

BLUECHIIP LIMITED

Half Year FY 2024 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 2023 today.

The Company invites investors and shareholders to the accompanying webinar to be held on Monday, 4 March 2024 at 10.30am (AEST).

On the webinar Managing Director, Andrew McLellan and Chairman, Iain Kirkwood will speak about the Company's half year results, the Company's progress this quarter and the current rights issue.

Webinar details

Pre-registration is required. To register please use the following link.

<https://ccmediaframe.com/?id=QpVftWqX>

Date: Monday, 4 March 2024

Time: 10:30am

END.

Authorised for release by the Bluechiip Limited Board

For more information, please contact:

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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 2023

**Reporting period - 1 July 2023 to 31 December 2023
(Previous corresponding period - 1 July 2022 to 31 December 2022)**

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF-YEAR ENDED 31 DECEMBER 2023
PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2022

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 2023.

	Change	%	Half Year 31 December 2023	Half Year 31 December 2022
Net revenue from ordinary activities	Down	37.39%	\$325,969	\$520,599
Net loss after tax attributable to members	Up	38.18%	(\$2,929,100)	(\$2,119,751)

Dividends

It is not proposed to pay a dividend (2022: 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 2023 (2022: Nil).

Net Tangible Assets per security

As at 31 December 2023: 0.15 cents

As at 31 December 2022: 0.33 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Operating Results

The Directors report that revenue for the half-year ended 31 December 2023 was \$325,969 (2022: \$520,599), down 37% from the prior corresponding period and recorded a consolidated loss after providing for income tax of \$2,929,100 compared to a consolidated loss of \$2,119,751 for the half-year ended 31 December 2022. The consolidated net loss of \$2,929,100 represents 38% increase from consolidated net loss of \$2,119,751 for the half-year ended 31 December 2022. The Group's cash at bank was \$239,110 as at 31 December 2023 (30 June 2023: \$1,722,837).

Review of Operations

Bluechiip Limited entered the Financial Year 2024 (FY24) with a significant amount of momentum and optimism given the clear, positive trends of the Financial Year 2023 (FY23). These trends are a direct result of the implementation of two key, planned strategy decisions.

Two years ago, Bluechiip announced that it would market directly to end-users its own Bluechiip-Enabled range of products, and they include Bluechiip-branded cryogenic consumables, Bluechiip readers and Bluechiip Stream software. Subsequently, the successful delivery and installation of Bluechiip's new range of consumables and Advanced Sample Management solutions for orders received especially from the key North American market resulted in the expansion of its US sales team from two people in Financial Year 2022 to six in FY24 and, at the same time, built distribution networks in Europe including in the UK, France, Spain and Czech Republic.

The execution of these strategies into the first 6 months of FY24 with the support and dedicated service of sales team led to repeat sales orders. The strategies also landed Bluechiip with secured orders from some of the global top-20 pharmaceutical companies for the Company's Advanced Sample Management Solutions.

Bluechiip's new range of consumables and Advanced Sample Management Solutions continue to receive strong interest at exhibition and trades shows. Since product launch in December 2021, end-customer use has grown, with orders from 17 customers for use in their 28 operating laboratories. Sales of products increased in the 6 months of FY24 to \$300,377 (2022: \$214,738). Customer end markets include large pharmaceutical, cell therapy, clinical trial and research organisations, with significant opportunities to organically expand Bluechiip's footprint and usage.

Although, many industries continue to face the brunt of global supply chain challenges that disrupt global production, Bluechiip considers it has sufficient inventory built up to meet the needs of the market, a result of prior year inventory management. The Company is poised to take on the need of its existing customers and the market it is operating in.

Research and development (R&D) will continue to be part of the activities of the Company but slowing down with more resources channelled into its sales and operations. Bluechiip remains committed to innovation with more organic R&D activities as the Group continues to receive feedback from industry players and customers. The Company in November 2023 also successfully received \$931,000 in R&D Tax Incentive 2022/2023 Refund from the Australian Tax Office. The money received from the refund was used in part to repay the R&D advance of \$650,000, which was secured by the R&D Tax Incentive 2022/2023.

During the half year ended 31 December 2023, the Company made 2 drawdowns totalling \$450,000 loan in a new R&D Advance facility from a lender secured by R&D tax incentive 2023/2024 receivable.

