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2021 Annual Report

Bluechiip Limited ACN 104 795 922



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**DRIVE PRODUCTIVITY.
REDEFINE QUALITY.
CONFIDENCE IN EVERY SAMPLE.**

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Bluechiip overview

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.

Traditional tracking solutions are not keeping up with the increased handling requirements of valuable samples. Bluechiip's unique and patented chip technology is designed to operate across a wide temperature range from -196°C up to 150°C, creating the perfect system for the management of the the well over 300m sensitive biologics processed in ultra low temperatures per year.

Bluechiip Tags, Readers and Software combine to provide an unparalleled ability to track and store sample level data, including temperature, across the cold chain process.

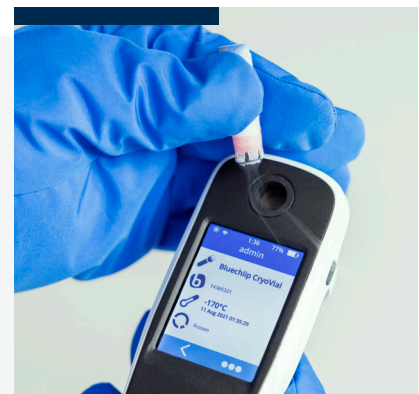
Driving Productivity

- Reducing manual processes and eliminating double witnessing
- Identifying multiple samples instantly through frost
- Simplifying inventory management for faster processing
- Driving efficiency at every step of the workflow

Redefining Quality

- Capturing ID and temperature at the sample level for cold chain integrity
- Reducing the risk of temperature excursions in cryogenic conditions
- Providing key workflow insights to drive continuous improvement
- Enabling compliance to industry standards
- Simplifies maximum storage capability and eliminates errors through advanced location control
- Guarantees compliance to industry and internal standards

Bluechiip delivers confidence in every sample



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Bluechiip enabled technology

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 has significantly advanced the application of its 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's chips are designed:

- To perform in cryogenic environments at -196°C
- To sense temperature
- To be resistant to ionizing sterilization
- To be extremely difficult to clone

Resonating Micro Beams Shifting with Temperature

Each chip is a unique micro electro mechanical system (MEMS) containing multiple beams

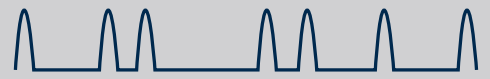


Miniature Chip

The beams resonate at different frequencies which are translated to an ID. The frequency of the beams is directly related to the temperature



-196°C

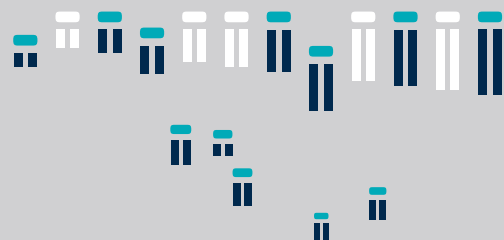


1 0 1 1 0 0 1 1 0 1 0 1



Billions of ID Combinations

Billions of unique ID combinations can be captured in this miniaturised chip



Bluechiip enabled workflow

Streamlined collection and handling

- Easy data input in bulk – streamline receiving processes with multi-sample readers and intuitive software
- Be certain about your sample ID – Bluechiip® Enabled Consumables have a unique hard-coded ID
- Ensure chain of identity – Bluechiip® products are compatible with barcodes and labels
- Automatically record thermal data when receiving and handling samples
- Multi-site capable solution

Simplified cryostorage

- Readers and consumables operate in liquid nitrogen minimizing temperature variations
- Maximise storage utilization by easily consolidating frozen samples and identifying free space
- Ensure samples are stored where they belong: Eliminate errors with Bluechiip® Guided Storage™ tasks
- Automatic data upload with each ID read – Link the sample ID with instant temperature, time, technician, and storage location



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Guided Retrieval™

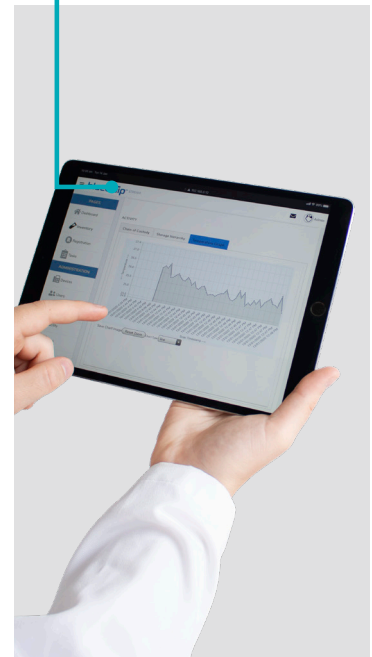
- Find your samples quickly - Eliminate paper picklists and double witnessing with Bluechiip® Guided Retrieval™
- Retrieve frosted samples in bulk at the first go - Bluechiip® readers do not require a visual line of sight
- Reduce temperature excursions - Instant sample ID reads even at -196°C
- Confirm sample integrity during handling - Temperature check with ID

Unparalleled quality assurance

- Complete Audit Trail - View and report on sample history
- Standardize and de-risk sample handling and cryopreservation processes
- Supports compliance to industry and internal standards: CFR21, ISO20387, CAP, GMP, GTP



- › Unique ID
- › Temperature
- › User
- › Time
- › Location



bluechiip®

advanced sample management solution

- ✔ A range of Bluechiip enabled consumables - Our cryo-safe, tamper-proof chip is embedded into vials, racks, storage equipment or retrofitted to existing containers
- ✔ Multiple reader formats - available in mobile, desktop, single and multi-sample for bulk reading
- ✔ Easy to setup and use Inventory Management Software - Bluechiip Stream™ keeps sample data accessible in one location

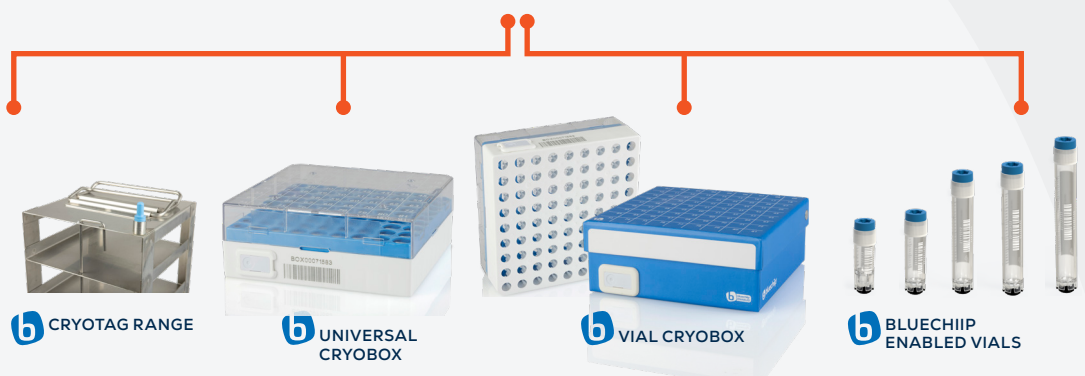
Stream Sample
Data Management
Software



Readers



Consumables



CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Bluechiip Ltd board I have pleasure in presenting the 2021 Annual Report to you.

In another challenging year with the ongoing havoc created by the global COVID-19 pandemic the company has made solid progress on many fronts. The value of working innovatively and adapting to the new normal has been crucial.

Notable highlights included: reaching a successful resolution to the Labcon dispute and receiving the \$US850,000 (\$1.1 million) cash settlement component; winning the Outstanding New Product Award at ISBER for our BoxTracker™, which, with our Handheld Reader, is part of Bluechiip's Advanced Sample Management Solution; and developing our own direct consumables product range.

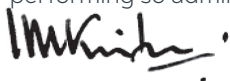
Reaching a speedy settlement with Labcon was crucial and there is every expectation Labcon will become an important customer and distributor for Bluechiip Ltd. Whilst the settlement is not refundable and not contingent on any future business with Labcon, the settlement receipt is classified as deferred revenue to be recognised over the term of the new supply agreement with Labcon in line with the application of new accounting standard AASB 15 - Revenue Contact with Customers. Further detail on the Labcon settlement has been included in the Managing Director's report.

The ISBER award has generated much positive feedback and received a lot of customer interest. Bluechiip's BoxTracker™ and its associated Handheld Reader are innovations that make tracking more reliable and easier in the complex and harsh world of very cold storage.

The development our own consumables range is almost complete and we will shortly launch the Bluechiip range of 1, 2, 4 & 5 mL vials. This means we can sell the Bluechiip package of all components (hardware, software and consumables) direct to customers without having to go through an OEM. In anticipation of this and the progressive opening up of our key markets in the USA and EU, we have appointed a second executive based in the USA, an experienced VP Sales and Distribution for North America.

As markets begin to open up the board is confident that with a much stronger and broader base the business will succeed in attracting customers to take up our unique technology.

Once again, we thank all our shareholders for their patience. We also pay tribute to our staff for performing so admirably during this pandemic. Keep safe and healthy and get vaccinated.



Iain Kirkwood
Chairman

The year saw an increase in customer receipts by 41% (from \$857k to \$1.212m) which contributed to a significant reduction in net operating cash outflow of \$2.004m (2020: \$4.783m), an improvement in net cash used of 58%.

The year 2020/21 was another challenging year for Bluechiip Ltd. The COVID-19 pandemic continued to challenge societies and businesses around the world, undermining confidence, disrupting supply chains, interrupting business plans and curtailing investment.

Despite these challenges, Bluechiip made significant progress during the year, with an increase in customer receipts by 41% (from \$857k to \$1.212m) which contributed to a significant reduction in net operating cash outflow of \$2.004m (2020: \$4.783m), an improvement in net cash used of 58%. The improvement was also contributed by a reduction in manageable spending by 25% (from \$7.141m to \$5.391m), increase in the R&D Tax Incentive received by 32% (from \$1.233m to \$1.626m) based on a shift to internal R&D at the start of the pandemic and additional support programs (e.g. JobKeeper, Cashflow Boost) received from the Australian Government.

Like with many businesses, the pandemic forced changes at Bluechiip. A limitation on travel, and the consequent difficulty in demonstrating products, meant that Bluechiip had to make some changes to its business priorities. The company was able to achieve several key milestones during the period, including:

- Executing a strategy to bring to market a range of Bluechiip enabled and Bluechiip branded consumables. These consumables should enter the market in the first half of FY2021/22.
- Engaging with end customers (some remotely), resulting in orders for our new range of products.
- Progressing to scale production and manufacturing of chips and Bluechiip tags in multiple formats through our supply chain, to a capacity of well over 5 million units per year.
- Continuing the expansion and refinement of our reader and software product line.



- Progressing OEM discussions towards expected License, development and supply agreements.
- A further strengthening of our strong intellectual property portfolio. We added 5 approvals during the year, taking our portfolio to 30 granted patents across 6 patent families and 13 applications pending across 3 families.
- Implementing and gaining ISO9001 certification.

