

2023 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 FY23 Key Achievements



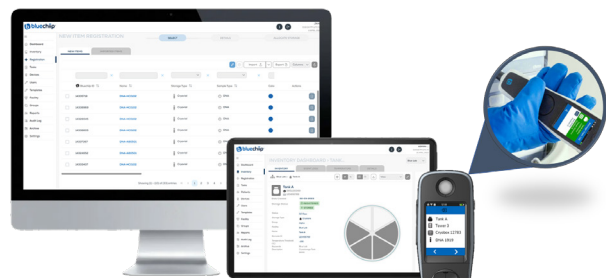
Bluechiip Enabled Solutions Adoption

ISO9001, CFR21-11 software,
CE IVD & FDA registration
Scaled chip supply chain (3m+)



Software Release

Stream 23™ expanding usability, customer
benefits and new modules



North American Sales and Marketing Team Expansion

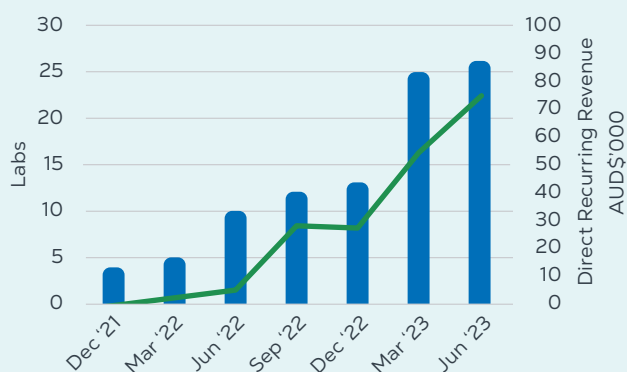
We are now present in key markets
in the US and Europe.



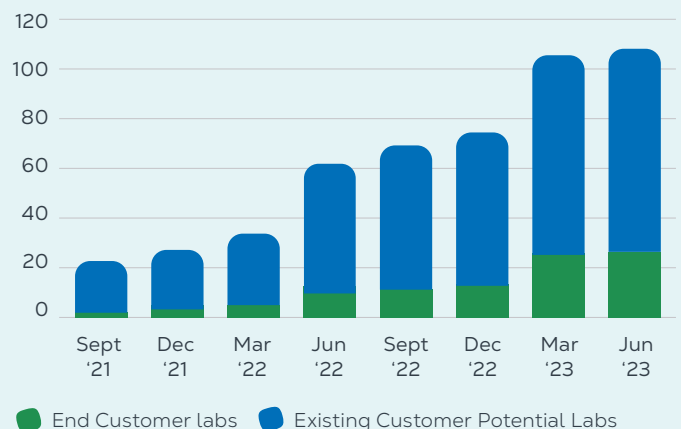
Accelerated Customer Adoption & Pipeline Building

Expanded US sales & Marketing Team Driving
Customer adoption in EU, US & APAC with
repeat orders

Bluechiip Enabled Install Base



Customer Laboratory Penetration



Bluechiip Enabled Laboratories

Growing install base 26 labs across 14 accounts including large Global Pharma company & Ivy League Core Facility



Palacký University
Olomouc

The Bluechiip system provides a full audit trail to help us adhere to Good Manufacturing Practice.

Dominika Lykova
Cell Therapy Specialist

Bluechiip helps us work more efficiently with confidence in sample integrity and identity.

Dr Mary Clare McCorry
Director of Technology and Process Development

The Bluechiip System allows me to have a significant amount of oversight throughout our banking process.

Dr Akhil Chawla MD
Clinical Assistant Professor of Surgery

Bluechiip Strategic Focus



Landing and expanding
new accounts, new
labs and growing
repeat orders



Building
global distribution
channels



Execution
of OEM
agreements



Continuing
expansion and
refinement of
product range

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 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

Bluechiip enabled products

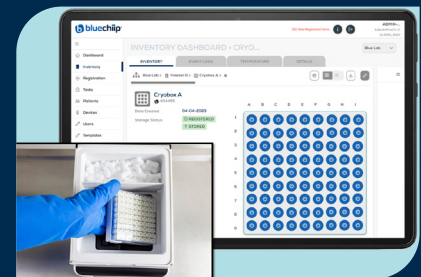
Bluechiip Enabled Storage



Bluechiip Readers



Bluechiip Stream Sample Manager Software



BLUECHIIP'S GOAL IS TO DELIVER CONFIDENCE IN EVERY SAMPLE



Bluechiip's unique patented technology is a Micro Electro Mechanical System (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 sterilisation, 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
- Sense temperature
- Be resistant to ionising sterilisation
- Be extremely difficult to clone

