleased to release its Financial Report for the half year ended 31 December 2021 today.

END.

Authorised for release by the Bluechiip Limited Board

For more information, please contact:

Corporate enquiries

Andrew McLellan
Managing Director / CEO
Ph: +61 457 823 470
andrew.mclellan@bluechiip.com

Media

Richard Allen
Ph: +61 3 9915 6341
Oxygen Financial PR
richard@oxygenpr.com.au

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About Bluechiip Limited

Bluechiip understands that every biological sample – stem cells, blood, eggs, sperm and other biospecimens – is critical, so our objective is to manage each one with optimal quality in the most efficient way. Bluechiip’s advanced sample management solution is the only one that provides sample temperature with ID in cryogenic environments, driving productivity and improving quality. Bluechiip’s solution delivers confidence in every sample.

Bluechiip’s unique patented technology is a MEMS-based wireless tracking solution that contains no electronics. It represents a generational change from current tracking methods such as labels (hand-written and pre-printed), barcodes (linear and 2D), and Radio Frequency Identification. Bluechiip tags are either embedded or manufactured into storage products such as vials or bags. Each product is easily identified and critical information, such as sample temperature, detected by readers and stored in the Bluechiip software. In addition to functioning in extreme temperatures, the Bluechiip[®] Advanced Sample management solution can survive autoclaving, gamma irradiation sterilization, humidification, centrifuging, cryogenic storage and frosting.

Bluechiip listed on the ASX in June 2011. Since then, we have significantly developed our technology. Today it has applications in healthcare, including in cryogenic storage facilities (biobanks and biorepositories), pathology, clinical trials and forensics. Other key markets include cold-chain logistics/supply chain, security/defence, industrial/manufacturing and aerospace/aviation.

Bluechiip: Delivering confidence in every sample.

Further information is available at www.bluechiip.com



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 2021

**Reporting period - 1 July 2021 to 31 December 2021
(Previous corresponding period - 1 July 2020 to 31 December 2020)**

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Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF-YEAR ENDED 31 DECEMBER 2021
PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2020

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 2021.

	Change	%	Half Year 31 December 2021	Half Year 31 December 2020
Net revenue from ordinary activities	Up	277.52%	\$192,042	\$50,870
Net loss after tax attributable to members	Down	25.32%	(\$1,519,086)	(\$2,034,156)

Dividends

It is not proposed to pay a dividend (2020: 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 2021 (2020: Nil).

Net Tangible Assets per security

As at 31 December 2021: 0.96 cents

As at 31 December 2020: 1.38 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Operating Results

For the half-year ended 31 December 2021, the Group reported revenue of \$192,042 (2020: \$50,870), a consolidated loss after providing for income tax of \$1,519,086 compared to a consolidated loss of \$2,034,156 for the half-year ended 31 December 2020. The consolidated net loss of \$1,519,086 represents 25% improvement from consolidated net loss of \$2,034,156 for the half-year ended 31 December 2020. The Group's cash at bank was \$4,013,131 as at 31 December 2021 (30 June 2021: \$5,918,945).

Review of Operations

On 26 October 2021, the Company signed a two-year Licence and Development Agreement with FUJIFILM Irvine Scientific, Inc. (**FISI**) based in California, United States (US). Under the agreement FISI will pay Bluechiip Limited (**Bluechiip**) initial licence and development fees over the next 18-24 months. Bluechiip and FISI will negotiate and seek to agree a supply agreement for the sale and distribution of the customised Bluechiip Enabled products including minimum volumes, pricing and detailed commercial terms.

Following the Settlement Agreement between Bluechiip and Labcon North America (**Labcon**) that ended their dispute on 22 June 2021, the Company in November 2021 received in full the return of Bluechiip delta tags and products previously sold to, and paid for by, Labcon. These have commenced being incorporated or repurposed into the newest generation of Bluechiip Products and Bluechiip Enabled Consumables.

During the half-year ended 31 December 2021, the Company registered its own branded cryovials with the United States Food & Drug Administration (**FDA**) and received formal CE IVD certification for the Bluechiip Enabled cryovial range, providing direct access to the US and European Union market respectively.