The year also saw litigation, and the resolving of that litigation, with our business partner Labcon. We were pleased to be able to come to a mutual resolution with a \$US1.6 million settlement. Details of the settlement are:

- Labcon has agreed to provide Bluechiip with \$US1.6 million (\$2.2 million), comprising an \$US850,000 cash payment and return of \$US750,000 worth of Bluechiip delta tags and products previously sold to, and paid for by, Labcon. These will be incorporated or repurposed into the newest generation of Bluechiip Products, including Bluechiip's new range of 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 \$US1.35 million on sales under this new supply arrangement.

As at 30 June 2021, Bluechiip received from Labcon the cash payment of \$US850,000 (\$1.1 million), which is non refundable and not contingent on any future business with Labcon.

During the year we were delighted to learn that our BoxTracker™ product – which alongside our Handheld Reader is part of Bluechiip's Advanced Sample Management Solution – had won the 2021 Outstanding New Product Award from the International Society for Biological and Environmental Repositories (ISBER), the leading network in the global biobanking and biorepository community.

The Cryo BoxTracker™ and the Handheld Reader track and monitor samples being handled outside long-term storage, recording and linking sample identification to time and technician, while continually monitoring temperature at the cryobox level during critical transport and handling.

The Bluechiip Cryo BoxTracker™ won the award against eight other products from around the world. An international judging panel compared technical innovation, originality, anticipated impact and value, projected viability of product and expected market demand.

It is pleasing that, as the world gains greater vaccination numbers and emerges from the hold of the COVID-19 virus, we are seeing confidence rise and markets re-emerge.

Bluechiip is well-positioned to capitalise on the renewed optimism with a strong range of Bluechiip enabled consumables, readers and software to supply to key target markets – the ultra-low temperature biobanking, cell therapy, IVF storage and transport markets. These markets sit within the significantly larger biological sample market, which processes well over 300m+ samples per year.

Bluechiip continues to communicate with existing and potential OEM partners. It is pleasing to see these discussions re-emerge and expand. We are committed to further progress these discussions, at the same time engaging end-users especially in North America and Australia/New Zealand directly. Our growing distributor network continues to access wider global markets.

Andrew McLellan
Managing Director

Managing Director's Report

The Bluechiip patent portfolio currently has 6 patent families with 30 granted patents, and 3 families with 13 applications pending in national phase.

Title	Publication Number	Patents Granted	Expiry Date (filing date if not granted)
Family 1: Memory Devices			
Memory Devices	EP 1618513	United Kingdom, France, Germany, Switzerland	17 March 2024
Memory Devices	US 7,434,737	USA	14 November 2025
Family 2: Tagging Methods and Apparatus			
Tagging Methods and Apparatus	EP 2124171	United Kingdom, France, Germany, Switzerland, Italy	22 May 2028
Tagging Methods and Apparatus	US 8,186,587	USA	1 July 2030
Family 3: RFID Memory Devices			
RFID Memory Devices	EP 2297736	United Kingdom, France, Germany, Switzerland, Italy	19 June 2029
RFID Memory Devices	US 8,884,743	USA	2 July 2033
Family 4: Ringup/Ringdown Interrogation of RFID Tags			
Ringup/ Ringdown Interrogation of RFID Tags	EP 2335182	United Kingdom, France, Germany, Switzerland, Italy	30 September 2029
Family 5: Sample Storage and Monitoring System			
Sample Storage and Monitoring System	US 9,140,487	USA	21 January 2032
Sample Storage and Monitoring System	EP 2509412	United Kingdom, France, Germany, Switzerland, Italy	7 December 2030
Family 6: Temperature Sensing and Heating Device			
Temperature Sensing and Heating Device	AU 2011357590	Australia	22 December 2031
Temperature Sensing and Heating Device	US 9,736,890	USA	28 April 2034
Temperature Sensing and Heating Device	EP 2668820	Europe	(22 December 2011)
Family 7: Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport			
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	EP17818751.1	Europe	(29 January 2019)
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	US 16/314,609	USA	(31 December 2018)
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	AU2017287017	Australia	(20 December 2018)

Title	Publication Number	Patents Granted	Expiry Date (filing date if not granted)
Family 8: A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items			
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	JP2019-510703	Japan	(20 February 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	US 16/328,807	USA	(27 February 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	CN 201780066433.9	China	(25 April 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	EP 17844689.4	Europe	(20 March 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	AU 2017320346	Australia	(29 March 2019)
Family 9: Wearable Tag Reader for Temperature-Controlled Environments			
Wearable Tag Reader for Temperature-Controlled Environments	AU 2019215794	Australia	(30 July 2020)
Wearable Tag Reader for Temperature-Controlled Environments	JP 2020-541939	Japan	(31 July 2020)
Wearable Tag Reader for Temperature-Controlled Environments	US 16/966,628	USA	(31 July 2020)
Wearable Tag Reader for Temperature-Controlled Environments	EP 19748035.3	Europe	(28 August 2020)
Wearable Tag Reader for Temperature-Controlled Environments	CN 201980023746.5	China	(13 November 2020)

Directors' Report

Directors

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

Iain M Kirkwood – Non-Executive Chairman

Qualifications: MA (Hons) Oxon, FCPA

Appointed to the Board in November 2007, Iain serves as Chairman. He is an experienced private consultant, investor and non-executive Director. He has considerable practical and operational experience gained from a successful financial career spanning 35 years in a range of industries including auditing, resources, manufacturing and latterly healthcare in Australia, Britain and the USA. He started his career at Arthur Andersen & Co in London. During his career, he has held a range of senior financial and general management positions, including Woodside Petroleum Limited, Santos Limited, Pilkington plc, F.H. Faulding & Co Limited and Clinuvel Pharmaceuticals Limited.

During the past three (3) years he has also served as a Director of the ASX listed company, Simonds Group Limited (Appointed 20 September 2017).

Andrew McLellan – Managing Director and CEO

Qualifications: MBA, B Eng (Hons), GAICD

Appointed as Managing Director and CEO on 27 January 2015. Andrew has vast experience in innovation and commercialisation combined with significant technical and operational experience. Prior to joining Bluechiip, he was the CEO of Advanced Manufacturing Co-operative Research Centre (AMCRC) which he now serves as a non-executive Director. Andrew focused on bringing together industry and research to develop and commercialise ground breaking innovations. He has held a range of senior positions including Director at Leica Microsystems Pty Ltd (previously Vision BioSystems Pty Ltd, a division of the former publicly listed Vision Systems Limited), Vice President of Marketing and Business Development North America and Director of Product Management at Vision BioSystems Pty Ltd. Andrew holds a Bachelor of Engineering Degree (Hons) and an MBA (Strategy) from Monash University (Melbourne). In addition, he is also a graduate of the Australian Institute of Company Directors (GAICD).

Michael Ohanessian – Non-Executive Director

Qualifications: B Eng, MBA

Appointed to the Board on 15 December 2014. Michael has considerable executive experience gained from technology-related businesses with a mixture of operational, strategic and leadership capabilities. Following a ten-year career at Mobil Oil, Michael joined the Boston Consulting Group where he consulted to clients in a wide range of industries which include banking, airlines, mining, packaging, sports, oil and gas, retailing and biotechnology.

Michael later moved on to be the CEO of Vision BioSystems, a division of the former publicly listed Vision Systems Limited, where he transformed the business over seven years from a small unprofitable contract manufacturer into a vertically integrated, profitable and growing medical diagnostics business with distribution to over 60 countries. He has also served as Chief Executive of Genetic Technologies Limited and has been involved in investment management and corporate advice with Lion Capital. Michael then joined Praemium Limited, a company listed on the ASX as its CEO on 9 August 2011 until his recent resignation from Praemium Limited on 20 May 2021.

Andrew Cox – Non-Executive Director

Qualifications: MBA, B Commerce (MELB), ICA

Appointed to the Board on 26 July 2017. Andrew is a finance professional with experience in emerging and international markets. Andrew was a co-founder and former chairman of private equity-funded media/technology business Inlink (sold to ASX-listed oOh! Media Ltd in 2015), and is a co-founder of iPro Pty Ltd.

Andrew began his career with KPMG in Melbourne before moving to China and Hong Kong, where he spent seven years with SG Warburg, the Australian Trade Commission and Ernst & Young. He is a member of the Translation and Commercialisation Committee of the Murdoch Children's Research Institute and is fluent in Mandarin Chinese. Andrew holds a Bachelor of Commerce from the University of Melbourne and an MBA from the International Institute for Management Development (Lausanne, Switzerland). He is also a member of the Australian Institute of Chartered Accountants (ICA) and is a graduate of the Australian Institute of Company Directors.

Company Secretary

Lee Mitchell

Qualifications: BA, LLM (Melb)

Lee is a director at Nicholson Ryan, a boutique law firm based in Melbourne, Victoria. He is a qualified solicitor practising principally in corporate and commercial law advising on corporate and securities regulation, equity capital raisings, formulation and implementation of mergers and acquisitions, corporate governance and company secretarial matters.

He joined Bluechiip Limited as Company Secretary in September 2010.

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Directors' Report

Interests in the Shares and Performance Rights of the Company and Related Bodies Corporate

As at the date of this report, the interests of the Directors in the shares (direct and indirect) and performance rights of Bluechip Limited were:

	Number of Ordinary Shares	Number of Performance Rights Over Ordinary Shares
Iain Kirkwood	27,097,732	-
Andrew McLellan	10,449,086	*2,097,602
Michael Ohanessian	9,247,735	-
Andrew Cox	500,000	-

* Further details of the performance rights and terms are set out on the Variable Compensation – Long-term Incentive section of the remuneration report.

Dividends

No dividends were paid or declared since the start of the financial year (2020: Nil). No recommendation for payment of dividends has been made.

Principal Activities

The principal activity of the Group during the financial 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 financial year.

Operating and Financial Review

The Coronavirus (COVID-19) pandemic has caused unprecedented impacts to the global economy with detrimental consequences to many businesses and industries. The downturn in air travel, as a result of border closures, mandatory quarantine periods and restrictions on domestic and international air travel, has deterred the deployment of marketing and business development personnel in the market. Operations in customers and potential customers have been disrupted, thus making onsite product demonstration activities difficult. This has had detrimental impacts on the Group's operations and financial performance throughout the Financial Year (FY) 2021.

Financial Performance

	FY21	FY20	FY21 vs FY20 (%)
Net revenue	51,133	235,630	Down 78%
Cost of sales	(287,307)	(121,473)	Up 137%
Other income	1,765,377	1,744,370	Up 1%
Operating expenses	(4,741,722)	(6,288,209)	Down 25%
Operating EBITDA	(3,212,519)	(4,429,682)	Down 27%
Finance costs	-	-	-
Depreciation and Impairment	(14,900)	(71,403)	Down 79%
Loss before income tax	(3,227,419)	(4,501,085)	Down 28%

Operating Results

The Group reported a consolidated loss after income tax for the financial year ended 30 June 2021 of \$3,227,419 (2020: \$4,501,085 loss).

Results of Operations

The Company recognised net revenue totalling \$51,133 (2020: \$235,630) during the financial year from the sale of products. The Settlement Agreement with Labcon North America (Labcon) during the year (please refer to Key Events during the year for further details), contributed cash settlement sum of \$1,123,002. This settlement sum has been recognised as deferred revenue, to be recognised over the term of the new supply agreement with Labcon and on receipt of the returned goods.