Income

For the half-year ended 31 December 2023, the Group reported revenue from product sales, development, engineering services and licenses of \$325,969 (2022: \$520,599) with receipts from customers of \$357,141 (2022: \$720,084). Other income recorded included R&D Tax Incentive receivable for the half-year of \$430,000 (2022: \$500,000).

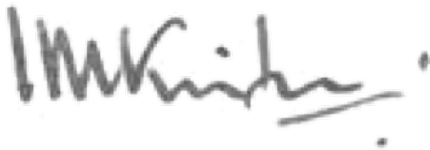
Expenses

Included in the half-year result were total expenses for the period of \$3,752,433(2022: \$3,143,489). Expenses increased by 19% for the half-year largely attributable to amongst others, the following:

- increase in employee benefits expense - \$2,198,315 (2022: \$1,568,527), e.g. payroll, a result of the expanded sales force in the US;
- the enlarged sales force in the US also saw marketing expenses increased to \$132,753 (2022: \$88,947); and
- finance cost \$75,158 (2022: Nil) arising from interest expense incurred for the R&D Advance facility received from a lender obtained in prior financial year and interest expense on lease liabilities.

Auditors Review Report

The review report prepared by the independent auditor PKF Melbourne Audit & Assurance Pty Ltd is not subject to any dispute or qualification.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
Managing Director

29 February 2024



BLUECHIIP LIMITED

ABN 79 104 795 922

**Half-year Financial Report
For the six-month period ended
31 December 2023**

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

Ms Chelsea Sheridan

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

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

PKF Melbourne Audit & Assurance Pty Ltd
15/500 Bourke Street
Melbourne VIC 3000

Website

www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

For the Half-year ended 31 December 2023

Your directors submit their report for the half-year ended 31 December 2023.

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

The Directors report that revenue for the half-year ended 31 December 2023 was \$325,969 (2022: \$520,599), down 37% from the prior corresponding period and recorded a consolidated loss after providing for income tax of \$2,929,100 compared to a consolidated loss of \$2,119,751 for the half-year ended 31 December 2022. The consolidated net loss of \$2,929,100 represents 38% increase from consolidated net loss of \$2,119,751 for the half-year ended 31 December 2022. The Group's cash at bank was \$239,110 as at 31 December 2023 (30 June 2023: \$1,722,837).

Review of Operations

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Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)

For the Half-year ended 31 December 2023

Operating and Financial Review (continued)

The execution of these strategies into the first 6 months of FY24 with the support and dedicated service of sales team led to repeat sales orders. The strategies also landed Bluechiip with secured orders from some of the global top-20 pharmaceutical companies for the Company's Advanced Sample Management Solutions.

Bluechiip's new range of consumables and Advanced Sample Management Solutions continue to receive strong interest at exhibition and trades shows. Since product launch in December 2021, end-customer use has grown, with orders from 17 customers for use in their 28 operating laboratories. Sales of products increased in the 6 months of FY24 to \$300,377 (2022: \$214,738). Customer end markets include large pharmaceutical, cell therapy, clinical trial and research organisations, with significant opportunities to organically expand Bluechiip's footprint and usage.

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Research and development (**R&D**) will continue to be part of the activities of the Company but slowing down with more resources channelled into its sales and operations. Bluechiip remains committed to innovation with more organic R&D activities as the Group continues to receive feedback from industry players and customers. The Company in November 2023 also successfully received \$931,000 in R&D Tax Incentive 2022/2023 Refund from the Australian Tax Office. The money received from the refund was used in part to repay the R&D advance of \$650,000, which was secured by the R&D Tax Incentive 2022/2023.

During the half year ended 31 December 2023, the Company made 2 drawdowns totalling \$450,000 loan in a new R&D Advance facility from a lender secured by R&D tax incentive 2023/2024 receivable (**R&D Advance**).

Income

For the half-year ended 31 December 2023, the Group reported revenue from product sales, development, engineering services and licenses of \$325,969 (2022: \$520,599) with receipts from customers of \$357,141 (2022: \$720,084). Other income recorded included R&D Tax Incentive receivable for the half-year of \$430,000 (2022: \$500,000).

