

BLUECHIIP LIMITED
Half Year FY 2023 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 2022 today.

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



Bluechip 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 2022

**Reporting period - 1 July 2022 to 31 December 2022
(Previous corresponding period - 1 July 2021 to 31 December 2021)**

Bluechiip Ltd
Appendix 4D – Half-year Financial Report – 31 December 2022

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF-YEAR ENDED 31 DECEMBER 2022
PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2021

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 2022.

	Change	%	Half Year 31 December 2022	Half Year 31 December 2021
Net revenue from ordinary activities	Up	171.09%	\$520,599	\$192,042
Net loss after tax attributable to members	Up	39.54.%	(\$2,119,751)	(\$1,519,086)

Dividends

It is not proposed to pay a dividend (2021: 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 2022 (2021: Nil).

Net Tangible Assets per security

As at 31 December 2022: 0.41 cents

As at 31 December 2021: 0.96 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Operating Results

The Directors report that revenue for the half-year ended 31 December 2022 was \$520,599 (2021: \$192,042), up 171% from the prior corresponding period and posted a consolidated loss after providing for income tax of \$2,119,751 compared to a consolidated loss of \$1,519,086 for the half-year ended 31 December 2021. The consolidated net loss of \$2,119,751 represents 40% increase from consolidated net loss of \$1,519,086 for the half-year ended 31 December 2021. The Group's cash at bank was \$575,172 as at 31 December 2022 (30 June 2022: \$2,750,579).

Review of Operations

The Directors were pleased with the results with the contribution predominantly from the market in the United States (**US**). The sales in the US market returned to growth following the challenges in the corresponding prior period due to COVID-19 and travel restrictions. The contribution was also enabled by the registration of Bluechiip's own branded consumables – Bluechiip Enabled cryovial range, with the US Food and Drugs Administration (FDA) and receipt of formal CE IVD certification during the financial year ended 30 June 2022. This was well received by the biobanking and life sciences industry which also saw the need for better management of temperature of biological samples in the cryogenic environments.

The successful launch of Bluechiip's direct-to-market portfolio of products for the Biobanking market in December quarter 2021 has been well received and they includes a range of Bluechiip Enabled and Bluechiip-branded cryogenic consumables, Bluechiip readers and Bluechiip Stream software, which has also resulted in the formulation of a new market strategy.

Subsequent to the roll out of new product range, the Company had continued with the successful delivery and installation of Bluechiip's new range of consumables and Advanced Sample Management solutions for orders received from local and overseas customers.

Since the execution of the Licence and Development Agreement with FUJIFILM Irvine Scientific, Inc. (**FISI**) based in California, US in October 2021, the Group has been actively engaging with FISI in delivering its consulting and engineering services with an active pursuit of a subsequent supply agreement in the near future.

Although global supply chain challenges continue to disrupt global production and supply across many industries, Bluechiip believes it has sufficient inventory to meet the needs of the market, a result of prior year inventory management. This has also alleviated the Company from the inflationary pressure.

During the half year ended 31 December 2022, the Company was awarded the Federal Government's Supply Chain Resilience Initiative (**SCRI**) Program which the Company will receive \$787,810 grant for a match funding to a \$1.576m committed project. The Company's grant application titled "Automated Semiconductor Micro-Electro-Mechanical-Systems (MEMS) Device Singulation and Packaging" covers the preparation of chips from the Company's silicon wafers onto antennas for subsequent manufacturing into Bluechiip Enabled consumables. Bluechiip is one of the 18 successful applicants under the Australia-wide program.

Income

For the half-year ended 31 December 2022, the Group reported revenue from product sales, development, engineering services and licenses of \$520,599 (2021: \$192,042) with receipts from customers of \$720,084 (2021: \$214,584). Other income recorded included R&D Tax Incentive receivable for the half-year of \$500,000 (2021: \$400,000).

Expenses

Included in the half-year result were total expenses for the period of \$3,164,234 (2021: \$2,152,795). Expenses increased by 47% for the half-year largely attributable to amongst others, the following:

- increase in employee benefits expense - \$1,568,527 (2021: \$1,103,982), e.g. payroll, a result of the expanded staff force both in Australia and the US;
- the enlarged sales force in the US also saw travel and marketing expenses increased to \$224,765 (2021: \$115,996); and
- research and development engagement activities increased to \$452,796 from \$114,411 in prior corresponding period.