Other income showed a slight improvement from \$1,744,370 to \$1,765,377 during the financial year. This was mainly attributable to the increase in Government Grants receipts from \$140,000 in prior financial year to \$500,250 during this financial year despite the decrease in the R&D tax incentive income receivable expected for the financial year ended 30 June 2021.

Included in the Government Grants are JobKeeper payments and Cashflow Boost as part of the Federal Government's programs to support the businesses during this pandemic.

There was a decline of 25% in operating expenses during the financial year with \$4,741,722 (2020: \$6,288,209) incurred to arrive at operating EBITDA of \$3,212,519 (2020: \$4,429,682). The decline in operating expenses is attributable to amongst others, the following:

- reduced expenditure on external research and development (R&D) - \$1,212,537 (2020: \$2,709,511), resulted from reduced R&D activities carried out with potential customers, a consequence of reduced business development activities during the year; and
- reduced business development expenses, a consequence of the border closures and lockdowns arising from the impact of COVID-19 pandemic - \$48,667 (2020: \$193,914).

Widespread lockdowns and travel restrictions imposed both in Australia and internationally since the start of COVID-19 Pandemic continue to hinder travel thus making travel for business development and marketing activities of our products and services difficult.

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:

- financial position of the Group remains strong. The balance sheet consists predominantly of cash and no borrowings;
- business continuity plan to manage the risks from COVID-19, e.g. the facilities to support employees to work and operate from home where possible, thus minimising disruption to the business;
- reorganisation of its operations with the reallocation of its resources from technical sales team to R&D for more tax effective operations (via use of technical sales resources deployed into R&D activities as eligible R&D expenditure), while managing cash through reduced sales and marketing overheads;
- progressively reviewing and implementing measures including resizing the cost base, while preserving valued talent pool; and
- continue to pursue R&D activities with the focus on the following:
 - launching the Bluechiip direct to market portfolio of products for the Biobanking market including a range of Bluechiip Enabled and Bluechiip-branded cryogenic consumables; and
 - improving quality, performance and scalability of chips with the aim of achieving economies of scale in the area of production.

Capital Structure

Other than the conversion of performance rights into shares, there has not been any material movement in the Company's share capital. As at the date of this report, the Company has 597,880,502 fully paid ordinary shares on issue.

Key Events and Significant Change in the State of Affairs

Although there has not been any change to the nature of the Company's operations during the financial year, performance for the financial year ended 30 June 2021 has been significantly impacted by a number of events that need consideration.

Labcon North America

Bluechiip had on 29 July 2020 filed a lawsuit against Labcon in federal court in California, US for the termination of the development and supply agreement. This was followed by a private mediation that saw Bluechiip and Labcon end their dispute on 22 June 2021 with a Settlement Agreement entered into with the following mutually beneficial resolution:

- Labcon agreed to provide Bluechiip with USD1.6 million comprising:

Directors' Report

- an USD850,000 cash payment; and
 - return of USD750,000 worth of Bluechiip delta tags and products previously sold to, and paid for by, Labcon. These will be 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.

As at 30 June 2021, Bluechiip had received in full the cash settlement payment of USD850,000 (\$1,123,002). Bluechiip awaits now for the return of USD750,000 worth of Bluechiip delta tags and products previously sold to, and paid for by, Labcon.

Impact of Coronavirus (COVID-19)

The COVID-19 outbreak continues to present detrimental effect to many part of our lives and globally resulted in disruptions to the business activities and operations. Businesses find difficulty navigating the financial and operational challenges of coronavirus while rapidly addressing the needs of their people and operations.

Whilst COVID-19 has presented business challenges for Bluechiip in getting to the market, there have been more interests received from the bio preservation industry enquiring on our technology. We are hopeful this may lead to a discussion and present an opportunity for the Group to work and understand the industry needs.

At Bluechiip, we are continuing to build strong resilience to the challenges posed. We are optimistic on our future performance and have responded and addressed the impact of the pandemic in the following ways:

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

Apart from the matters highlighted above, within the events after balance date and that referred to in the financial statements and accompanying notes thereto, there has been no significant change in the state of affairs of the Group.

Events After Balance Date

Subsequent to 30 June 2021, an event has occurred:

COVID-19 Pandemic

Victoria went into Lockdown No. 5 with Stage 3 restrictions and Lockdown No. 6 with Stage 4 restrictions on 16 July 2021 and 6 August 2021 respectively. These lockdowns and any future further restrictions are expected to unfavourably impact the Group's operations that include research and marketing activities and affect the financial performance for the financial year 2022.

Other than the matter described above, no matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Basis of Preparation

The financial report has been prepared on a going concern basis which takes into account the Group's assets and liabilities and assumes that funds will be obtained from several sources as outlined in Note 2 to the Financial Statements.

Likely Developments and Expected Results

While today's business environment is both challenging and evolving, the Company expects to continue to address its strong and growing opportunity pipeline, with both early-adopting end customers and potential OEMs in multiple markets, including in the IVF space, despite the effects of COVID-19.

Bluechiip expects to finalise the development of its own consumables and launch a range of 1, 2, 4 & 5 ml Bluechiip Enabled Cryovial's. The Bluechiip Enabled consumables coupled with Bluechiip readers and software are targeted to supply key target markets – the ultra-low temperature biobanking, cell therapy, storage and transport markets which process well over 300m+ samples per year.

The Company will continue to work through its growing business development team in the USA to engage end-users especially in North America and Australia/ New Zealand directly and through growing distributor network to access wider global markets.

The Company expects to continue to communicate with existing and potential OEM partners to integrate Bluechiip technology in their products across the globe and expect to see these discussions re-emerge and expand as conditions surrounding COVID-19 improve which is expected to lead to the demand for Bluechiip's

technology and products. These partnerships are expected to convert into licence and development agreement and subsequent long term supply agreements.

The Company expects to continue research and development of solutions to meet both direct customers and OEM partners' requirements as well as continued expansion on underlying core intellectual property whilst at the same time building out its own portfolio of Bluechiip Branded and enabled line of products.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. Nevertheless, the Group aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the consolidated entity by any government agency during the year ended 30 June 2021.

Options

Unissued Shares

As at the date of this report, there were no unexercised options (2020: Nil) over ordinary shares or shares issued on the exercise of options or performance rights except as detailed in the following paragraphs.

As at the date of this report, there were 6,712,203 (2020: 12,630,843) unexercised performance rights (zero exercise price options) over ordinary shares, of which 899,072 (2020: 1,937,231) performance rights have been vested but remain unexercised. Further details of the performance rights and their terms are set out in the Variable Compensation - Long-term Incentive section of the remuneration report.

Indemnification of Directors and Officers

The Company has not granted any indemnity to any current or former Directors or officers against any liability other than as provided in the Company's constitution and in standard deeds of insurance and indemnity entered into with each of the directors under which the Company indemnifies each officer against any liability to a party other than the Company or a related body corporate, but only to the extent that the liability arises out of conduct in good faith together with legal costs to the extent permitted by the Corporations Act.

During the financial year, the Company has paid premiums in respect of a contract insuring the Directors of the Company (as named above) and all Executive Officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The total amount of Directors & Officers Liability insurance contract premiums paid was \$41,409 (2020: \$37,760).

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Deloitte Touche Tohmatsu, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Deloitte Touche Tohmatsu during or since the financial year.

Directors' Report

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Director's Meetings		Remuneration and Nomination Committee Meeting		Audit Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
I Kirkwood	10	10	1	1	2	2
A McLellan	10	10	-	-	-	-
M Ohanessian	10	10	1	1	2	2
Andrew Cox	10	10	1	1	2	2

Committee Membership

As at the date of this report, the Board had the following committees: Audit Committee and a Remuneration and Nomination Committee of the Board.

Members acting on the committees of the Board during the year are:

Audit	Remuneration and Nomination
Andrew Cox (Chairman)	Michael Ohanessian (Chairman)
Iain Kirkwood	Iain Kirkwood
Michael Ohanessian	Andrew Cox

Auditor Independence Declaration

The Directors received the declaration set out on the following page 34 from the auditor of Bluechiip Limited.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 26 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature, value and scope of the non-audit services are considered not to have compromised auditor independence.

This report for the year ended 30 June 2021 outlines the remuneration arrangements in place for Directors and senior executives of the Company in accordance with the requirements of the Corporations Act 2001 and Its Regulations.

Remuneration Report

Compensation of Executives

The report sets out the current remuneration arrangements for Directors and senior executives of the Company, being the Key Management Personnel (KMP) of the Company – those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director whether executive or otherwise.

All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Individual KMP Disclosures

Details of KMP of the Company are set out below:

Directors

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors (NEDs) and executives. The Board approves the remuneration arrangements for executives having regard to the recommendations made by the Remuneration and Nomination Committee including any Short-term Incentive (STI) or Long-term Incentive (LTI) arrangements. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

The Remuneration and Nomination Committee comprises all NEDs, each of which is considered independent.

The Remuneration and Nomination Committee meets periodically as part of the Directors' meetings during the year. Executives are not present at meetings of the Committee except by invitation.

The Remuneration and Nomination Committee has not engaged any external remuneration advisers during the financial year.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is located at bluechiip.com/about-us/corporate-governance/

Principles of Compensation and Strategy

The Remuneration & Nomination Committee of the Board assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team and aligning the interests of the executives with those of the shareholders.

Bluechiip's remuneration strategy is designed to attract, motivate and retain employees and executives by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company. To this end, key objectives of the Company's reward framework are to ensure that remuneration practices are aligned to the Company's business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders. Where relevant, the remuneration framework incorporates at risk components through STI and LTI arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to Directors and senior executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person's duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash or share options based on the achievement of specific goals related to the performance of the individual and the Company (as determined by the Directors). Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Components of total compensation are 'at risk' (variable compensation) and dependent on meeting pre-determined performance benchmarks including Key Performance Indicators (KPIs). The inclusion of appropriate challenging performance hurdles in relation to variable compensation is designed to align employee performance with the creation of shareholder value and wealth.

Remuneration Report

KPIs are agreed and set each year for KMP with the specific objective of influencing both short and long-term performance and the generation of shareholder wealth.

Variable or performance-linked compensation comprises cash bonus and/or share-based payments.

Fixed Compensation

Fixed compensation consists of a base salary and employer superannuation contributions. Fixed compensation levels are set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed compensation is reviewed at least annually by the Remuneration and Nomination Committee and the process consists of a review of the Company's performance, relevant comparative compensation in the market and, where appropriate, external advice on policies and practices. Employees receive their fixed compensation in cash. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company's size, the Company generally undertakes its own review of these matters, which it does on an ongoing basis.

KPIs are individually tailored by the Board, based on recommendations and input from the Remuneration & Nomination Committee in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

Performance Linked Compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual KPI's and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors, both financial and non-financial. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors. The purpose of these payments is to reward employees for their contribution to the Company.

Employment contracts for staff other than the CEO provide for variable compensation of up to 10% of their total fixed compensation package (although higher variable compensation payments may be made at the Board's discretion).

The Remuneration & Nomination Committee makes a recommendation annually to the Board in respect of incentive compensation for employees and executives.