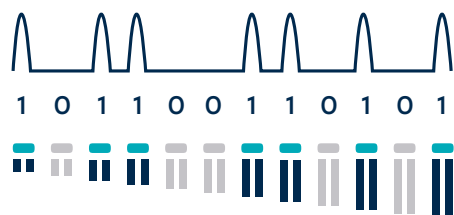


Resonating Micro Beams Shifting with Temperature

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

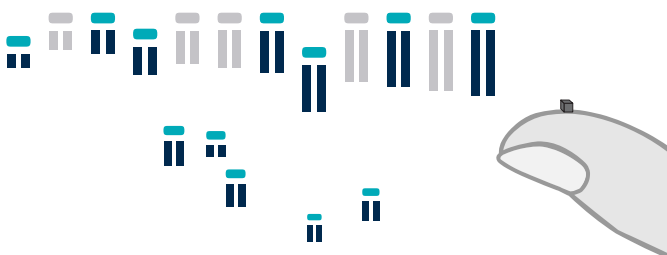


-196°C



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



Billions of ID Combinations

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



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

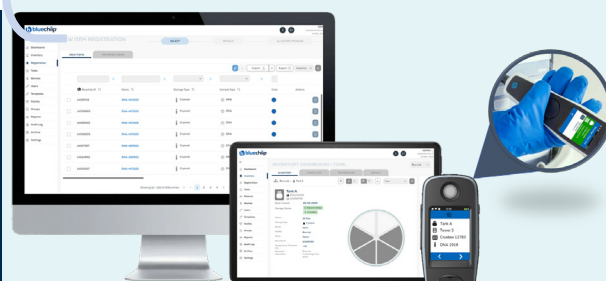
Simplified cryostorage

- Readers and consumables operate in liquid nitrogen minimising temperature variations
- Maximise storage utilisation 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





- Unique ID
- Temperature
- User
- Time
- Location



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
- Standardise and de-risk sample handling and cryopreservation processes
- Supports compliance to industry and internal standards: CFR21, ISO20387, CAP, GMP, GTP



Advanced Sample Management Solution delivering unique user benefits

- ✓ Most laboratories have little to no control over their sample inventories: “don’t know what is in my freezers or who is handling what and when”

Bluechiip® Enabled sample storage and readers dramatically simplify inventory management and improve productivity by automatically updating sample data including location and chain-of-custody

- ✓ Digital lab - increasing demand for digitisation of sample data and laboratory info

Bluechiip is the only solution that can provide sample level temperature and chain-of-custody, and in cryogenic environments redefining sample level quality management

- ✓ Sample access is manual and labor intensive. “When it’s time to retrieve them we then lose hours looking for samples!”

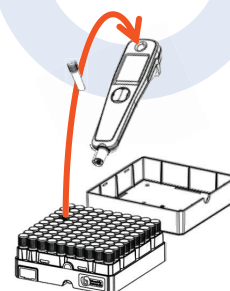
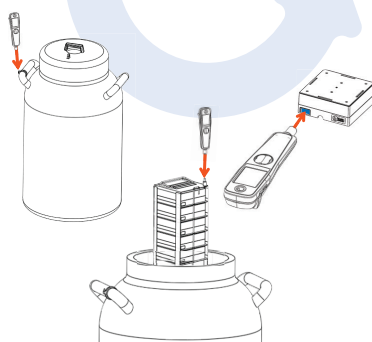
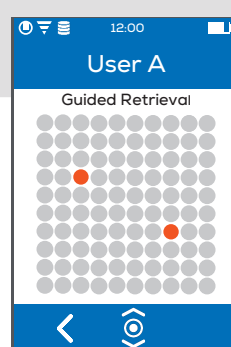
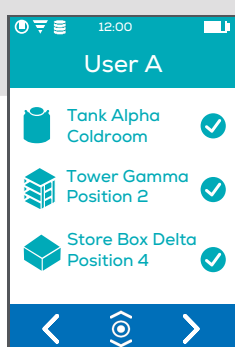
Bluechiip’s Multivial Reader streamlines access to samples. During check out, the system guides you to your freezer location with sample level accuracy, improving productivity and reducing risk to other samples

- ✓ Clinical applications driving greater emphasis on sample integrity – “the cost of failed starting material can be upwards of USD 40,000”

Bluechiip’s solution works at ultra low and cryogenic temperatures to maintain sample viability, meaning samples are not needlessly subjected to harmful temperature excursions for ID and tracking

Bluechiip Guided Storage and Retrieval Driving Productivity and Enhancing Quality

Bluechiip is seamlessly integrating software, readers, consumables and samples allowing automatic updates of databases and eliminating the need to manually enter data.