Following this, the Company in November 2021 launched its portfolio of Biobanking products. Bluechiip's direct-to-market portfolio of products for the Biobanking market includes a range of Bluechiip Enabled and Bluechiip-branded cryogenic consumables, Bluechiip readers and Bluechiip Stream software as part of Bluechiip's market strategy.

Subsequent to the new product range, the Company has continued with the successful delivery and installation of Bluechiip's new range of consumables and Advanced Sample Management solutions for three orders received from local and overseas customers and subsequent to year end additional orders in North America. Concurrently, an update was made to the Company's marketing materials including the website with a focus on "*Driving Productivity, Enhancing Quality and Providing Confidence in Every Sample*".

The Company was also granted a certificate of Overseas Advanced Findings for the research and experimentation in next-generation biological specimen tracking and storage solutions that covers the period from July 2020 to June 2023. This finding approves the overseas components of the Research & Development (**R&D**) tax refund for the three-year period under the Federal Government's R&D tax refund program.

Most recently, the Company in January 2022 was granted a new Australian patent – Monitoring apparatus for temperature-controlled sample collection and transport. The new patent is in a new family, taking Bluechiip's patent portfolio to 31 across seven patent families.

Income

During the half-year ended 31 December 2021, international borders remain restricted to many travellers and has affected the Group's ability to effectively mobilise its sales and marketing team in the international market. Nonetheless, the Group through its sales and marketing team based in the North America, successfully, amongst others, delivered a two-year Licence and Development Agreement with FISI. The sales and marketing team based in Australia also through its persistent virtual customer engagements successfully made some sales both in Australia and in the Europe.

The Group for the half-year ended 31 December 2021 recorded sales from products, development, engineering services and licenses of \$192,042 (2020: \$50,870) with receipts from customers of \$214,584 (2020: \$78,052). Other income solely attributable R&D Tax Incentive receivable for the half-year was \$400,000 (2020: \$725,684).

Expenses

Included in the half-year result were total expenses for the period of \$2,152,795 (2020: \$3,252,245). Expenses declined by 34% for the half-year largely attributable to an active cost and resources management coupled with the Covid-19 travel restrictions and border closures resulted in research and development engagement activities declined to \$114,411 from \$1,138,669 in prior period. Border and travel restrictions arising from the Covid-19 pandemic have also curtailed business development and marketing activities and overall expenses in the Group.

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

28 February 2022



Andrew McLellan
Managing Director

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BLUECHIP LIMITED

ABN 79 104 795 922

**Half-year Financial Report
For the six-month period ended
31 December 2021**

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 (resigned on 10 January 2022)
Ms Chelsea Sheridan (appointed on 10 January 2022)

Registered office

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

Principal place of business

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

Share registry

Automic 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 2021

Your directors submit their report for the half-year ended 31 December 2021.

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 2021, the Group reported revenue of \$192,042 (2020: \$50,870), a consolidated loss after providing for income tax of \$1,519,086 compared to a consolidated loss of \$2,034,156 for the half-year ended 31 December 2020. The consolidated net loss of \$1,519,086 represents 25% improvement from consolidated net loss of \$2,034,156 for the half-year ended 31 December 2020. The Group's cash at bank was \$4,013,131 as at 31 December 2021 (30 June 2021: \$5,918,945).

Review of Operations

On 26 October 2021, the Company signed a two-year Licence and Development Agreement with FUJIFILM Irvine Scientific, Inc. (**FISI**) based in California, United States (US). Under the agreement FISI will pay Bluechiip Limited (**Bluechiip**) initial licence and development fees over the next 18-24 months. Bluechiip and FISI will negotiate and seek to agree a supply agreement for the sale and distribution of the customised Bluechiip Enabled products including minimum volumes, pricing and detailed commercial terms.