The Board at its sole discretion determines the total amount of variable compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

The CEO has the discretion to recommend the offer of rights or options to acquire ordinary shares or the direct issue of shares to any member of staff in recognition of exemplary performance. Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as a long-term incentive. Any issue of rights or options proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. The Board considers that the performance linked compensation structure is operating effectively.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.

Variable Compensation – Short-term Incentive (STI)

The Company does not operate a formal STI program other than in respect of the CEO. The CEO is eligible to receive a cash bonus subject to the attainment of defined KPIs. The STI is based on the achievement of financial and non-financial objectives. The actual STI payment awarded to the CEO will depend on the extent to which specific targets set at the beginning of the year are met but potentially could be an amount of up to 30% of the CEO's base remuneration package. Financial performance targets include net sales target and EBITDA. Non-financial performance targets include individual objectives which are aligned to the Group's strategy. The Company has predetermined financial performance benchmarks which must be met in order to trigger payments under the STI plan and these are varied on a yearly basis in line with annual budgeting process.

A summary of the measures and weightings are set out below.

An amount of \$123,166 (2020: \$202,382) has been recognised in the Financial Year 2021 by way of share based payment expense. This is in respect of performance rights (unvested) issued.

Service Contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

Chief Executive Officer

The CEO, Andrew McLellan, is employed under an ongoing employment contract which can be terminated with notice by either party.

The key terms of the contract are as follows:

- Annual base Salary of \$306,000 including superannuation;
- Short-term cash Incentive being up to 30% of Andrew McLellan's annual base salary, payable on the achievement of agreed annual performance targets;
- Treatment of entitlements upon termination of employment are as follows:

	Notice Period	Payment in Lieu of Notice	Treatment of Short-term Incentives	Treatment of Long-term Incentives
Termination by Company (death, disablement, redundancy etc)	3 months	3 months	Any STI payments are at Board discretion	At the discretion of the Board
Termination for Cause	None	None	Any STI payments are at Board discretion	Unvested awards forfeited Vested and unexercised awards forfeited
Resignation by Employee	3 months	None	Any STI payments are at Board discretion	Unvested awards forfeited.

Variable Compensation – Long-term Incentive (LTI)

The Remuneration and Nomination Committee also reviews and approves the issue of share-based payments to staff and KMP as a means of providing a LTI for performance and loyalty.

LTI awards to executives are made under the executive Performance Rights Plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of up to three years subject to meeting relative TSR performance measures, Further details of the Company's LTI Plan in issue during the financial year are as follows:

2021

No performance rights or options were Issued to the CEO, Directors or KMP In the financial year ended 30 June 2021.

2020

Based on shareholders' approval on 21 November 2019, 856,164 performance rights (zero exercise price options) were issued to the CEO (Performance Rights Plan 2019) on the terms specified below. A further 1,380,000 performance rights were issued to other employees of the Company. No other performance rights or options were issued to Directors or KMP in the financial year ended 30 June 2020.

Remuneration Report

Non-Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding \$500,000 was last approved by shareholders at the Company's Annual General Meeting held on 10 November 2011 is to be divided between the Directors as agreed by the Board.

Non-Executive Directors do not receive performance related compensation and the structure of Non-Executive Director and senior management compensation is separate and distinct. Non-Executive Directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of Bluechiip Limited. These Board policies do not prescribe how compensation levels for Non-Executive Directors are modified from year to year.

Compensation levels are to be reviewed by the Board each year taking into account cost of living changes, changes to the scope of the roles of the Directors, and any changes required to meet the principles of the overall Board policies. The remuneration of Non-Executive Directors for the years ended 30 June 2021 and 30 June 2020 is detailed in the table below under 'Remuneration of Key Management Personnel'.

Directors' and Executive Officers' Compensation Tables

Details of the nature and amount of each major element of the compensation of each KMP including Directors of the Company are disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures and with the Corporations Act 2001 in the following tables.

No options or performance rights held by persons in the 'Remuneration of Key Management Personnel' table were exercised during the Financial Year 2021 other than 2,799,087 performance rights held by the CEO, Andrew McLellan which vested and were exercised during the financial year (2020: 2,000,000).

The fair value of the performance rights granted to executive officers has been calculated based on the value at the date of grant using a hybrid trinomial option pricing model which uses a combination of Monte Carlo Simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the selected peer group, taking into account their individual volatilities and correlations. The value as disclosed is the portion of the fair value of the performance rights allocated to this reporting year. Refer to the next sections of this report for full details of the performance rights valuations.

Loan

There were no loans to any Directors or KMPs during the financial year (2020: Nil).

Other Transactions and Balances With KMP

During the financial year, there was no other transactions nor balances outstanding at the end of the reporting period with its directors and KMP.

Remuneration of Key Management Personnel

2021

	Short-term Benefits			Post-employment Contributions	Long-term Benefits		Share-based Payments			Termination/Resignation payment	Total Compensation	Total Performance Based	% of Remuneration Paid as	
	Salary and Fees	Non-cash Benefits	Bonuses/Incentives		Annual Leave	Long Service Leave	Shares	Options/Performance Rights	Share-based Payments					Total
Directors														
Iain Kirkwood	70,000	-	-	-	-	-	-	-	-	-	70,000		0.0%	
Michael Ohanessian	40,000	-	-	-	-	-	-	-	-	-	40,000		0.0%	
Andrew Cox	36,530	-	-	3,470	-	-	-	-	-	-	40,000		0.0%	
Executive														
Andrew McLellan	256,167	*28,139	-	23,646	21,694	5,685	-	**73,182	-	-	408,513		17.9%	
Total Director and Key Management Personnel Compensation	402,697	28,139	-	23,646	25,164	5,685	-	73,182	-	-	558,513		13.1%	

* This relates to monthly novated lease payment made on behalf of the CEO, Andrew McLellan.

** 10,639,269 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. During the year, an amount of \$73,182 has been recognised as part of the share-based payment expense in respect of the performance rights.

Remuneration of Key Management Personnel

2020

	Short-term Benefits			Post-employment Contributions	Long-term Benefits	Share-based Payments		Termination/Resignation payment	Total Compensation	% of Remuneration Paid as Performance Based
	Salary and Fees	Non-cash Benefits	Bonuses/ Incentives			Annual Leave	Options/ Performance Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
Iain Kirkwood	70,000	-	-	-	-	-	-	-	70,000	0.0%
Michael Ohanessian	40,000	-	-	-	-	-	-	-	40,000	0.0%
Andrew Cox	36,530	-	-	3,470	-	-	-	-	40,000	0.0%
Executive										
Andrew McLellan	254,900	*30,097	**45,000	21,003	6,294	-	***86,207	-	467,147	28.1%
Total Director and Key Management Personnel Compensation	401,430	30,097	45,000	24,473	6,294	-	86,207	-	617,147	21.3%

* This relates to monthly novated lease payment made on behalf of the CEO, Andrew McLellan.

** During the year, the Company made a bonus payment of \$45,000 (inclusive Superannuation) fully paid in cash to the CEO, Andrew McLellan.

*** 10,639,269 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. During the year, an amount of \$86,207 has been recognised as part of the share-based payment expense in respect of the performance rights.

Remuneration Report

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Grants, Modifications and Exercise of Options and Performance Rights Over Equity Instruments Granted as Compensation

Shares Issued on Exercise of Options and Performance Rights

No options or performance rights held by persons in the following compensation tables were exercised during the 2021 and 2020 financial years other than 2,799,087 performance rights held by Andrew McLellan that vested and were exercised during the financial year (2020: 2,000,000).

Additional Disclosures Relating to Shares

The number of ordinary shares in Bluechiip Limited held by or controlled by each KMP of the Group during the financial year is as follows:

	Balance at 30 June 2020	Granted as Remuneration	Purchased/ (Sold) During the Year	On Exercise of Performance Rights	Net Change Other	Balance at 30 June 2021
I Kirkwood	27,097,732	-	-	-	-	27,097,732
A McLellan	7,649,999	-	-	2,799,087	2,799,087	10,449,086
M Ohanessian	9,247,735	-	-	-	-	9,247,735
A Cox	-	-	500,000	-	500,000	500,000
Total	43,995,466	-	500,000	2,799,087	3,299,087	47,294,553

Remuneration Report

Additional disclosures relating to options and shares (2021)

The number of performance rights over ordinary shares in Bluechip Limited held by each KMP during the Financial Year 2021 is as follows:

	Balance at 1 July 2020	Granted as Remuneration	Net Change Other	Performance Rights Exercised	Performance Rights Lapsed	Balance at 30 June 2021	Vested at 30 June 2021	
							Vesting Date	Exercisable
I Kirkwood	-	-	-	-	-	-	-	-
A McLellan	5,139,269	-	(2,799,087)	(242,580)	2,097,602	-	-	-
Performance Rights Plan 2017								
Tranche 1	-	-	-	-	-	-	30 Aug 18	-
Tranche 2	1,000,000	-	(1,000,000)	-	-	-	30 Aug 19	-
Tranche 3	1,000,000	-	(1,000,000)	-	-	-	30 Aug 20	-
Performance Rights Plan 2018								
Tranche 1	342,466	-	(342,466)	-	-	-	30 Aug 19	-
Tranche 2	570,776	-	(456,621)	(114,155)	-	-	30 Aug 20	-
Tranche 3	1,369,863	-	-	-	-	1,369,863	30 Aug 21	-
Performance Rights Plan 2019								
Tranche 1	128,425	-	-	(128,425)	-	-	30 Aug 20	-
Tranche 2	214,041	-	-	-	-	214,041	30 Aug 21	-
Tranche 3	513,698	-	-	-	-	513,698	30 Aug 22	-
M O'haneessian	-	-	-	-	-	-	-	-
A Cox	-	-	-	-	-	-	-	-
Total	5,139,269	-	(2,799,087)	(242,580)	2,097,602	-	-	-

Particulars of performance rights held by KMP In Bluechiip Limited at end of financial year 2021 are as follows:

Performance Rights Plan 2018

The number of performance rights that will vest will be determined by the TSR performance relative to the movement in the ASX All Ordinaries Accumulation Index (AORD). During the FY 2019, a total of 2,283,105 performance rights were granted to Andrew McLellan and 4,890,370 performance rights were granted to employees and contractor of the Company. The performance rights to Andrew McLellan have been issued in three tranches.

	Tranche 1	Tranche 2	Tranche 3	Total
Grant Date	1 July 2018	1 July 2018	1 July 2018	
No. of performance rights granted to CEO and capable of vesting	342,466	570,776	1,369,863	2,283,105
Vesting Date	30 August 2019	30 August 2020	30 August 2021	
No. of performance rights Vested and exercised/(Lapsed)	342,466	456,621/(114,155)	Not vested	799,087/(114,155)
Measurement Period	1 July 2018 – 30 June 2019	1 July 2018 – 30 June 2020	1 July 2018 – 30 June 2021	
Exercise price	Nil	Nil	Nil	
Fair value per performance right	\$0.0366	\$0.0407	\$0.0414	
Performance Hurdle	Relative TSR is assessed each year over 3 years to the end of FY 2021, compared to the movement in the ASX Small Ordinaries Accumulation Index for the relevant Measurement Period. This is designed to focus executives on delivering sustainable long-term shareholder returns			
	TSR Performance		Proportion to vest	
	Achieving 100% of the index for the relevant Measurement Period		50%	
	Exceeding the index for the relevant Measurement Period		Balance vests proportionately on a straight-line basis up to 120% of the index performance for the Measurement Period	
Expiry Date	30 June 2021	31 December 2022	31 December 2023	

Remuneration Report

Particulars of performance rights held by KMP In Bluechip Limited during the financial year (Con't)

Performance Rights Plan 2019

The number of performance rights that will vest will be determined by the TSR performance relative to the movement in the ASX All Ordinaries Accumulation Index (AORD). During the FY 2020, a total of 856,164 performance rights were granted to Andrew McLellan and 1,380,000 performance rights were granted to employees and contractor of the Company. The performance rights to Andrew McLellan have been issued in three tranches.