Dear Shareholders

On behalf of the Board we have pleasure in presenting the 2023 Annual Report to you.

Last year we reported that the planned strategy to focus the company's efforts on developing its own Bluechiip Enabled products and invest in a more significant presence in the key North American market was beginning to gain traction. We were "quietly confident that the Bluechiip technology would be in demand". As Managing Director, Andrew McLellan, details in his report that follows, these products initially released the end of calendar 2021, are gaining traction evidenced by increasing orders and repeat sales. In addition to expanding our US team we have built distribution networks in a number of EU countries and the UK.

We were delighted that during the financial year the Bluechiip's solution was chosen and is now installed in one of 'big pharmas' laboratories in EU, one Ivy League research institution and some leading biopharma groups. Three more big pharmas in the USA are expected to follow suit by the end of calendar 2023.

We now have 26 laboratories that have installed the company's technology – this is double that of 2022. More importantly, the potential number of laboratories related to these customer accounts is in excess of 100. This provides us with a solid base from which to increase our penetration and grow sales. Typically the value of an up front, installation sale is relatively modest. However, following installation the value of repeat consumables sales is far more significant.

We are also very close to completing the two year license and development agreement with FujiFilm Irvine Scientific (FISI). This has been an exacting and testing programme with a worldwide leader in Assisted Reproductive Technology. The directors are now very confident that a long term agreement with FISI will be concluded shortly.

This provides the Board with the confidence that the company has now established a solid customer base from which to grow sales and cash flow.

As we keep repeating, Bluechiip's technology is unique and it is protected by a strong family of patents. This is being increasingly recognised by the market, most particularly by some very large end users, some of which we are able to identify in this report.

If we have an "Achilles heel" it is the company's share price which regrettably remains at historical lows. The company's market capitalisation does not, in the opinion of the Board, properly reflect its true value. We need to address this issue as quickly as possible.

We thank those existing and new shareholders who supported the equity raising earlier in the year; indeed we thank all our patient shareholders.

Finally thank you to our team led by Andrew. They continue to do a terrific job.



Iain Kirkwood
Chairman

Managing Director's Report

This time last year I wrote in my section of the Annual Report that Bluechiip had made significant changes post-COVID. We had developed our own products, all fully approved and registered, to sell through our own channels via an expanded sales and marketing team.

During the financial year 2022-23 (FY23), Bluechiip consolidated this strategy – marketing directly to end users our own Bluechiip Enabled products, especially in the key North American markets. I am delighted to say that those products, released at the end of calendar year 2021, continue to generate rising sales and repeat orders.

Bluechiip has early adopter-sites among key opinion leaders, a highly-differentiated technology and an ability to dramatically improve productivity and quality. Our commitment remains the same – to provide confidence in every sample. No other company has been able to achieve these milestones in the \$1B+ global market in which we operate.

Importantly, we have established a pathway and are well on our way to a sustainable, profitable future.

The key figures in Bluechiip's operating model are:

- Cash receipts increased more than 75% to \$1.028m in FY23, up from \$582k in FY22.
- Key client laboratory numbers rose from 10 at the end of FY22 to 26 at the end of FY23.
- Our repeat revenue from those 26 laboratories increased to \$75k per quarter, up from just \$5k in the preceding June quarter.
- We have orders of more than \$100k in hand at the end of the FY23, for delivery in the first quarter of FY24.

- Our clients include global top-10 pharmaceutical companies, Ivy League research institutions and leading biopharma groups.

Each of our customers provide multiple opportunities for us in adjacent facilities or laboratories. In some cases, this is well in excess of ten times their current presence. Bluechiip's repeat revenue per quarter is driven by the full scaling of a laboratory operating with Bluechiip enabled products; we are seeing around a six-month lag to that repeat revenue flowing through.