Bluechiip Limited

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Directors' Report (continued)
For the Half-year ended 31 December 2021

Operating and Financial Review (continued)

Following the Settlement Agreement between Bluechiip and Labcon North America (**Labcon**) that ended their dispute on 22 June 2021, the Company in November 2021 received in full the return of Bluechiip delta tags and products previously sold to, and paid for by, Labcon. These have commenced being incorporated or repurposed into the newest generation of Bluechiip Products and Bluechiip Enabled Consumables.

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Subsequent to the new product range, the Company has continued with the successful delivery and installation of Bluechiip's new range of consumables and Advanced Sample Management solutions for three orders received from local and overseas customers and subsequent to year end additional orders in North America. Concurrently, an update was made to the Company's marketing materials including the website with a focus on "*Driving Productivity, Enhancing Quality and Providing Confidence in Every Sample*".

The Company was also granted a certificate of Overseas Advanced Findings for the research and experimentation in next-generation biological specimen tracking and storage solutions that covers the period from July 2020 to June 2023. This finding approves the overseas components of the Research & Development (**R&D**) tax refund for the three-year period under the Federal Government's R&D tax refund program.

Most recently, the Company in January 2022 was granted a new Australian patent – Monitoring apparatus for temperature-controlled sample collection and transport. The new patent is in a new family, taking Bluechiip's patent portfolio to 31 across seven patent families.

Income

During the half-year ended 31 December 2021, international borders remain restricted to many travellers and has affected the Group's ability to effectively mobilise its sales and marketing team in the international market. Nonetheless, the Group through its sales and marketing team based in the North America, successfully, amongst others, delivered a two-year Licence and Development Agreement with FISL. The sales and marketing team based in Australia also through its persistent virtual customer engagements successfully made some sales both in Australia and in the Europe.

The Group for the half-year ended 31 December 2021 recorded sales from products, development, engineering services and licenses of \$192,042 (2020: \$50,870) with receipts from customers of \$214,584 (2020: \$78,052). Other income solely attributable R&D Tax Incentive receivable for the half-year was \$400,000 (2020: \$725,684).

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)
For the Half-year ended 31 December 2021

Operating and Financial Review (continued)

Expenses

Included in the half-year result were total expenses for the period of \$2,152,795 (2020: \$3,252,245). Expenses declined by 34% for the half-year largely attributable to an active cost and resources management coupled with the Covid-19 travel restrictions and border closures resulted in research and development engagement activities declined to \$114,411 from \$1,138,669 in prior period. Border and travel restrictions arising from the Covid-19 pandemic have also curtailed business development and marketing activities and overall expenses in the Group.

Covid-19

During the half year financial period ended 31 December 2021, many countries continued to suffer the brunt of the Covid-19 pandemic with many facing periodical economic stagnation and recession as the outbreak continue to prolong and remains uncontrollable. The duration of the impacts of the Covid-19 pandemic remains uncertain and near-term effects from the pandemic are continuing and amongst others, has caused restricted international travels. Engagements with customers have been made virtually, which is less productive than face to face meetings on customers' sites. This prolonged situation and uncertainty continue to present an adverse impact to the Company's operations.

The Group has responded and addressed the impact of the Covid-19 pandemic in the following ways:

- Continually assessing the risk and action plan across the business through a working group within the management;
- Regularly reviewing the business continuity and response plans in the light of government's action plan on business and community;
- Supporting our employees with regular updates and information and accommodating our employees' working environment; and
- Adopting the work from home approach with employees safety and security in mind. Where possible, we have reviewed and changed our work processes and procedures in the best interest of our employees. The Company has been supportive to its employees who have decided to be fully vaccinated;

Outlook

The Group continues to respond to market conditions with amongst others, the focusing on building direct customer sales for Bluechiip Advanced Sample Management Solutions including Bluechiip Enabled consumables, readers and software for the global Biobanking market directly in North America and Australia/New Zealand and through distribution partners globally.

The Group is expected to continue working on in person meetings and product demonstrations with potential customers and OEM partners where possible while being cognisant of Covid-19 restrictions as markets and travel opens.

Following the execution of the Development and Supply Agreement with FIS1, the Group is continuing the development activities and progressively working towards an anticipated supply agreement.