	Tranche 1	Tranche 2	Tranche 3	Total
Grant Date	1 July 2018	1 July 2018	1 July 2018	
No. of performance rights granted to CEO and capable of vesting	128,425	214,041	513,698	856,164
Vesting Date	30 August 2020	30 August 2021	30 August 2022	
No. of performance rights Vested and exercised/(Lapsed)	(128,425)	Not vested	Not vested	(128,425)
Measurement Period	1 July 2019 – 30 June 2020	1 July 2019 – 30 June 2021	1 July 2019 – 30 June 2022	
Exercise price	Nil	Nil	Nil	
Fair value per performance right	\$0.1606	\$0.1587	\$0.1549	
Performance Hurdle	Relative TSR is assessed each year over 3 years to the end of FY 2022, compared to the movement in the ASX Small Ordinaries Accumulation Index for the relevant Measurement Period. This is designed to focus executives on delivering sustainable long-term shareholder returns:			
	TSR Performance Achieving 100% of the index for the relevant Measurement Period Exceeding the index for the relevant Measurement Period		Proportion to vest 50% Balance vests proportionately on a straight-line basis up to 120% of the index performance for the Measurement Period	
Expiry Date	30 June 2022	31 December 2023	31 December 2024	

Additional disclosures relating to options and shares (2020)

The number of performance rights over ordinary shares in Bluechiip Limited held by each KMP during the Financial Year 2020 is as follows:

	Balance at 1 July 2019	Granted as Remuneration	Net Change Other	Performance Rights Exercised	Performance Rights Expired	Balance at 30 June 2020	Vested at 30 June 2020	
							Vesting Date	Exercisable
I Kirkwood	-	-	-	-	-	-	-	-
A McLellan	6,283,105	856,164	-	(2,000,000)	-	5,139,269	-	1,342,466
Performance Rights Plan 2016								
Tranche 1	-	-	-	-	-	-	30 Aug 17	-
Tranche 2	-	-	-	-	-	-	30 Aug 18	-
Tranche 3	1,000,000	-	-	(1,000,000)	-	-	30 Aug 19	-
Performance Rights Plan 2017								
Tranche 1	1,000,000	-	-	(1,000,000)	-	-	30 Aug 18	-
Tranche 2	1,000,000	-	-	-	-	1,000,000	30 Aug 19	1,000,000
Tranche 3	1,000,000	-	-	-	-	1,000,000	30 Aug 20	-
Performance Rights Plan 2018								
Tranche 1	342,466	-	-	-	-	342,466	30 Aug 19	342,466
Tranche 2	570,776	-	-	-	-	570,776	30 Aug 20	-
Tranche 3	1,369,863	-	-	-	-	1,369,863	30 Aug 21	-
Performance Rights Plan 2019								
Tranche 1	-	128,425	-	-	-	128,425	30 Aug 20	-
Tranche 2	-	214,041	-	-	-	214,041	30 Aug 21	-
Tranche 3	-	513,698	-	-	-	513,698	30 Aug 22	-
M O'haneessian	-	-	-	-	-	-	-	-
A Cox	-	-	-	-	-	-	-	-
Total	6,283,105	856,164	-	(2,000,000)	-	5,139,269	-	1,342,466

Remuneration Report

Consequences of the Company's Performance on Shareholder Wealth

The following table summarises the Company's performance in the current financial year and the previous four years since the Company was listed in June 2011.

	30 June 2017 \$	30 June 2018 \$	30 June 2019 \$	30 June 2020 \$	30 June 2021 \$
Measures					
Closing share price at 30 June	0.028	0.054	0.078	0.049	0.041
Basic Earnings Per Share (cents)	(0.7)	(0.6)	(0.7)	(0.8)	(0.5)
Dividends	None	None	None	None	None
Loss before income tax	2,018,633	2,492,491	3,257,996	4,501,085	3,227,419

In considering the Company's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical progress on the Company's products and, where applicable, relationship building with technical institutions, projects introduced, internal innovation etc. The Board has some but not absolute regard to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Company's assets and building the business to establish self-sustaining revenue streams. For this reason, adverse movements in the share price do not necessarily reflect the performance of the CEO and that of other employees.

Signed in accordance with a resolution of the Board of Directors.



Iain Kirkwood
Chairman

30 August 2021



Corporate Governance

The board of Directors of Bluechiip Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Bluechiip Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

An overview of the Company's corporate governance structures and practices is published on the Company's website at www.bluechiip.com/investor/corporate-governance-policies.

The 2020/2021 Corporate Governance Statement is dated as at 27 August 2021 and reflects the corporate governance practices in place throughout the reporting period. The Corporate Governance Statement was approved by the Board on 27 August 2021 and can be viewed at www.bluechiip.com/investor/corporate-governance-policies.

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Auditor's Independence Declaration

Deloitte.

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30 August 2021

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Board Members

Auditor's Independence Declaration to 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 audit of the financial report of Bluechiip Limited for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Jane Fisher
Partner
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation

Bluechiip Limited Consolidated Statement of Financial Position as at 30 June 2021

	Note	2021 \$	2020 \$
Current Assets			
Cash and cash equivalents	11	3,918,945	5,929,890
Term deposit	11	2,000,000	2,000,000
Trade and other receivables	12	1,109,605	1,558,244
Other current assets	13	192,220	661,359
Inventory	14	394,416	646,690
Total Current Assets		7,615,186	10,796,183
Non-Current Assets			
Inventory	14	1,155,828	-
Property, plant and equipment	15	45,953	60,853
Total Non-Current Assets		1,201,781	60,853
Total Assets		8,816,967	10,857,036
Current Liabilities			
Trade and other payables	16	409,009	532,764
Employee benefits	17	107,254	72,976
Total Current Liabilities		516,263	605,740
Non-Current Liabilities			
Deferred revenue	18	1,123,002	-
Employee benefits	17	125,090	88,931
Total Non-Current Liabilities		1,248,092	88,931
Total Liabilities		1,764,355	694,671
Net Assets		7,052,612	10,162,365
Equity			
Issued capital	19	42,562,517	42,417,745
Reserves		5,033,997	5,061,103
Accumulated losses		(40,543,902)	(37,316,483)
Total Equity		7,052,612	10,162,365

Bluechiip Limited Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from operating activities	6	51,133	235,630
Cost of sales		(287,308)	(121,473)
Other income	7	1,765,377	1,744,370
Employee benefits expense		(1,988,991)	(1,920,078)
Superannuation		(146,194)	(150,168)
Share-based payment expense	23	(123,166)	(202,382)
Advertising and branding		(29,648)	(43,118)
Business development		(48,667)	(193,914)
Depreciation costs	8 (a)	(14,900)	(25,189)
Impairment costs	8 (b)	-	(46,214)
Research and Development		(1,212,537)	(2,709,511)
Patent costs		(168,491)	(70,076)
Consultancy fees		(12,500)	(11,996)
Travel and accommodation		(910)	(72,811)
Occupancy costs		(84,218)	(103,586)
Legal and professional fees		(501,773)	(250,564)
Listing, share registry and secretarial fee		(98,115)	(131,464)
Exchange gains / losses		14,765	(979)
Other expenses	8 (c)	(341,276)	(427,562)
Loss Before Income Tax		(3,227,419)	(4,501,085)
Income tax	9	-	-
Net Loss After Income Tax		(3,227,419)	(4,501,085)
Other comprehensive income		-	-
Total Comprehensive Loss for The Year		(3,227,419)	(4,501,085)
Earnings Per Share			
Basic losses per share (cents)	10	(0.54)	(0.79)
Diluted losses per share (cents)	10	(0.54)	(0.79)

Bluechiip Limited Consolidated Statement of Changes in Equity for the year ended 30 June 2021

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2020		42,417,745	5,061,103	(37,316,483)	10,162,365
Transactions with owners in their capacity as owners					
Shares issued during the year	19(a)	150,272	(150,272)	-	-
Transaction costs on share issue	19(a)	(5,500)	-	-	(5,500)
Share-based payment expense		-	123,166	-	123,166
		144,772	(27,106)	-	117,666
Comprehensive income					
Loss for the year		-	-	(3,227,419)	(3,227,419)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(3,227,419)	(3,227,419)
At 30 June 2021		42,562,517	5,033,997	(40,543,902)	7,052,612

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2019		33,441,167	4,972,264	(32,815,398)	5,598,033
Transactions with owners in their capacity as owners					
Shares issued during the year	19(a)	9,284,044	(113,543)	-	9,170,501
Transaction costs on share issue	19(a)	(307,466)	-	-	(307,466)
Share-based payment expense		-	202,382	-	202,382
		8,976,578	88,839	-	9,065,417
Comprehensive income					
Loss for the year		-	-	(4,501,085)	(4,501,085)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(4,501,085)	(4,501,085)
At 30 June 2020		42,417,745	5,061,103	(37,316,483)	10,162,365

Bluechiip Limited Consolidated Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash Flows From Operating Activities			
Receipts from customers		1,211,579	857,010
Payments to suppliers and employees		(5,391,352)	(7,141,161)
Interest received		48,943	83,437
R&D tax incentive received		1,625,685	1,232,933
Government support programs		500,250	185,108
Net Cash Flows Used in Operating Activities	20	(2,004,895)	(4,782,673)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		-	(7,083)
Net Cash Flows Used in Investing Activities		-	(7,083)
Cash Flow from Financing Activities			
Proceeds from issue of ordinary shares		-	9,170,500
Transaction costs on share issue		(6,050)	(327,722)
Maturity of Term Deposit		-	27,755
Net Cash (used)/from Financing Activities		(6,050)	8,870,533
Net (decrease)/increase in cash held		(2,010,945)	4,080,777
Cash and cash equivalents at beginning of financial year		7,929,890	3,849,113
Cash and Cash Equivalents, including term deposit, at End of Financial Year	11	5,918,945	7,929,890

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The consolidated financial report of Bluechiip Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 30 August 2021.

Bluechiip Limited (the Parent) is a for profit company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group during the 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).

Note 2 Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that:

- 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 goods and services. All amounts are presented in Australian dollars, unless otherwise noted
- are presented in Australian dollars with all values rounded to the nearest one dollar under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191
- has been prepared on a going concern basis which takes account of the Group's assets and liabilities and assumes continuity of normal activities 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;
 - financial assistance through receipts of Federal Government COVID-19 Support Program;

- 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.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

(b) Application of new and revised Australian Accounting Standards issued not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Amendment	Effective for Annual Reporting Periods Beginning on or After
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 July 2021
Amendments to References to the Conceptual Framework in IFRS Standards	1 July 2021

The directors do not expect the adoption of these to have a material impact of the financial statements.