Expenses

Included in the half-year result were total expenses for the period of \$3,752,433 (2022: \$3,143,489). Expenses increased by 19% for the half-year largely attributable to amongst others, the following:

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Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)

For the Half-year ended 31 December 2023

Operating and Financial Review (continued)

Outlook

The Group looks ahead to a better second half of 2024 with more positive outcomes from the pipeline of customers built in prior years and well serviced with the expanded sales and marketing team in the US. The Group's investments in its employees and an expanded sales team on the ground underpin our ability to meet customer demand more rapidly.

The Group progressively works towards the conclusion of the development with FujiFilm Irvine Scientific (**FISI**) and the active pursuit of a supply agreement. The Group is also 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.

The Company continues to respond to market conditions and adopting existing strategies, including:

- Landing new direct customers with new installations, as well as meeting repeat orders from existing customers for Bluechiip Advanced Sample Management Solutions, including Bluechiip-enabled consumables, readers and software for the global biobanking market directly into North America and Australia/New Zealand and through distribution partners globally;
- Expanding through existing customers sites into additional potential laboratories and also into additional applications within customer sites;
- Progressing towards OEM partner agreements with potential OEMs including in the pharmaceutical, cell therapy and target biobanking space, sectors that have gained significant traction for the Company's products and solutions; and
- Managing existing cash reserves, in line with the Company's overall strategy. Cash resources will be channelled in driving its sales and marketing activities with the aim of anticipated sales closure supported through its growing North American sales and marketing team.

Dividends

No dividends were paid or declared since the start of the financial year (2022: Nil).

Events during the Half-year

During the half year ended 31 December 2023, the Company successfully completed a capital raise through a placement to institutional, sophisticated and professional investors for 77,703,329 new ordinary fully paid shares at an issue price of \$0.021 per ordinary in Bluechiip, that raised \$1.632m (**2023 Placement**). This included subscriptions by Chairman Iain Kirkwood, Managing Director Andrew McLellan and Non-Executive Director Michael Ohanessian (\$50k, \$15k and \$25k respectively, which were approved by shareholders at the Company's November 2023 general meeting). The entire \$1.632m was fully received prior to defraying management and selling fees in relation to the 2023 Placement.

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued) For the Half-year ended 31 December 2023

Events after Balance Date

On 5 February 2024, the Company announced an equity capital raise of up to \$4.8m (**Capital Raise**) which comprises:

- an institutional equity placement of \$840,000 (**Placement**); and
- a 5 for 7 non renounceable entitlement offer up to \$4m (**Entitlement Offer**)

Both the Placement and Entitlement Offer if fully subscribed will see the issue of up to 687.4 million new fully and paid-up ordinary shares in Bluechiip at \$0.007 per new share.

As at the date of this report the Placement was completed with the issue of 119,306,069 new fully and paid-up ordinary shares in Bluechiip at \$0.007 per new share in consideration of \$835,142 fully received before defrayment of management and selling fee of \$71,377.

Under the Entitlement Offer, eligible shareholders of Bluechiip are invited to apply for 5 new Shares for every 7 existing shares held at the record date of 8 February 2024. The Entitlement Offer is non-renounceable and not underwritten. As at the date of this report, the Entitlement Offer remains open for application until 7 March 2024. The funds raised under the Placement and Entitlement Offer are expected to be used to fund North American sales and marketing activities and for general corporate and working capital purposes.

Other than the Capital Raise, 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

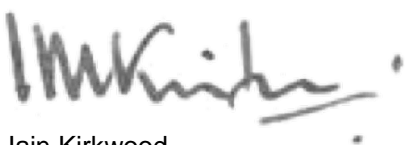
The half-year financial report has been prepared on a going concern basis which takes into account the Group's assets and liabilities and assumes continuity of normal activities that funds will be obtained from several sources as outlined in Note 1 to the Consolidated Financial Statements.

The review opinion prepared by the independent auditor PKF Melbourne Audit & Assurance Pty Ltd is not subject to any dispute or qualification.