The Group is expected to continue pursuing OEM partner agreements with potential OEMs including in the Cell Therapy and target Biobanking space, sectors that have gained traction for the Company's products and solutions.

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)
For the Half-year ended 31 December 2021

Dividends

No dividends were paid or declared since the start of the financial year (2020: Nil).

Events during the Half-year

On 26 October 2021, the Company signed a two-year Licence and Development Agreement with FUJIFILM Irvine Scientific, Inc. based in California, US. Under the agreement FIS I will pay Bluechiip initial licence and development fees over the next 18-24 months. Bluechiip and FIS I will negotiate and seek to agree a supply agreement for the sale and distribution of the customised Bluechiip Enabled products including minimum volumes, pricing and detailed commercial terms.

In November 2021, the Company launched its portfolio of Biobanking products following receipt of CE IVD certification for Europe and FDA registration for the US. Bluechiip's direct-to-market portfolio of products for the Biobanking market includes a range of Bluechiip Enabled and Bluechiip-branded cryogenic consumables, Bluechiip readers and Bluechiip Stream software as part of Bluechiip's market strategy.

In November 2021, the Company received in full the return of Bluechiip delta tags and products previously sold to and for by, Labcon. These have commenced being incorporated or repurposed into the newest generation of Bluechiip Products and Bluechiip Enabled Consumables.

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.

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)
For the Half-year ended 31 December 2021

Auditor independence declaration

The directors received the declaration set out on page 23 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, 28 February 2022



Andrew McLellan
CEO/Managing Director

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,013,131	3,918,945
Term deposit	7	2,000,000	2,000,000
Trade and other receivables	8	1,587,603	1,109,605
Other current assets	9	114,605	192,220
Inventory	10	266,886	394,416
TOTAL CURRENT ASSETS		5,982,225	7,615,186
NON-CURRENT ASSETS			
Inventory	10	2,565,302	1,155,828
Plant and equipment		41,736	45,953
TOTAL NON-CURRENT ASSETS		2,607,038	1,201,781
TOTAL ASSETS		8,589,263	8,816,967
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	701,527	409,009
Employee entitlements		107,254	107,254
TOTAL CURRENT LIABILITIES		808,781	516,263
NON-CURRENT LIABILITIES			
Deferred Revenue	12	1,906,101	1,123,002
Employee entitlements		147,090	125,090
TOTAL NON-CURRENT LIABILITIES		2,053,191	1,248,092
TOTAL LIABILITIES		2,861,972	1,764,355
NET ASSETS		5,727,291	7,052,612
EQUITY			
Issued capital	13	42,560,949	42,562,517
Reserves	14	5,229,330	5,033,997
Accumulated losses		(42,062,988)	(40,543,902)
TOTAL EQUITY		5,727,291	7,052,612

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2021

	Note	For the period ended 31 December 2021 \$	For the period ended 31 December 2020 \$
Revenue from operating activities	3	192,042	50,870
Cost of Sales		(16,934)	(189,166)
Gross Profit		175,108	(138,296)
Other income	4	441,667	1,167,219
Employee benefits expense		(1,098,230)	(1,059,585)
Superannuation		(75,367)	(75,334)
Advertising and Branding		(54,960)	(19,252)
Contractor		-	(65,072)
Business development		(121,748)	(10,804)
Depreciation and amortisation		(4,217)	(12,951)
Research and Development		(114,411)	(1,138,669)
Patent costs		(60,220)	(104,462)
Travel and accommodation		(13,716)	(19)
Occupancy costs		(42,221)	(35,218)
Legal and professional fees		(163,143)	(243,908)
Share based payment expense - options		(195,333)	(80,791)
Other expenses	5	(192,295)	(217,014)
Loss before income tax		(1,519,086)	(2,034,156)
Income tax		-	-
Net loss after income tax		(1,519,086)	(2,034,156)
Other comprehensive income		-	-
Total comprehensive loss for the half-year		(1,519,086)	(2,034,156)
Earnings/(loss) per share			
Basic losses per share (cents)	6	(0.25)	(0.34)
Diluted losses per share (cents)	6	(0.25)	(0.34)