(c) Application of new and revised Australian Accounting Standards issued, effective this financial reporting period

The Group has adopted all new and revised accounting standards issued by the AASB that are relevant to its operations and are effective for the current reporting period as at 1 July 2020.

The adoption of these standards and interpretations did not result in a material change on the reported results and position or disclosures of the Group as they did not result in any changes to the Group's existing accounting policies and they are as follows:

Notes to the Consolidated Financial Statements

- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments

During the year, the Group applied AASB 120 Accounting for Government Grants and Disclosure of Government Assistance (AASB 120) as the Company qualified for the Federal Government's JobKeeper grant scheme, administered by the Australian Taxation Office (ATO). The grant is recognised as income when the Company is reasonably assured that it will be received. The grant is recognised as a receivable when the associated wage payments are made. Receipt of reimbursement from the ATO reduces the receivable.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Bluechip Limited and its subsidiaries (the Group) (as outlined in Note 27) as at and for the year ended 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(e) Foreign Currency Translation

- i. Functional and presentation currency

Both the functional and presentation currency of Bluechip Limited and its subsidiaries are Australian

dollars (\$).

- ii. Transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(f) Cash and Cash Equivalents (Ref Note 11)

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, or for those with longer maturities, deposits are classified as cash equivalents if they are expected to be utilised for short term commitments.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and Other Receivables (Ref Notes 12 and 13)

Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method (except for any short-term receivables where the effect of discounts is immaterial), less any impairment.

Impairment of financial assets

The Group considers and recognises a loss allowance for expected credit losses on financial assets annually.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for loans and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors,

Notes to the Consolidated Financial Statements

general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- if becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

De-recognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(h) Inventories (Ref Note 14)

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Non-current assets (Ref Note 15)

i. Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Depreciation is calculated on a diminishing value method basis over the estimated useful life of the specific assets as follows:

Computer & Office Equipment	10% to 66.67%
Furniture, Fixtures and Fittings	10% to 20%
Technical Equipment and Tools	10% to 66.67%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(j) Leases

Leases are recognised, measured and presented in line with AASB 16 Leases. Under AASB 16, a contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. AASB 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' if the recognition requirements of a lease are met.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than \$5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Leased assets

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards

Notes to the Consolidated Financial Statements

of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation within loans and borrowings.

Lease payments

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense to profit and loss, unless they are attributable to qualifying assets, in which case they are capitalised.

(k) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicates that the carrying amount may not be recoverable.

Bluechiip Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Research and Development Costs

Research and development costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be

carried at cost less any accumulated amortisation and accumulated impairment losses. No development costs have been capitalised to date because the Group is unable to demonstrate that the products will be able to generate future economic benefits.

(m) Financial Liability (Ref Note 16)

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities representing trade and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of

Notes to the Consolidated Financial Statements

money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(o) Employee Benefits (Ref Note 17)

ii. Short-term Benefits

Liabilities for wages and salaries, including non-monetary benefits and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Annual leave balances that are expected to be settled after 12 months are measured at present value. They are measured at the amounts expected to be paid when the liabilities are settled.

iii. Long-term benefits

The liability for long service leave benefit is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and years of service.

Expected future payments are discounted at rates using market yield on high quality Corporate Bonds at the reporting date.

(p) Share-based Payment Transactions (Ref Note 23) Equity-settled Transactions

The Group provides benefits to its employees and Directors (including key management personnel) in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transactions).

There is currently a Performance Rights Plan in place as part of the LTI, for the issue of share-based payments to staff and KMP as a reward for performance and loyalty. LTI awards to executives are made under the executive Performance Rights Plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of up to three years subject to meeting performance measures. The Company uses a combination of absolute total shareholder return (TSR) and commercial targets as the performance measure for the LTI plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the performance rights granted to executive officers has been calculated based on the value at the date of grant using a hybrid trinomial option pricing model which uses a combination of Monte Carlo Simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the selected peer group, taking into

account their individual volatilities and correlations.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group or Company receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of Bluechiip Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Profit or Loss and Other Comprehensive Income is the product of:

- a. The grant date fair value of the award;
- b. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- c. The expired portion of the vesting period.

The charge to the Statement of Profit or Loss and Other Comprehensive Income for the year is the cumulative amount as calculated above less the amounts already charged in previous years. There is a corresponding entry to equity.

If a non-vesting condition is within the control of the Group, Company or employee, the failure to satisfy the condition is treated as a cancellation.

If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement

Notes to the Consolidated Financial Statements

award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 10).

(q) Contributed equity (Ref Note 19)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition (Ref Note 6)

i. Sales Revenue

The Group recognises revenue at a point in time or 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.

Sale of Goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of consideration received or receivable, net of product duties and taxes, rebates, discounts and allowances. Sale of goods is recognised at a point in time when the performance obligations of the sale has been fulfilled and control of the goods has transferred to the customers. In recognising revenue from the sale of goods, the Group makes an assessment of the amount of sales returns expected and presents revenue net of this estimate. In making the assessment, the Group considers its historical experience with sales return to which revenue is recognised to the extent that it is highly probable that a significant reversal of previously recognised revenue will not arise in the future.

i. Government Grants (Ref Note 7)

Government grants are recognised in the Statement of Profit or Loss and Other Comprehensive Income as other income when the grant is receivable. The R&D tax incentive is brought to account only when the amount receivable has been quantified, based on eligible development spend and supported by appropriate claim documentation.

ii. Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the

financial asset. All revenue is stated net of the amount of goods and services tax (GST).

(s) Income Tax and Other Taxes (Ref Note 9)

No taxation has been provided for and no deferred tax assets have been recognised in view of losses incurred.

Deferred tax assets are only brought to account where it is probable that future tax profits will be available against which deductible temporary differences can be utilised. In view of the Group just commenced generating revenues, deferred tax assets are not recognised in respect of the assessed and estimated tax losses to be carried forward on the basis that recoupment is not probable at 30 June 2021.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Trade receivables and other payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Notes to the Consolidated Financial Statements

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per share (Ref Note 10)

Basic earnings per share is calculated as net profit/ (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit/ (loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity; and
- Other non-discretionary changes in revenues or expenses during the year that would result in the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

As the Group incurred a loss during the year, the impact of options and performance rights was anti-dilutive and as such, basic and diluted EPS are the same amount.

(u) Comparative Figures

When required by Accounting Standards, comparative figures will be adjusted to conform to changes in presentation. No comparative adjustment has occurred in the current year.

Notes to the Consolidated Financial Statements

Note 3 Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and interest-bearing liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2021 \$	2020 \$
Financial Assets			
Cash and cash equivalents	11	5,918,945	5,929,890
Other financial asset - term deposit	11	-	2,000,000
Trade and other receivables	12	1,109,605	1,558,244
Total Financial Assets		7,028,550	9,488,134
Financial Liabilities			
Trade and other payables	16	409,009	532,764
Total Financial Liabilities		409,009	532,764

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. The Group neither enter into or trade financial instruments and derivative instruments for speculative purposes.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. The Group is also exposed to a certain degree of foreign currency risk as some of its transactions with suppliers and customers are denominated in foreign currencies.

(a) Credit Risk

Credit risk is minimised through investing surplus funds in financial institutions that maintain a high credit rating. Credit risk is in relation to receivables held as at year end.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. There were no guarantees given at the balance date.

The credit exposure in respect of trade and other receivables is detailed in note 12.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with the approved Board policy.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Notes to the Consolidated Financial Statements

The table below reflects an undiscounted contractual maturity analysis for financial instruments.

Cash flows realised from financial assets reflect management's expectation as to the timing of financial instruments realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial assets – Cash Flows Realisable	Notes	Less Than 6 Months		6 to 12 Months		1 Year to 5 years		Over 5 Years		Total Contractual Cash Flow	
		2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2019 \$	2021 \$	2020 \$	2021 \$	2020 \$
Cash and cash equivalents	11	5,918,945	5,929,890	-	-	-	-	-	-	5,918,945	5,929,890
Term deposit	11	-	-	-	2,000,000	-	-	-	-	-	2,000,000
Trade and other receivables	12	1,109,605	1,558,244	-	-	-	-	-	-	1,109,605	1,558,244
Total		7,028,550	7,488,134	-	2,000,000	-	-	-	-	7,028,550	9,488,134
Financial Liabilities Due for Payment											
Trade and other payables	16	409,009	532,764	-	-	-	-	-	-	409,009	532,764
Total		409,009	532,764	-	-	-	-	-	-	409,009	532,764
Net inflow on Financial Instruments		6,619,541	6,955,370	-	2,000,000	-	-	-	-	6,619,541	8,955,370

Notes to the Consolidated Financial Statements

(c) Market Risk

i. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Borrowings are negotiated at fixed rates to assist in managing the risk and that in determining the interest rates, reference is made to bank lending or borrowing rates at the time the loan is entered into.

ii. Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year Ended 30 June 2021		
+1% in interest rates	59,189	59,189
-1% in interest rates	(59,189)	(59,189)
Year Ended 30 June 2020		
+1% in interest rates	79,299	79,299
-1% in interest rates	(79,299)	(79,299)

The above sensitivities calculation assumption is based on cash and cash equivalent and financial assets reported at balance date.

Note 4 Significant Accounting judgements, Estimates and Assumptions

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. Estimates and underlying assumptions are reviewed on an ongoing basis and for the Financial Year 2021 this review has also considered any relevant implications of the global COVID-19 pandemic. The impact of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Further information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes to the financial statement.

Deferred revenue

As detailed in the Managing Directors report, the Settlement Agreement with Labcon involved Labcon providing Bluechiip with a cash payment of USD850,000 and the return of Bluechiip delta tags and products previously sold to Labcon. Bluechiip will provide a credit of USD1.35m to Labcon for future sales up to 5 years. The cash payment was received prior to year end and has been recorded as deferred revenue. Significant judgement has been applied in determining the period over which the deferred revenue is expected to be recognised in the Statement of Profit or Loss and Other Comprehensive Income. Based on a reasonable estimation of future events being the expected timing of the sale of goods, Bluechiip expect to recognise the revenue over a period of greater than 12 months, but not greater than 5 years, from the date of receipt.

At period end, Bluechiip has not received the stock from Labcon. Bluechiip believe that their ability to determine the fair value of the stock to be returned is constrained until such time as they have control of the goods and are able to inspect them so that they can accurately determine the fair value. At this point, the stock return will be recorded by Bluechiip at fair value.

Provision for expected credit losses

Management uses judgement and assumptions when assessing the recoverability of the receivables in determining the expected credit losses of receivables.

Notes to the Consolidated Financial Statements

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 5 Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker or CODM) in assessing performance and in determining the allocation of resources. The CODM only reviews consolidated financial information and as such, it has been determined that there is only one segment at the present time. Consistent with Financial Year 2020, the Group's operations predominantly relate to provision of products and services to OEM customers primarily in the healthcare and life science industries based in the North America. The market segment remains the main operating segment despite sales of products to North America have declined during the financial year that amounted to \$388 which represents 0.76% of the Group's total products sales (2020: \$199,679; 73.75%). The decline has been attributable to disruptions to business activities and operations from lockdowns across North America arising from the COVID-19 global pandemic.