Auditors Review Report

The review report prepared by the independent auditor PKF Melbourne is not subject to any dispute or qualification.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
Managing Director

28 February 2023



BLUECHIP LIMITED

ABN 79 104 795 922

**Half-year Financial Report
For the six-month period ended
31 December 2022**

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
12/440 Collins St,
Melbourne VIC 3000

Website

www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

For the Half-year ended 31 December 2022

Your directors submit their report for the half-year ended 31 December 2022.

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 advanced sample management 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

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Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)
For the Half-year ended 31 December 2022

Operating and Financial Review (continued)

Outlook

The Group looks ahead to a better second half of 2022 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.

Whilst the Group progressively works towards the conclusion of the Licence and Development Agreement with FISl, concurrently it is progressively working towards the conclusion of an anticipated supply agreement. Bluechiip expects a long term partnership with FISl will mutually benefit both the groups in advancing the Bluechiip technology in the life science market and industry. 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.

Bluechiip remains committed to innovation with more organic R&D activities as the Group continues to receive feedback from industry players and customers. The Group is expected to commercialise some of the R&D activities carried out in prior years and roll out more advanced equipment and consumables into the market.

The Group continues to progress through this challenging operating environment and adverse global economic climate. The Group is well positioned to manoeuvre through this situation with the following in place:

- the balance sheet consists predominantly of cash and no borrowings;
- Bluechiip's ability to sell its own range of Products into the global market subsequent to the launch of the Bluechiip Advanced Sample Management Solution during the financial year and to generate revenue through FISl License and Development agreement;
- the expectation that the Group will be able to raise additional capital prior to the end of Financial Year 2023;
- continue to pursue core R&D activities with the focus on the following: improving Bluechiip direct to market portfolio of consumables for the Biobanking market; and
- researching and developing more range of consumables with OEM partners

Dividends

No dividends were paid or declared since the start of the financial year (2021: Nil).

Bluechiip Limited

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Directors' Report (continued)
For the Half-year ended 31 December 2022

Events during the Half-year

The Company was awarded the Federal Government's SCRI Program which the Company will receive \$787,810 grant for a match funding to a \$1.576m committed project. The Company's grant application titled "Automated Semiconductor Micro-Electro-Mechanical-Systems (MEMS) Device Singulation and Packaging" covers the preparation of chips from the Company's silicon wafers onto antennas for subsequent manufacturing into Bluechiip Enabled consumables. Bluechiip is one of the 18 successful applicants under the Australia-wide program.

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 PKF Melbourne is not subject to any dispute or qualification.

Auditor independence declaration

The directors received the declaration set out on page 22 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, 28 February 2023

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)
For the Half-year ended 31 December 2022

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Financial Position As at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		575,172	2,750,579
Trade and other receivables	7	1,414,564	1,125,003
Other current assets	8	142,988	88,196
Inventory	9	881,514	795,924
TOTAL CURRENT ASSETS		3,014,238	4,759,702
NON-CURRENT ASSETS			
Inventory	9	2,142,928	2,164,511
Plant and equipment		29,140	37,397
TOTAL NON-CURRENT ASSETS		2,172,068	2,201,908
TOTAL ASSETS		5,186,306	6,961,610
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	527,692	389,260
Deferred Revenue	11	1,862,464	1,887,622
Employee entitlements		268,793	175,254
TOTAL CURRENT LIABILITIES		2,658,949	2,452,136
NON-CURRENT LIABILITIES			
Employee entitlements		63,551	147,090
TOTAL NON-CURRENT LIABILITIES		63,551	147,090
TOTAL LIABILITIES		2,722,500	2,599,226
NET ASSETS		2,463,806	4,362,384
EQUITY			
Issued capital	12	42,579,254	42,579,254
Reserves	13	5,607,376	5,386,203
Accumulated losses		(45,722,824)	(43,603,073)
TOTAL EQUITY		2,463,806	4,362,384