Importantly, our pipeline remains robust, with more than 50 new customer opportunities in a global marketplace of more than 10,000 laboratories across cell therapies, pharmaceutical companies, biotech, research institutions and clinical facilities. Included in the pipeline are more than half a dozen of the world's top 20 pharmaceutical companies. One already uses our products and services.

After Bluechiip received FDA registration and CE mark qualification over the past nine months, following validation of our products and offerings with early adopters, we invested heavily on building our sales and marketing infrastructure to directly market and sell our products. Our US sales team expanded from two people in FY22 to six in FY23. At the same time, we built distribution networks in Europe, including in the UK, France, Spain and Czech Republic. We are also seeing opportunities with end customers through Labcon.

While the success of this strategy has not driven through to the bottom line yet, revenue is in line with the previous year: \$915k in FY23 v. \$927k in FY22. Our strategy to invest in sales and marketing is reflected in a higher underlying loss: \$5m in FY23 v. \$3m in FY22.

Importantly, we have made good progress with our implementation of operational capability via improved quality managed systems and ERP systems, outsourced warehousing, scaling of manufacturing and our ability to meet high demand customers. For example, we built up to supply 14,000 cryolabels to fulfill a specific customer order. We are able to meet these orders because of prior investment we have made in our core technology, which enables us to manufacture differentiated products.

Through the year Bluechiip executed on its license and development agreement with FujiFilm Irvine Scientific, and is nearing completion and negotiating to a long-term sales and distribution agreement into the Assisted Reproductive Technology (including IVF) marketplace.

During the year we completed a \$2.2m placement and subsequent \$700k share purchase plan (SPP), primarily to existing shareholders, and we thank both new and existing shareholders for their support.

The great efforts of everyone at Bluechiip, including our staff, are being realised, and I thank our staff for their continuing dedication and hard work.

Most importantly, customers are seeing the benefits of Bluechiip's core technologies and products. A significant benefit includes the automatic updating of information into their databases – which has traditionally been done by handwriting or barcodes. Subsequent higher-level benefits include the dramatic improvement in temperature excursion risk mitigation and the subsequent reporting of events and deviation directly from the Bluechiip system.

Bluechiip is very well positioned for the coming year and the future. We have invested judiciously and have all key elements in place to control own destiny towards a successful future.



Andrew McLellan
Managing Director
Bluechiip Limited

Managing Director's Report

The Bluechiip patent portfolio currently has 9 patent families with 40 granted patents, and 8 applications pending in national phase. During the financial year, 8 new patents were granted in 2 families.

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 2024
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			
Biological 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	EP11857412.8		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 11,589,576	USA	01 November 2038
Monitoring Apparatus for Temperature - Controlled Sample Collection and Transport	US18/102,275 (continuation of 11,589,576)		USA (27 January 2023)
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	AU2017287017	Australia	30 June 2037

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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	JP 7029442	Japan	31 August 2037
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	US 11,467,042	USA	31 January 2040
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	EP 17844689.4	United Kingdom, France, Germany, Switzerland	31 August 2037
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	AU 2017320346	Australia	31 August 2037
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

Chelsea Sheridan

Qualifications: Diploma in Business Administration; Affiliate of the Governance Institute of Australia (GIA)

Chelsea is a Company Secretary in the company secretarial division of the Automic Group, a company that provides Registry, Company Secretarial, Governance and Finance services. Chelsea holds a diploma in Business Administration and an Affiliate of the Governance Institute of Australia (GIA). Chelsea provides company secretarial services to various ASX listed, unlisted public and private companies across a range of industries including financial services, technology and biotechnology, mining and exploration and healthcare.

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 Bluechiip Limited were:

	Number of Ordinary Shares	Number of Performance Rights Over Ordinary Shares
Iain Kirkwood	27,847,732	-
Andrew McLellan	11,199,086	7,900,000
Michael Ohanessian	10,047,735	-
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 (2022: Nil). No recommendation for payment of dividends has been made.

Principal Activities

The principal activity of Bluechiip and its subsidiaries 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

Review of Operations

Bluechiip had a good financial year, operating in a challenging economic environment and coming out from the many continued economic disruptions during the financial year. These challenges had made the Group more resilient and even stronger as the Group moved into later stages of development and commercialisation of its consumable products.

The Group's effort and market focus remains dedicated to the United States (US) and European markets. The Group continues to gain traction and interest amongst the renowned biotechnology and pharmaceutical players in the US. In its marketing efforts, the Group continues to engage with organisations and networks of industry players in conferences and tradeshow to further expand its footprint in these markets. Throughout the financial year, Bluechiip continue to engage with Original Equipment Manufacturers (OEM) and network of distributors across the key target markets of the US and Europe, with the aim to qualify for commercial opportunities.