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



Andrew McLellan
CEO/Managing Director

Melbourne, 29 February 2024

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)

For the Half-year ended 31 December 2023

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		239,110	1,722,837
Trade and other receivables	7	537,148	1,056,805
Prepayments		83,217	77,008
Inventory	8	3,397,080	3,218,792
TOTAL CURRENT ASSETS		4,256,555	6,075,442
NON-CURRENT ASSETS			
Plant and equipment	9	286,725	228,662
TOTAL NON-CURRENT ASSETS		286,725	228,662
TOTAL ASSETS		4,543,280	6,304,104
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	349,100	504,874
Lease Liability		116,145	71,042
Interest-bearing borrowings	11	250,000	650,000
Deferred Revenue	12	2,247,868	2,280,962
Employee entitlements	13	280,434	305,180
TOTAL CURRENT LIABILITIES		3,243,547	3,812,058
NON-CURRENT LIABILITIES			
Lease Liability		66,666	85,349
Employee entitlements	13	48,667	42,398
TOTAL NON-CURRENT LIABILITIES		115,333	127,747
TOTAL LIABILITIES		3,358,880	3,939,805
NET ASSETS		1,184,400	2,364,299
EQUITY			
Issued capital	14	46,923,919	45,312,657
Reserves	15	5,833,679	5,695,740
Accumulated losses		(51,573,198)	(48,644,098)
TOTAL EQUITY		1,184,400	2,364,299

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 2023

	Note	For the period ended 31 December 2023 \$	For the period ended 31 December 2022 \$
Revenue from operating activities	3	325,969	520,599
Other income	4	497,364	503,139
Raw Materials & consumables		(112,444)	(60,495)
Advertising and Branding		(22,656)	(40,219)
Marketing consultant		(51,709)	(19,452)
Tradeshows, exhibitions and memberships		(81,044)	(69,495)
Travel expenses		(172,284)	(185,757)
Depreciation and amortisation		(59,565)	(8,256)
Research and Development		(186,153)	(452,796)
Employee benefits expense		(2,198,315)	(1,568,527)
Superannuation		(115,071)	(95,579)
Legal and professional fees		(142,579)	(100,300)
Listing, share registry and secretarial fee		(92,682)	(70,809)
Patent costs		(56,664)	(34,178)
Share based payment expense - options		(181,974)	(221,173)
Exchange losses/gains - realised		(5,032)	20,745
Finance costs	5	(75,158)	-
Other expenses		(199,103)	(237,198)
Loss before income tax		(2,929,100)	(2,119,751)
Income tax		-	-
Net loss after income tax		(2,929,100)	(2,119,751)
Other comprehensive loss – foreign currency translation movement		(44,035)	-
Total comprehensive loss for the half-year		(2,973,135)	(2,119,751)
Earnings/(loss) per share			
Basic losses per share (cents)	6	(0.37)	(0.35)
Diluted losses per share (cents)	6	(0.37)	(0.35)

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Changes in Equity

For the Half-year Ended 31
December 2023

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2023		45,312,657	5,695,740	-	(48,644,098)	2,364,299
Transactions with owners in their capacity as owners						
Shares issued during the year		1,731,770	-	-	-	1,731,770
Transaction costs on shares issued	14	(120,508)	-	-	-	(120,508)
Share based payments	15	-	181,974	-	-	181,974
		1,611,262	181,974		-	1,793,236
Comprehensive income						
Loss for the period		-	-	-	(2,929,100)	(2,929,100)
Other comprehensive income/(loss)		-	-	(44,035)	-	(44,035)
Total comprehensive loss attributable to members of the entity		-	-	(44,035)	(2,929,100)	(2,973,135)
At 31 December 2023		46,923,919	5,877,714	(44,035)	(51,573,198)	1,184,400

For the Half-year Ended 31
December 2022

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2022		42,579,254	5,386,203	-	(43,603,073)	4,362,384
Transactions with owners in their capacity as owners						
Transaction costs on shares issued		-	-	-	-	-
Share based payments		-	221,173	-	-	221,173
		-	221,173	-	-	221,173
Comprehensive income						
Loss for the period		-	-	-	(2,119,751)	(2,119,751)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	-	(2,119,751)	(2,119,751)
At 31 December 2022		42,579,254	5,607,376	-	(45,722,824)	2,463,806