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Changes in Equity

For the Half-year Ended 31
December 2021

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2021		42,562,517	5,033,997	(40,543,902)	7,052,612
Transactions with owners in their capacity as owners					
Transaction costs on shares issued	13	(1,568)	-	-	(1,568)
Share based payments	14	-	195,333	-	195,333
		(1,568)	195,333	-	193,765
Comprehensive income					
Loss for the period		-	-	(1,519,086)	(1,519,086)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(1,519,086)	(1,519,086)
At 31 December 2021		42,560,949	5,229,330	(42,062,988)	5,727,291

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					
Share based payments		-	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

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2021

	Note	December 2021 \$	December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		214,584	78,052
Payments to suppliers and employees		(2,133,302)	(2,773,572)
Interest income received		12,904	12,508
R&D tax incentive received		-	-
Government support programs		-	359,700
Net cash flows used in operating activities		(1,905,814)	(2,323,312)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows used in investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase in cash held		(1,905,814)	(2,323,312)
Cash and cash equivalents at beginning of period		5,918,945	5,929,890
Cash and cash equivalents at end of period		4,013,131	3,606,578

Bluechiip Limited

ABN 79 104 795 922

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 Group's 2021 annual financial report for the financial year ended 30 June 2021 and should be read in conjunction with the annual report.

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 unearned income in the balance sheet.

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.

Basis of Preparation (continued)

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 included:

- sales revenue anticipated to be generated over the next twelve months;
- grants received from the Australian State and Federal governments, and from overseas sources which the Group continues to actively pursue;
- receipts from the Federal Government R&D tax incentive programme on the basis that the Group continues to qualify for these receipts;
- ability to secure a R&D advance facility from a lender;
- the ongoing negotiations between OEMs for up-front license fees, milestone payments or co-development fee that may be generated within the next 12 months; and
- cash and term deposit balances held at the date of this report.

As a result, the Directors are of the opinion that the use of the going concern assumption is appropriate. In the event that the Group is unable to achieve successful outcomes in relation to the matters listed above, a material uncertainty would exist that would cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Discretionary valuations and accounting estimates

The preparation of the financial statements requires the Directors to evaluate and make estimates, judgements and assumptions incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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 2021.

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.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value using the quoted price in an active market. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction

Inventory

Management has to exercise significant judgement in estimating the net realisable value of inventory which includes estimating future sales quantities and selling prices. These estimates are based on the sales contracts in place by the Company and given the application of the technology is able to withstand obsolescence. Management assess the classification of inventory in the balance sheet based on forward sales growth and expectation to realise the inventory.

Basis of Preparation (continued)

R&D Tax Incentive and Expense

Where the Group expects to receive the Australian Government's R&D Tax Incentive, the management accounts for the amount refundable on an accrual basis. In determining the amount of the R&D Tax Incentive at year end, there is an estimation process to determine what expenditure will qualify for the incentive. External advice and consulting is sought to provide assurance that basis of estimates are reasonable.

Management has to exercise significant judgement in determining if prototype chips are products feasible for sale. In the event that the prototype chips are considered not feasible and not ready for sale, the expenditure is treated as research expense in the statement of profit or loss and no costs are capitalised. The judgement also includes monitoring the yield results of prototype chips which involves continuous R&D satisfying the targeted criteria and yield as well as reliably measuring the expenditure attributable to the R&D of chips.

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 2021, 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 and services to North America amounted to \$53,761 which represents 57% of the Group's total products and license sales (2020: \$388; 1%).