Note 6 Revenue from Operating Activities

	2021 \$	2020 \$
Gross Revenue From Sale of Product and Licence income		
Sale of product - point in time	51,133	270,764
	51,133	270,764
Less Trade discount	-	(35,134)
Revenue From Operating Activities	51,133	235,630

Note 7 Other Income

	2021 \$	2020 \$
Other Revenue		
Interest income	39,443	71,438
R&D tax incentive	1,225,684	1,532,932
Government Support Programs – JobKeeper Payments and Cashflow Boost for Employers Program	500,250	140,000
Total Other Income	1,765,377	1,744,370

Notes to the Consolidated Financial Statements

Note 8 Expenses

	2021 \$	2020 \$
(a) Depreciation		
Depreciation of property, plant and equipment	14,900	25,189
	14,900	25,189
(b) Impairment		
Impairment of equipment	-	46,214
	-	46,214
(c) Other Expenses		
Expected credit loss allowance	-	17,092
Conference and seminar	1,517	17,666
Contract staff	105,736	118,447
Insurance	54,317	57,472
License, test & compliance expenses	-	1,540
Packaging and delivery	74,624	81,544
Quality management system	16,244	28,818
Telecommunications	12,085	16,254
Computer expenses	44,177	53,156
Other miscellaneous expenses	32,576	35,573
Total Other Expenses	341,276	427,562

Note 9 Income Tax Expense

No taxation has been provided in view of the losses incurred for the year (2020: Nil). Tax losses for the Financial Year 2021 are \$1,224,619 (2020: \$2,384,590). The amount of carry forward tax losses available for offset against future taxable income is \$15,596,965 (2020: \$16,095,180). The deferred tax asset of \$3,074,339 (2020: \$4,426,174) associated with carried forward tax losses as well as deferred tax assets arising from temporary differences of \$45,082 (2020: \$66,556) have not been recorded on the basis that its recovery is not probable at this time. There are no deferred tax liabilities arising from temporary differences on assets.

The prima facie tax on the loss from ordinary activities is reconciled to the Statement of Profit or Loss and Other Comprehensive Income as follows:

	2021 \$	2020 \$
Prima facie tax on loss from ordinary activities before income tax at 26.0% (2020: 27.5%) *		
Consolidated entity	(839,129)	(1,237,798)
	(839,129)	(1,237,798)
Add/(Deduct): Tax Effect of		
Non-deductible expenses	105,207	19,940
Research and development tax effect	332,802	576,520
Deferred tax assets arising not brought to account as at balance sheet date because realisation is not considered probable	420,620	655,088
Assessable income (Government COVID-19 Programs - Cashflow Boost) and Victoria Business Support Grants	(19,500)	(13,750)
Income Tax Credit Attributable to the Consolidated Entity	-	-

* The income tax rate represents the base rate entity company tax rate of 26.0% for Financial Year 2021 (2020:27.5%).

Notes to the Consolidated Financial Statements

Note 10 Earnings Per Share

	2021 \$	2020 \$
Earnings/(loss) used to calculate basic and dilutive EPS	(3,227,419)	(4,501,085)
For Basic and Diluted EPS		
Weighted average number of ordinary shares outstanding during the year – No. used in calculating basic EPS	594,420,917	568,096,098

As the Group incurred a loss during the year, the impact of performance rights were anti-dilutive and as such, basic and diluted EPS are the same amount.

Note 11 Cash and Cash Equivalents and Term Deposit

	2021 \$	2020 \$
Current Assets – Cash and Cash Equivalents		
Cash at bank	3,918,945	5,929,890
Term deposit ^a	2,000,000	-
Total	5,918,945	5,929,890

^a relates to a term deposit placed with a bank and designated as cash equivalent as it was expected to be accessed within short term period.

	2021 \$	2020 \$
Current Assets – Term Deposit		
	-	2,000,000
Total	-	2,000,000

Note 12 Current Assets – Trade and Other Receivables

	2021 \$	2020 \$
Current Assets – Trade and Other Receivables		
Trade receivables	3,105	42,244
Other debtors ^a	6,500	16,000
R&D tax incentive receivable	1,100,000	1,500,000
	1,109,605	1,558,244
The ageing analysis of trade receivables is ^b		
0-30 days	-	16,541
31-60 days	-	320
61-90 days (past due not impaired)	-	-
91+ days (past due not impaired)	3,105	25,383
Total Trade and Other Receivables	3,105	42,244

^a Included in other debtors is interest income receivable of \$6,500 (2020: 16,000) from a short-term deposit placed with a bank.

^b Debts over 90 days are also individually assessed for impairment. The expected credit loss model under AASB 9 requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting period. As at the date of this report, the Group reviewed and assessed the recoverability of trade receivables. In determining the expected credit losses, the Group found these immaterial.

Notes to the Consolidated Financial Statements

Note 13 Other Current Assets

	2021 \$	2020 \$
Prepayment ^a	192,220	661,359
	192,220	661,359

^a Included in prepayment is an amount of \$151,602 (2020: 625,581) made to a R&D supplier pursuant to a development and supply agreement for production of chips. The prepayment is to be used to part pay future invoices from the supplier.

Note 14 Inventory

	2021 \$	2020 \$
Raw Materials		
Current	171,271	395,275
Non-Current	1,314,416	-
Less: Provision for obsolete stocks	(166,264)	-
Total	1,319,423	395,275
Finished goods		
Current	223,145	313,006
Non-Current	69,267	-
Less: Provision of net realisable value	(61,591)	(61,591)
Total	230,821	251,415
Total Inventory	1,550,244	646,690
Current	394,416	646,690
Non-Current	1,155,828	-

Note 15 Non-current Assets - Property, Plant and Equipment

	2021 \$	2020 \$
Technical equipment and tools at cost	257,024	321,427
Impairment expense of equipment during the year	-	(46,214)
Accumulated depreciation and impairment	(219,767)	(227,146)
Total technical equipment and tools	37,257	48,067
Furniture, fixtures and fittings at cost	18,876	18,876
Accumulated depreciation	(15,064)	(14,520)
Total Furniture, Fixtures and Fittings	3,812	4,356
Computer and office equipment at cost	127,142	127,142
Accumulated depreciation	(122,258)	(118,712)
Total Computer and Office Equipment	4,884	8,430
Total Property, Plant and Equipment	45,953	60,853

Notes to the Consolidated Financial Statements

(a) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated	Technical Equipment and Tools \$	Furniture, Fixtures and Fittings \$	Computer and Office Equipment \$	Total \$
Balance at 30 June 2021				
Balance at the beginning of year	48,067	4,356	8,430	60,853
Additions	-	-	-	-
Impairments	-	-	-	-
Depreciation	(10,810)	(544)	(3,546)	(14,900)
Carrying Amount at End 30 June 2021	37,257	3,812	4,884	45,953

Consolidated	Technical Equipment and Tools \$	Furniture, Fixtures and Fittings \$	Computer and Office Equipment \$	Total \$
Balance at 30 June 2020				
Balance at the beginning of year	112,068	5,001	8,748	125,817
Additions	-	-	6,439	6,439
Impairments	(46,214)	-	-	(46,214)
Depreciation	(17,787)	(645)	(6,757)	(25,189)
Carrying Amount at End 30 June 2020	48,067	4,356	8,430	60,853

Note 16 Current Liabilities – Trade and Other Payables

	2021 \$	2020 \$
Trade payables ^a	289,652	527,774
Sundry payables and accrued expenses	119,357	4,990
Total Current Liabilities	409,009	532,764

^a The trade payables as at 30 June 2021 includes directors' fee owing of \$9,167 (2020: \$9,750).

Note 17 Employee Benefits

	2021 \$	2020 \$
Current Employee Benefits		
Annual Leave provision	107,254	72,976
Non Current Employee Benefits		
Long Service Leave provision	125,090	88,931
Total Provisions	232,344	161,907

Refer to Note 2(o) for the relevant accounting policy applied in the measurement of this provision.

Notes to the Consolidated Financial Statements

Note 18 Deferred revenue

	2021 \$	2020 \$
Deferred revenue	1,123,002	-
	1,123,002	-

The deferred revenue relates to USD850,000 cash payment received as part settlement received from Labcon pursuant to the Settlement Agreement. Further details of the Settlement Agreement are set out in Key Events of the Directors' Report.

Note 19 Issued Capital

	2021 \$	2020 \$
(a) Shares Value		
Ordinary Shares		
At the beginning of the reporting year	42,417,745	33,441,167
Issue of ordinary shares	150,272	9,284,044
Less: Capitalised share issue costs	(5,500)	(307,466)
	42,562,517	42,417,745

Details	No. of shares	Total (\$)
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	20,657
Tranche 2 Performance Rights 2017 to eligible employees	198,000	4,360
Tranche 3 Performance Rights 2017 to CEO, Andrew McLellan	1,000,000	24,458
Tranche 3 Performance Rights 2017 to eligible employees	952,000	21,455
Tranche 1 Performance Rights 2018 to CEO, Andrew McLellan	342,466	12,543
Tranche 1 Performance Rights 2018 to eligible employees	101,994	3,735
Tranche 2 Performance Rights 2018 to CEO, Andrew McLellan	456,621	23,253
Tranche 2 Performance Rights 2018 to eligible employees	781,774	39,811
Total issued during the year	4,832,855	150,272

	2021 No.	2020 No.
(b) Number of Shares		
Ordinary Shares		
At the beginning of the reporting year	593,047,647	527,162,235
Shares issued during the year: Issue of ordinary shares pursuant to exercise of Performance Rights.	4,832,855	65,885,412
Total Issued and Fully Paid Ordinary Shares	597,880,502	593,047,647

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

Notes to the Consolidated Financial Statements

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. At 30 June 2021, there were no options outstanding (2020: Nil).

As at end of financial year, there were 5,813,131 outstanding Performance Rights and 899,072 Performance Rights vested but remain unexercised.

No performance rights were granted during the year to Andrew McLellan (2020: 856,164) or employees (2020: 1,380,000) as part of the Variable Compensation – LTI which entitle both Andrew McLellan and the employees to acquire one fully paid share in the Company for a nil exercise price (Performance Rights). Further details of the performance rights and the terms are set out in the Variable Compensation – Long-term Incentive section of the remuneration report.

(c) Capital Management

Management controls the capital of the Group in order to ensure that the Company can fund its operations and continue as a going concern. The Group's debt and capital includes share capital and financial liabilities, supported by financial assets. There is no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Company's financial risk and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management.

Note 20 Cash Flow Statement Reconciliation

Reconciliation of Net Loss after Tax to Net Cash Flows used in operating activities

	2021 \$	2020 \$
Net loss	(3,227,419)	(4,501,085)
Non-cash Flows in Loss		
Credit loss allowance	-	17,092
Depreciation	14,900	25,189
Impairment of equipment	-	46,214
Share-based payment expense	123,166	202,382
Provision for stock obsolescence	166,264	-
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	448,639	322,702
(Increase)/decrease in other assets	469,689	(606,274)
(Increase)/decrease in inventory	(1,069,818)	(61,330)
(Decrease)/increase in trade and other payables	(123,755)	(200,063)
(Decrease)/Increase in deferred revenue	1,123,002	-
(Decrease)/increase in employee benefits	70,437	(27,500)
	(2,004,895)	(4,782,673)

Notes to the Consolidated Financial Statements

Note 21 Related Party Disclosures

(a) Key Management Personnel (KMP)

Details relating to KMP, including remuneration paid, shares issued and performance rights issued, are included in Note 22 and the Remuneration Report.