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 2022

	Note	For the period ended 31 December 2022 \$	For the period ended 31 December 2021 \$
Revenue from operating activities	3	520,599	192,042
Cost of Sales		(60,495)	(16,934)
Gross Profit		460,104	175,108
Other income	4	503,139	407,338
Employee benefits expense		(1,568,527)	(1,103,982)
Superannuation		(95,579)	(75,367)
Advertising and Branding		(40,219)	(49,894)
Business development		(224,765)	(115,996)
Depreciation and amortisation		(8,256)	(4,217)
Exchange gains/losses - realised		20,745	34,329
Research and Development		(452,796)	(114,411)
Patent costs		(34,178)	(60,220)
Occupancy costs		(45,068)	(42,221)
Legal and professional fees		(100,300)	(163,143)
Listing, share registry and secretarial fee		(70,809)	(59,050)
Share based payment expense - options		(221,173)	(195,333)
Other expenses	5	(242,069)	(152,027)
Loss before income tax		(2,119,751)	(1,519,086)
Income tax		-	-
Net loss after income tax		(2,119,751)	(1,519,086)
Other comprehensive income		-	-
Total comprehensive loss for the half-year		(2,119,751)	(1,519,086)
Earnings/(loss) per share			
Basic losses per share (cents)	6	(0.35)	(0.25)
Diluted losses per share (cents)	6	(0.35)	(0.25)

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Changes in Equity

For the Half-year Ended 31
December 2022

	Note	Ordinary Shares \$	Employee Equity Benefits 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	12	-	-	-	-
Share based payments	13	-	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

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	12	(1,568)	-	-	(1,568)
Share based payments	13	-	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

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2022

	December 2022 \$	December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	720,084	214,584
Payments to suppliers and employees	(3,071,948)	(2,133,302)
Interest income received	3,139	12,904
Government support programs	173,318	-
Net cash flows used in operating activities	<u>(2,175,407)</u>	<u>(1,905,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows used in investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase in cash held	(2,175,407)	(1,905,814)
Cash and cash equivalents at beginning of period	2,750,579	5,918,945
Cash and cash equivalents at end of period	<u>575,172</u>	<u>4,013,131</u>

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 2022 annual financial report for the financial year ended 30 June 2022 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.

Certain comparative expenses and revenue have been reclassified in the prior period half-year financial report to be consistent with the classifications adopted in the audited Financial Statements for the financial year ended 30 June 2022.

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.

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 and licence fee and milestone payments anticipated to be generated over the next twelve months;
- up-front license fees, milestone payments, co-development or collaboration funding from third party joint ventures may be generated within the next twelve months;
- the expectation that the Group will be able to raise additional capital prior to the end of Financial Year 2023;
- R&D Advance via R&D Tax Prepayment Loan from a lender secured over the R&D Tax Incentive Refundable;
- 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; and
- cash 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 2022.

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 \$530,504 which represents 99% of the Group's total products and license sales (2021: \$53,761: 57%).

Note 3 Revenue from operating activities

	31 December 2022 \$	31 December 2021 \$
Sale of products – point in time	214,738	69,055
Engineering service income – over time	251,584	72,900
Licence income – over time	54,277	50,087
Net revenue from sale of products	<u>520,599</u>	<u>192,042</u>

Note 4 Other Income

Other income		
- Interest income	3,139	7,338
- R&D tax incentive	500,000	400,000
Total other income	<u>503,139</u>	<u>407,338</u>

Note 5 Other Expenses

	31 December 2022 \$	31 December 2021 \$
Expense information:		
Insurance	32,621	30,281
Packaging and delivery	37,304	31,349
Consultancy Fee	5,000	7,500
Non-business development travel related expenses	30,487	13,716
Conference and seminar	18,400	5,066
Telecommunication	6,434	4,553
Information technology expenses	59,383	22,401
Quality Management System	3,270	9,582
Other	49,170	27,579
Total Other Expenses	<u>242,069</u>	<u>152,027</u>

Note 6 Earnings per share

	31 December 2022 \$	31 December 2021 \$
Earnings used to calculate basic and dilutive EPS	(2,119,751)	(1,519,086)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half-year – number used in calculating basic EPS	598,563,796	597,880,502

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 2022 \$	30 June 2022 \$
Trade receivables	113,896	324,069
R&D tax off-set receivable	1,300,000	800,000
Other Debtors	668	934
	<u>\$1,414,564</u>	<u>1,125,003</u>

Note 8 Other Current Assets

This includes prepayments and advance payment. The 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 9 Inventory

	31 December 2022	30 June 2022
	\$	\$
Raw Materials		
Current	341,177	156,054
Non-Current	2,023,300	2,113,929
Less: Provision of net realisable value	(185,367)	(185,367)
Total	<u>2,179,110</u>	<u>2,084,616</u>
Finished Goods:		
Current	540,337	639,870
Non-Current	366,586	297,540
Less: Provision of net realisable value	(61,591)	(61,591)
Total	<u>845,332</u>	<u>875,819</u>
Total Inventory	<u>3,024,442</u>	<u>2,960,435</u>
Current	881,514	795,924
Non- Current	2,142,928	2,164,511

Note 10 Trade and Other Payables

	31 December 2022	30 June 2022
	\$	\$
Trade payables	264,069	156,682
Sundry payables and accrued expenses	263,623	232,578
	<u>527,692</u>	<u>389,260</u>

Note 11 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.