Note 3 Revenue from operating activities

	31 December 2021 \$	31 December 2020 \$
Gross revenue from sale of products	65,544	50,870
Revenue from development and engineering services	72,900	-
Rental income from leased equipment	3,511	-
Licence income	50,087	-
Net revenue from sale of products	<u>192,042</u>	<u>50,870</u>

Note 4 Other Income

Other income		
- Interest income	7,338	28,508
- R&D tax incentive	400,000	725,684
- Government Support Programs (a)	-	408,589
- Exchange Gains/Losses	34,329	4,438
Total other income	<u>441,667</u>	<u>1,167,219</u>

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

Note 5 Other Expenses

	31 December 2021 \$	31 December 2020 \$
Expense information:		
Share registry, administration and secretarial	59,050	54,435
Packaging and delivery	31,328	56,193
Insurance	30,281	26,579
Telecommunication	4,553	5,706
Computer expenses	22,401	28,281
Quality Management System	9,582	16,244
Other	35,100	29,576
Total Other Expenses	<u>192,295</u>	<u>217,014</u>

Note 6 Earnings per share

	31 December 2021 \$	31 December 2020 \$
Earnings used to calculate basic and dilutive EPS	(1,519,086)	(2,034,156)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half-year – number used in calculating basic EPS	597,880,502	593,047,647

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 2021 \$	30 June 2021 \$
Current assets – Cash and Cash Equivalents		
Cash at bank	2,013,131	3,918,945
Term deposit (a)	2,000,000	2,000,000
Total	<u>4,013,131</u>	<u>5,918,945</u>

(a) Relates to a term deposit placed with a bank and designated as cash equivalent as it is expected to be accessed within short term period.

Note 8 Current Assets – Trade and Other Receivables

	31 December 2021 \$	30 June 2021 \$
Trade receivables	86,669	3,105
R&D tax off-set receivable	1,500,000	1,100,000
Other Debtors	934	6,500
	<u>1,587,603</u>	<u>1,109,605</u>

Note 9 Other Current Assets

	31 December 2021	30 June 2021
	\$	\$
Prepayments	56,838	40,618
Advance Payment (a)	57,767	151,602
	<u>114,605</u>	<u>192,220</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 Inventory

	31 December 2021	30 June 2021
	\$	\$
Raw Materials		
Current	26,943	171,271
Non-Current	1,988,854	1,314,416
Less: Provision of net realisable value	(166,264)	(166,264)
Total	<u>1,849,533</u>	<u>1,319,423</u>
Finished Goods:		
Current	239,943	223,145
Non-Current	804,303	69,267
Less: Provision of net realisable value	(61,591)	(61,591)
Total	<u>982,655</u>	<u>230,821</u>
Total Inventory	<u>2,832,188</u>	<u>1,550,244</u>
Current	266,886	394,416
Non- Current	2,565,302	1,155,828

During the period, the Group received the return of Bluechiip delta tags and products previously sold to, and paid for by, Labcon as part of the Settlement Agreement and measured the non-cash consideration at fair value at the date the Group obtains control over the stock. The fair value of the returned stock was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Note 11 Trade and Other Payables

	31 December 2021	30 June 2021
	\$	\$
Trade payables	411,477	289,652
Sundry payables and accrued expenses	188,782	119,357
Unearned income (a)	101,268	-
	<u>701,527</u>	<u>409,009</u>

(a) Included in the unearned income is a cash upfront payment initially received from a customer and is recognised as income proportionately to development fee invoiced. As at 31 December 2021, USD70,180 (\$93,532) of the upfront cash payment remains as unearned income.

Note 12 Deferred Revenue

	31 December 2021	30 June 2021
	\$	\$
Deferred income (a)	1,123,002	1,123,002
Deferred settlement revenue (b)	783,099	-
	<u>1,906,101</u>	<u>1,123,002</u>

(a) The deferred income solely relates to USD850,000 cash payment received as part settlement received from Labcon North America (**Labcon**) pursuant to the Settlement Agreement entered into between Bluechiip and Labcon.

(b) The deferred settlement revenue relates to the full return of Bluechiip delta tags and products previously sold to and paid for by Labcon. These have commenced being incorporated or repurposed into the newest generation of Bluechiip Products and Bluechiip Enabled Consumables.

In addition, Labcon and Bluechiip have entered a new supply agreement for the new Bluechiip enabled consumables, readers, and software. Bluechiip will provide a credit of up to USD1.35 million on sales under this new supply arrangement.