(b) Transactions With Related Parties

Other than shares and performance rights issued to Directors and KMP of the Company disclosed in the Remuneration Report, there were no other transactions with related parties during the year

Note 22 Key Management Personnel

Compensation for key management personnel

The total remuneration provided and /or paid to key management personnel of the Group during the year are as follows (refer to table in Remuneration Report for further detail):

	2021 \$	2020 \$
Short-term employee benefits [#]	454,482	500,173
Post-employment benefits	25,164	24,473
Long-term employee benefits	5,685	6,294
Share-based payments	73,182	86,207
	558,513	617,147

[#] The short-term employee benefits paid include Non-Executive Directors fees paid amounting to \$150,000 (2020: \$150,000).

Note 23 Share-based Payment Plans

Fair Value of Performance Rights and Expenses Arising From Share-based Payment Transactions

The performance rights expense under the Performance Rights Plans in the table below have been determined based on the fair values of the performance rights granted to CEO and officers calculated at grant date using a hybrid trinomial option pricing model with a relative TSR hurdle. The hybrid trinomial option pricing model with TSR hurdle uses a combination of Monte Carlo Simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the selected peer group, taking into account their individual volatilities and correlations.

	2021 \$	2020 \$
Performance Rights Plan Expense During the Year		
Performance Rights Plan 2016	-	2,482
Performance Rights Plan 2017	2,902	21,278
Performance Rights Plan 2018	46,746	95,942
Performance Rights Plan 2019	73,518	82,680
	123,166	202,382

Notes to the Consolidated Financial Statements

2021

During the financial year, no new performance rights were granted to the CEO, Andrew McLellan and employees of the Company.

No options were issued to Directors or other KMP during the financial year ended 30 June 2021.

2020

In the prior financial year 30 June 2020, 2,236,164 performance rights were granted to the CEO, Andrew McLellan and employees of the Company:

Number and Recipient of Performance Rights	Grant Date	Vesting / Expiry date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Risk Free interest Rate	Estimated Volatility
856,164 to Andrew McLellan comprising							
Tranche 1 -128,425	21 Nov 2019	30 Aug 2020/ 30 Jun 2022	\$0.1606	Nil	\$0.161	1.60%	90%
Tranche 2 -214,041	21 Nov 2019	30 Aug 2021/ 30 Jun 2023	\$0.1587	Nil	\$0.161	1.88%	90%
Tranche 3 -513,698	21 Nov 2019	30 Aug 2022/ 30 Jun 2024	\$0.1549	Nil	\$0.161	2.11%	90%
4,890,370 to employees comprising							
Tranche 1 -733,555	1 Jul 2019	30 Aug 2020/ 30 Jun 2022	\$0.0570	Nil	\$0.181	1.60%	90%
Tranche 2 -1,222,593	1 Jul 2019	30 Aug 2021/ 30 Jun 2023	\$0.0624	Nil	\$0.181	1.88%	90%
Tranche 3 -2,934,222	1 Jul 2019	30 Aug 2022/ 30 Jun 2024	\$0.0664	Nil	\$0.181	2.11%	90%

Other than the Performance Rights granted to the CEO, Andrew McLellan and employees as set out above, no options were issued to Directors or other KMP in the prior financial year ended 30 June 2020.

Notes to the Consolidated Financial Statements

Note 24 Contingencies

As detailed in the Managing Director's report, Labcon and Bluechiip have entered into a new Supply Agreement for new Bluechiip Enabled consumables, readers and software that is to be drawn down from a credit of up to USD1.35m provided by Bluechiip. The credit has no cash equivalent and expires within 5 years of the first delivery of Bluechiip products to Labcon.

The Company has no other contingent liabilities as at 30 June 2021 (2020: Nil).

Note 25 Events After the Balance Sheet Date

Subsequent to 30 June 2021, the following events and transactions have occurred.

COVID-19 Pandemic

Victoria went into Lockdown No. 5 with Stage 3 restrictions and Lockdown No. 6 with Stage 4 restrictions on 16 July 2021 and 6 August 2021 respectively. These lockdowns and any future further restrictions are expected to unfavourably impact the Group's operations that include research and marketing activities and affect the financial performance for the financial year 2022.

Other than the matters described above, no matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Note 26 Auditor's Remuneration

	2021 \$	2020 \$
The Auditor of Bluechiip Limited is Deloitte Touche Tohmatsu		
Audit or review of the financial report	70,000	67,150
Tax compliance services	10,000	9,455
Audit Services and Tax Services	80,000	76,605

Note 27 Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2021	Percentage Owned (%)* 2020
Parent Entity			
Bluechiip Limited	Australia		
Subsidiaries of Parent Entity			
Bluechiip, Inc.	United States	100%	100%
Bluechiip Holdings, Inc.	United States	100%	100%

* Percentage of voting power is in proportion to ownership

Notes to the Consolidated Financial Statements

Note 28 Parent Entity Information

	2021 \$	2020 \$
Information Relating to Bluechiip Limited		
Current assets	7,541,292	10,796,183
Total Assets	8,816,967	10,857,036
Current liabilities	1,639,265	605,740
Total Liabilities	1,764,355	694,671
Issued capital	42,562,517	42,417,745
Reserves	5,033,997	5,061,103
Accumulated losses	(40,543,902)	(37,316,483)
Total Shareholder's Equity	7,052,612	10,162,365
Loss of the Parent Entity	(3,227,419)	(4,501,085)
Total Comprehensive Loss of the Parent Entity	(3,227,419)	(4,501,085)

Directors' Declaration

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

1. In the opinion of the Directors:
 - a. The financial statements and notes of Bluechiip Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2021 and performance for the period ended on that date
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
 - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a)
 - c. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable as disclosed in Note 2
2. This declaration has been made after receiving declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board.



Iain Kirkwood
Chairman

30 August 2021



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Independent Auditor's Report to the members of Bluechiip Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bluechiip Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>On 22 June 2021, Bluechiip Limited and Labcon North America entered into a Settlement Agreement in respect of the disputes between the two parties that arose around their respective rights and obligations under the Development and Supply Agreement date 24 August 2018. Concurrently, a new Supply Agreement was entered into which stipulates the new supplier arrangement to Labcon going forward. There are 3 economic settlement conditions contained in the Settlement Agreement that needed to be considered in accounting for the transaction for the 30 June 2021 year end:</p> <ul style="list-style-type: none"> • Cash consideration of USD\$850K payable from Labcon to Bluechiip; • Return of Bluechiip tags and products previously sold to, and paid for with consideration of USD\$750k by, Labcon; and • Provision of future credit of up to USD\$1,350K from Bluechiip to Labcon. <p>The significant estimates and judgements relating to the accounting for the Settlement Agreement and new Supply Agreement terms are disclosed in note 4.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the commercial nature of the Settlement Agreement, new Supply Agreement and Bluechiips rights and obligations contained therein; • Inquiring with management to understand how the agreed terms were established; • Obtaining evidence to support the balances received or receivable at year end; • Using the work of internal specialists to review the accounting treatment.

Other Information

The directors are responsible for the other information. The other information comprises additional ASX disclosures and the Directors' Report, Managing Director's Report and Corporate Governance Statement included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 32 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Bluechip Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Jane Fisher
Partner
Chartered Accountants

Melbourne, 30 August 2021

Additional ASX Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 August 2021.

a. Distribution of equity securities

(i) Ordinary shares

597,880,502 (18 August 2020: 593,047,647) fully paid ordinary shares are held by 1,681 (18 August 2020: 1,504) individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Unlisted options

Nil (August 2020: Nil) options held by individual option holders.

The number of shareholders, by size of holding, in each class are

Investor Range	Shareholders	Number of Fully Paid Ordinary Shares	% of Issued Share Capital
1 - 1,000	81	6,980	0.00%
1,001 - 5,000	43	200,320	0.03%
5,001 - 10,000	172	1,310,597	0.23%
10,001 - 100,000	761	26,984,923	5.55%
100,001 and over	624	564,544,827	94.19%
	1,681	597,880,502	100.00%
Holding less than a marketable parcel	381	2,603,535	0.44%

b. Substantial shareholders

	Number of Fully Paid Ordinary Shares	% of Issued Share Capital
HSBC Custody Nominees (Australia) Limited	61,156,093	10.23
J P Morgan Nominees Australia Pty Limited	32,646,370	5.46

Additional ASX Information

c. Twenty largest holders of quoted equity securities

	Fully Paid Number	% of Issued Share Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	61,156,093	10.23%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	32,646,370	5.46%
BELLWETHER INVESTMENTS PTY LTD <YORK STREET SETTLEMENT A/C>	29,276,974	4.90%
MUTUAL TRUST PTY LTD	21,564,454	3.61%
DR STEPHEN FREDERICK WOODFORD	18,200,000	3.04%
MR IAIN MACGREGOR CRAWFORD KIRKWOOD	15,024,949	2.51%
RADAN INVESTMENTS PTY LIMITED <MCGUIRK FAMILY A/C>	10,100,000	1.69%
EDWARD ST CONSULTING PTY LTD <KIRKWOOD FAMILY S/FUND A/C>	8,320,037	1.39%
TALENTO HOLDINGS PTY LTD	6,666,667	1.12%
ALLTOGETHER PTY LTD <ALLTOGETHER SUPER FUND A/C>	6,001,322	1.00%
ANSATA INVESTMENTS PTY LTD <ANSATA INVESTMENT A/C>	5,674,087	0.95%
MRS AMANDEEP KAUR	5,500,000	0.92%
BELLADONNA HOLDINGS PTY LTD <BELLADONNA SUPER FUND A/C>	5,460,601	0.91%
MR MICHAEL BERNARD OHANESSIAN	4,983,400	0.83%
ZALPERE PTY LTD <R & D ZMOOD SUPER FUND A/C>	4,348,648	0.73%
MR MICHAEL OHANESSIAN & MRS CANDACE OHANESSIAN <M & C OHANESSIAN S/F A/C>	4,264,335	0.71%
BRAMSCORP PTY LTD <GILBERT FAMILY S/FUND A/C>	4,160,880	0.70%
SULAMERICA INVESTMENTS PTY LTD <THE ROOSTER INVESTMENT A/C>	3,932,391	0.66%
EDWARD ST CONSULTING PTY LTD <KIRKWOOD FAMILY A/C>	3,752,746	0.63%
ROSHI RED PTY LTD <ROSHI RED SUPER FUND A/C>	3,670,988	0.61%
	254,704,942	42.60%

Corporate Information

Directors

Mr Iain Kirkwood
Non-Executive Chairman

Mr Andrew McLellan
CEO/Managing Director

Mr Michael Ohanessian
Non-Executive Director

Mr Andrew Cox
Non-Executive Director

Company Secretary

Mr Lee Mitchell

Registered Office

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

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Auditors

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