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2023

	Note	December 2023 \$	December 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		357,141	720,084
Payments to suppliers and employees		(3,827,962)	(3,071,948)
Interest income received		3,967	3,139
R&D Tax concession received		931,435	-
Government support programs		-	173,318
Net cash flows used in operating activities		(2,535,419)	(2,175,407)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(14,261)	-
Net cash flows used in investing activities		(14,261)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from application of share subscription		1,731,770	-
Transaction costs on share issue		(131,681)	-
Transaction costs on borrowings		(67,856)	-
Proceeds from borrowings		250,000	-
Repayment of borrowings		(650,000)	-
Payment of principal and interest from lease liabilities		(66,280)	-
Net cash flows from financing activities		1,065,953	-
Net increase in cash held		(1,483,727)	(2,175,407)
Cash and cash equivalents at beginning of period		1,722,837	2,750,579
Cash and cash equivalents at end of period		239,110	575,172

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 2023 annual financial report for the financial year ended 30 June 2023 unless otherwise stated and should be read in conjunction with the annual report. The classification of expenses, including the comparatives, within the Statement of Profit and Loss have been reallocated to better reflect the nature of the underlying expenses.

During the half-year ended 31 December 2023, the Company changed its accounting policy for the depreciation method from diminishing value method basis over the estimated useful life of the assets to a straight line method over the estimated useful life of the assets as at 1 July 2023. The change has been applied prospectively and has had no impact on the prior figures as the assets classes impacted had a nil written down value at the time of the change.

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 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 fulfilment of performed services.

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:

- Continued support of its lenders and shareholders;
- The Directors believe that there are reasonable grounds to expect that the Group has the capacity to raise capital. The Group has a track record of accessing capital when it is required to advance its portfolio through the ongoing support of key shareholders and lenders;
- Access to R&D borrowing facilities noting the Group has a track record in successful R&D grant applications;
- Repeat orders from existing customers and conversion of the pipeline of customer opportunities to new sales; and
- Strong cost containment with a focus on activities that drive sales and supply to customer orders.

As a result, the Directors are of the opinion that the use of the going concern assumption is appropriate. In the event that the capital raising as disclosed in Note 17 of the statements be unsuccessful and 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.

Accounting estimates and judgements

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 2023.

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.

Basis of Preparation (continued)

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.

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 2022, 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 \$312,032 which represents 96% of the Group's total products and license sales (2022: \$425,123: 82%).

Note 3 Revenue from operating activities

	31 December 2023 \$	31 December 2022 \$
Sale of products – point in time	300,377	214,738
Engineering service income – over time	25,592	251,584
Licence income – over time	-	54,277
Total revenue	325,969	520,599

Note 4 Other Income

Other income		
- Interest income	3,967	3,139
- Government grants	30,875	-
- R&D tax incentive – 6 months provision	451,434	500,000
- Insurance recovery	11,088	-
Total other income	497,364	503,139

Note 5 Finance costs

	31 December 2023 \$	31 December 2022 \$
Interest expense from R&D Advance	51,171	-
Establishment fee for R&D Advance	9,000	-
Interest expense - Lease Liability	14,987	-
	<u>75,158</u>	<u>-</u>

Note 6 Loss per share

	31 December 2023 \$	31 December 2022 \$
Earnings used to calculate basic and dilutive EPS	(2,929,100)	(2,119,751)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half-year – number used in calculating basic EPS	795,373,794	598,563,796

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

Note 7 Current Assets – Trade and Other Receivables

	31 December 2023 \$	30 June 2023 \$
Trade receivables	107,742	147,399
Less: Provision for expected credit losses	(594)	(594)
R&D tax off-set receivable	430,000	910,000
	<u>537,148</u>	<u>1,056,805</u>

Note 8 Inventory

Raw Materials	2,279,223	2,374,678
Less: Provision for impairment and stock obsolescence	(136,851)	(136,851)
Total	<u>2,142,372</u>	<u>2,237,827</u>
Finished Goods	1,422,777	1,149,034
Less: Provision of net realisable value	(168,069)	(168,069)
Total	<u>1,254,708</u>	<u>980,965</u>
Total Inventory	<u>3,397,080</u>	<u>3,218,792</u>