Note 13 Issued Capital

	31 December 2021	30 June 2021
	\$	\$
(a) Share Value		
Ordinary Shares		
Opening Balance at reporting period/financial year	42,562,517	42,417,745
Issue of ordinary shares	-	150,272
Less: Capitalised Share Issue Costs	(1,568)	(5,500)
Closing Balance at reporting period/financial year	<u>42,560,949</u>	<u>42,562,517</u>

(b) Number of Ordinary Shares

At the beginning of the reporting period/financial year	597,880,502	593,047,647
Ordinary shares issued during the financial year pursuant to exercise of the following:		
- Tranche 2 Performance Rights 2017 to CEO, Andrew McLellan	-	1,000,000
- Tranche 2 Performance Rights 2017 to eligible employees	-	198,000
- Tranche 3 Performance Rights 2017 to CEO, Andrew McLellan	-	1,000,000
- Tranche 3 Performance Rights 2017 to eligible employees	-	952,000
- Tranche 1 Performance Rights 2018 to CEO, Andrew McLellan	-	342,466
- Tranche 1 Performance Rights 2018 to eligible employees	-	101,994
- Tranche 2 Performance Rights 2018 to CEO, Andrew McLellan	-	456,621
- Tranche 2 Performance Rights 2018 to eligible employees	-	781,774
Total Shares Issued During the Period	<u>-</u>	<u>4,832,855</u>
Total Issued and Fully Paid Ordinary Shares	<u>597,880,502</u>	<u>597,880,502</u>

As at 31 December 2021, there were no options outstanding (30 June 2021: Nil).

As at 31 December 2021, there were 15,197,698 (30 June 2021: 5,813,131) unexercised performance rights on issue (zero exercise price options) over ordinary shares and 899,072 (30 June 2021: 899,072) performance rights have been vested but remain unexercised.

Note 14 Employee Equity Benefits Reserve

	31 December 2021	30 June 2021
	\$	\$
Opening balance	5,033,997	5,061,103
Share based expense	195,333	123,166
Performance Rights exercised:		
- 1,198,000 Tranche 2 Performance Rights 2017	-	25,017
- 1,952,000 Tranche 3 Performance Rights 2017	-	45,913
- 444,460 Tranche 1 Performance Rights 2018	-	16,278
- 1,238,395 Tranche 2 Performance Rights 2018	-	63,064
Performance Rights exercised during the period/financial year	-	(150,272)
Total Employee Equity Benefits Reserve	5,229,330	5,033,997

In July 2021, the Group issued 9,500,000 performance rights to its eligible employees across three tranches as follows:

- Tranche 1 – 3,166,667 performance rights with a vesting date of 30 August 2022. The performance rights have a fair value of \$117,800.
- Tranche 2 – 3,166,667 performance rights with a vesting date of 30 August 2023. The performance rights have a fair value of \$118,117.
- Tranche 3 – 3,166,666 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$122,867.

In November 2021, the Group issued 4,500,000 to CEO, Andrew McLellan across three tranches as follows:

- Tranche 1 – 1,500,000 performance rights with a vesting date of 30 August 2022. The performance rights have a fair value of \$76,350.
- Tranche 2 – 1,500,000 performance rights with a vesting date of 30 August 2023. The performance rights have a fair value of \$75,300.
- Tranche 3 – 1,500,000 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$81,150.

Note 15 Related Party Disclosures

Transactions with related parties

There were no transactions with related parties during the period.

Note 16 Commitments

The were no lease commitments as at 31 December 2021 (June 2021: Nil).

Note 17 Contingencies

The Company has no contingent liabilities or contingent assets as at 31 December 2021.

Note 18 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.

Bluechiip Limited

ABN 79 104 795 922

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 2021 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 2021 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 Group 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
Managing Director

Melbourne, 28 February 2022

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 2021, 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:

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, where it is described that there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2021 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



Jane Fisher
Partner
Chartered Accountants
Melbourne, 28 February 2022

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Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

28 February 2022

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 2021, 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



Jane Fisher
Partner
Chartered Accountants

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