	31 December 2022	30 June 2022
	\$	\$
Note 12 Issued Capital		
(a) Share Value		
Ordinary Shares		
Opening Balance at reporting period/financial year	42,579,254	42,562,517
Issue of ordinary shares	-	18,305
Less: Capitalised Share Issue Costs	-	(1,568)
Closing Balance at reporting period/financial year	<u>42,579,254</u>	<u>42,579,254</u>
(b) Number of Ordinary Shares		
At the beginning of the reporting period/financial year	598,563,796	597,880,502
Ordinary shares issued during the financial year pursuant to exercise of the following:		
- Tranche 2 Performance Rights 2017 to eligible employees	-	198,000
- Tranche 3 Performance Rights 2017 to eligible employees	-	340,000
- Tranche 2 Performance Rights 2018 to eligible employees	-	78,021
- Tranche 3 Performance Rights 2018 to eligible employees	-	67,273
Total Shares Issued During the Period	<u>-</u>	<u>683,294</u>
Total Issued and Fully Paid Ordinary Shares	<u>598,563,796</u>	<u>598,563,796</u>

As at 31 December 2022, there were no options outstanding (30 June 2022: Nil).

As at 31 December 2022, there were 28,326,666 (30 June 2022: 14,833,476) unexercised performance rights on issue (zero exercise price options) over ordinary shares and 2,231,667 (30 June 2022: 147,778) performance rights have been vested but remain unexercised.

Note 13 Employee Equity Benefits Reserve

	31 December 2022	30 June 2022
	\$	\$
Opening balance	5,386,203	5,033,997
Share based expense	221,173	370,511
Performance Rights exercised:		
198,000 Tranche 2 Performance Rights 2017	-	(4,360)
- 340,000 Tranche 3 Performance Rights 2017	-	(7,662)
- 78,021 Tranche 2 Performance Rights 2018	-	(2,857)
- 67,273 Tranche 3 Performance Rights 2018	-	(3,426)
Performance Rights exercised during the period/financial year	-	(18,305)
Total Employee Equity Benefits Reserve	5,607,376	5,386,203

In November 2022, the Group issued 4,900,000 performance rights to CEO, Andrew McLellan across three tranches as follows:

- Tranche 1 – 1,633,333 performance rights with a vesting date of 30 August 2023. The performance rights have a fair value of \$29,697.
- Tranche 2 – 1,633,333 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$36,066.
- Tranche 3 – 1,633,333 performance rights with a vesting date of 30 August 2025. The performance rights have a fair value of \$39,751.

In November 2022, the Group issued 14,500,000 to its eligible employees across three tranches as follows:

- Tranche 1 – 4,833,333 performance rights with a vesting date of 30 August 2023. The performance rights have a fair value of \$87,879.
- Tranche 2 – 4,833,333 performance rights with a vesting date of 30 August 2024. The performance rights have a fair value of \$106,724.
- Tranche 3 – 4,833,333 performance rights with a vesting date of 30 August 2025. The performance rights have a fair value of \$117,628.

Note 14 Related Party Disclosures

Transactions with related parties

There were no transactions with related parties during the period.

Note 15 Commitments

The were no lease commitments as at 31 December 2022 (June 2021: Nil).

Note 16 Contingencies

The Company has no contingent liabilities or contingent assets as at 31 December 2022.

Note 17 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 2022 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 2022 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 2023

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 2022, 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 2022, 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.

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 \$2.12m and negative cash flows from operating activities totalling \$2.175m during the half year ended 31 December 2022. 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 2022 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*. As the auditor of Bluechiip Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



PKF
Melbourne, 28 February 2023



Kenneth Weldin
Partner

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 2022, 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.



PKF
Melbourne, 28 February 2023



Kenneth Weldin
Partner