Note 9 Property Plant & Equipment

	31 December 2023 \$	30 June 2023 \$
Computer & Office Equipment (at cost)	55,544	51,730
Less: Accumulated Depreciation	(52,169)	(51,730)
Total Computer & Office equipment	3,375	-
Furniture (at cost)	25,898	16,747
Less: Accumulated Depreciation	(17,152)	(16,747)
Total Furniture, fixtures & fittings	8,746	-
Technical Equipment & Tools	238,307	238,307
Less: Accumulated Depreciation	(238,307)	(238,307)
Total Technical Equipment & Tools	-	-
Right of Use Assets – Office & Production Floor (1 Dalmore Drive)	241,440	163,727
Less: Accumulated Depreciation	(65,272)	(6,549)
Total Rights of Use Assets – Office & Production Floor (1 Dalmore Drive)	176,168	157,178
Total Work-in-progress – Technical equipment and tools	98,436	71,484
Total Property, Plant & Equipment	286,725	228,662

Note 10 Trade and Other Payables

Trade payables	174,157	401,284
Sundry payables and accrued expenses	174,943	103,590
Total Trade & other payables	349,100	504,874

Note 11 Interest-bearing borrowings

Opening balance at reporting period/financial year	650,000	-
Drawdown	250,000	650,000
Repayment	(650,000)	-
Total Interest-bearing Liabilities	250,000	650,000

Relates to R&D Tax Incentive Prepayment Loan facilities ("R&D Advance Facilities") from Asymmetric Innovation Finance Pty Ltd comprise:

- (i) R&D Advance Facility of \$650,000 fully drawdown in FY23 and during the half year ended 31 December 2023, the facility was fully repaid from R&D Tax Incentive FY23 refund received; and
- (ii) R&D Advance Facility of \$600,000 secured by R&D Tax Incentive FY24. As at half year ended 31 December 2023, \$250,000 was drawdown.

Note 12 Deferred Revenue

Deferred revenue includes contract liability which relates to:

(i) USD850,000 (\$1,123,002) cash payment received as part settlement received from Labcon North America (**Labcon**) pursuant to the Settlement Agreement entered into between Bluechiip and Labcon; and

(ii) deferred settlement revenue from the full return of Bluechiip delta tags and products previously sold to and paid for by Labcon. The initial cost for the returned inventory after adjustments was USD783,099 (\$1.12 million). Labcon and Bluechiip have entered a new supply agreement for the new Bluechiip enabled consumables, readers, and software.

(iii) Bluechiip will provide a credit of up to USD1.35 million (\$1.80 million) on sales under this new supply arrangement.

Note 13 Employee Entitlements	31 December 2023 \$	30 June 2023 \$
Current Employee Benefits:		
Annual Leave Provisions	175,254	175,254
Long Service Leave Provisions (current)	105,180	129,926
	<u>280,434</u>	<u>305,180</u>
Non-Current Employee Benefits:		
Long Service Leave Provisions	48,667	42,398
Total Employee Entitlement Provisions	<u>329,101</u>	<u>347,578</u>

Note 14 Issued Capital	31 December 2023 \$	30 June 2023 \$
(a) Share Value		
Ordinary Shares		
Opening Balance at reporting period/financial year	45,312,657	42,579,254
Issue of ordinary shares pursuant to:		
- Placement (October 2023)	1,731,770	-
- Placement (May 2023)	-	2,100,000
- Share Purchase Plan	-	727,500
- Exercise of Performance Rights by employees	-	84,923
Less: Capitalised Share Issue Costs	(120,508)	(179,020)
Closing Balance at reporting period/financial year	<u>46,923,919</u>	<u>45,312,657</u>

(b) Number of Ordinary Shares	31 December 2023 No.	30 June 2023 No.
At the beginning of the reporting period/financial year	713,670,463	598,563,796
- Placement (October 2023)	81,703,331	-
- Placement (May 2023)	-	84,000,000
- Share Purchase Plan (May 2023)	-	29,100,000
- Exercise of Performance Rights by employees	-	2,006,667
Total Shares Issued during the period/financial year	<u>81,703,331</u>	<u>115,106,667</u>

Total Issued and Fully Paid Ordinary Shares	795,373,794	713,670,463
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Note 15 Employee Equity Benefits Reserve

	31 December 2023	30 June 2023
	\$	\$
Opening balance	5,695,740	5,386,203
Share based expense	181,974	394,460
Performance Rights exercised:		
- 2,066,667 Tranche 1 Performance Rights 2021	-	(84,923)
Performance Rights exercised during the period/financial year	-	(84,923)
Total Employee Equity Benefits Reserve	5,877,714	5,695,740

In November 2023, the Group issued 3,000,000 performance rights to CEO, Andrew McLellan across three tranches as follows:

- Tranche 1 – 1,000,000 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$13,264.
- Tranche 2 – 1,000,000 performance rights with a vesting date of 30 August 2025. The performance rights have a fair value of \$15,829.
- Tranche 3 – 1,000,000 performance rights with a vesting date of 30 August 2026. The performance rights have a fair value of \$16,842.

In November 2023, the Group issued 15,600,000 to its eligible employees across three tranches as follows:

- Tranche 1 – 5,200,000 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$68,973.
- Tranche 2 – 5,200,000 performance rights with a vesting date of 30 August 2025. The performance rights have a fair value of \$82,307.
- Tranche 3 – 5,200,000 performance rights with a vesting date of 30 August 2026. The performance rights have a fair value of \$87,586.

Note 16 Contingencies

The Company has no contingent liabilities or contingent assets as at 31 December 2023.

Note 17 Events After the Balance Sheet Date

On 5 February 2024, the Company announced an equity capital raise of up to \$4.8m (**Capital Raise**) which comprises:

- an institutional equity placement of \$840,000 (Placement); and
- a 5 for 7 non renounceable entitlement offer up to \$4m (Entitlement Offer)

Both the Placement and Entitlement Offer if fully subscribed will see the issue of up to 687.4 million new fully and paid-up ordinary shares in Bluechiip at \$0.007 per new share.

As at the date of this report the Placement was completed with the issue of 119,306,069 new fully and paid-up ordinary shares in Bluechiip at \$0.007 per new share in consideration of \$835,142 fully received before defrayment of management and selling fee of \$71,377.

Under the Entitlement Offer, eligible shareholders of Bluechiip are invited to apply for 5 new Shares for every 7 existing shares held at the record date of 8 February 2024. The Entitlement Offer is non-renounceable and not underwritten. As at the date of this report, the Entitlement Offer remains open for application until 7 March 2024. The funds raised under the Placement and Entitlement Offer are expected to be used to fund North American sales and marketing activities and for general corporate and working capital purposes.

Other than the Capital Raise, 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

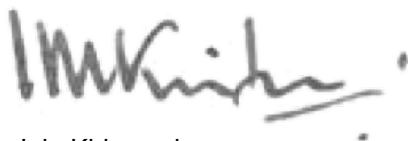
In accordance with a resolution of the Directors of Bluechiip Limited, we state that:

1. In the opinion of the Directors:

- (a) The financial statements and notes of Bluechiip Limited for the half-year ended 31 December 2023 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 2023 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, 29 February 2024



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Bluechiip Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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 Bluechiip Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with the Australian 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* (ASRE 2410). 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 auditor independence requirements of the *Corporations Act 2001* and 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 at the time of this auditor's review report.



Material Uncertainty relating to Going Concern

We draw attention to Note 1: Going Concern in the half-year financial report, which indicates that the Group incurred a net loss after income tax of \$2.93m and negative cash flows from operating activities totalling \$2.5m during the half year ended 31 December 2023. As stated in Note 1: Going Concern, these events or conditions, along with other matters set forth in Note 1, 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.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 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 2023 and its performance for the half year ended on that date, and complying with Australian 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.

A stylized, handwritten signature of the PKF firm, consisting of the letters 'PKF' in a cursive, flowing script.

PKF

Melbourne, 29 February 2024

A handwritten signature of Kenneth Weldin, written in black ink, appearing to read 'K. Weldin'.

Kenneth Weldin

Partner



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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BLUECHIIP LIMITED

In relation to our review of the financial report of Bluechiip Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*,
and
- (b) no contraventions of any applicable code of professional conduct.

This declaration is made in respect of Bluechiip Limited and the entities it controlled during the financial period.

A stylized, handwritten signature of the PKF firm, consisting of the letters 'PKF' in a cursive, flowing script.

PKF

Melbourne, 29 February 2024

A handwritten signature of Kenneth Weldin, written in black ink. The signature is cursive and includes the name 'Kenneth Weldin'.

Kenneth Weldin

Partner