The registration of the Company's own branded cryovials with the US Food & Drug Administration (FDA) and receipt of formal CE IVD certification for the Bluechiip Enabled cryovial range in FY22 had enabled the Group direct access to the US and European Union market respectively. Bluechiip's new range of consumables and Advanced Sample Management Solutions continue to receive strong interest from local and overseas customers. Bluechiip continues to be in discussions and negotiations

with potential OEMs in pursuit of OEM partner agreements including the delivery of concepts and prototypes to OEMs in the pharmaceutical, cell therapy and biobanking markets.

Bluechiip has been actively executing its development activities with FujiFilm Irvine Scientific (FISI) under the licence and development agreement executed in the December quarter FY22 with an active pursuit of a long-term supply agreement.

Bluechiip's business development activities via its wholly owned subsidiary, Bluechiip, Inc, have seen the Group land many new sales opportunities with most recent a new partnership with biospecimen repository of the New York Psychiatry Institute, a consortium of the New York State Psychiatry Institute (NYSPI). The Group continues to grow the pipeline of new customer opportunities through its expanded sales and marketing team of six up from two in FY22.

Customer end markets include large pharmaceutical, cell therapy, clinical trial and research organisations, with significant opportunities to organically expand Bluechiip's footprint and usage. The adoption by laboratories of Bluechiip Enabled solutions has grown steadily since launch, from four in the December 2021. There are now 14 end users across 26 laboratories (FY22: 10 laboratories) that have now ordered Bluechiip products.

Research and Development (R&D)

The Company continues to deploy its development and commercialisation activities of its new products and technology, that involves conceptualisation, R&D, prototyping, testing and validation before they go into commercial production. During the financial year the Company continues to have the support in the form of tax refund from AusIndustry, a business support program of the Department of Industry, Science and Resources, for the R&D activities it undertook. During the financial year the Company received \$823,490 in R&D Tax Incentive refund.

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

Supply Chain Resilience Initiative (SCRI) Program

During the financial year, the Company was awarded the Federal Government's Supply Chain Resilience Initiative (SCRI) Program which the Company is expected to receive \$787,810 grant for a match funding to a \$1.576m committed project. The Company's grant application titled "Automated Semiconductor Micro-Electro-Mechanical-Systems (MEMS) Device Singulation and Packaging" covers the preparation of chips from the Company's silicon wafers onto antennas for subsequent manufacturing into Bluechiip Enabled consumables. Bluechiip is one of the 18 successful applicants under the Australia-wide program. As at the end of the financial year, the Company had received \$472,686 in cash. \$19,000 has been recognised as income in the current financial year with the balance of \$453,686 to be recognised progressively as income upon the Company's match spending.

Patents and Trademarks

The Company continues to actively work with its patent lawyers to safeguard its intellectual property arising from the completion of its R&D activities. During the financial year, the Company has seen another 8 approved patents added to the list of 40 patents with filing of another 1 new provisional patent application.

Quality System Audit

In January 2023, Bluechiip had its annual Quality Audit for continued certification of its ISO 9001 Certification performed by BSI Global. The successful audit process allows Bluechiip to maintain its ISO 9001 accreditation with its manufacturing process meeting international standards.

Staff and Culture

The Group's workforce has grown from 16 employees in June 2022 to 24 employees in June 2023, reflecting the growth stage of the Group. The Group is committed to diversity with a healthy mix of backgrounds and cultures, and hiring the right people and top talent in their respective fields. During the financial year more sales personnel have been employed to reflect where the Group is in its life cycle. The Group added 4 more sales personnel in the US since the beginning of the financial year. Bluechiip plans to continue to grow its sales and marketing team, especially in North America, over the next 12 months to service the growing demand for Bluechiip Enabled products.

Financial Performance

	FY23	FY22	FY23 vs FY22 (%)
Net revenue	915,036	927,245	Down 1%
Cost of sales	(206,179)	(148,743)	Up 39%
Other income	960,597	823,490	Up 17%
Operating expenses	(6,636,054)	(4,652,607)	Up 43%
Operating EBITDA	(4,966,600)	(3,050,615)	Up 63%
Finance costs	(30,479)	-	Up 100%
Depreciation and Impairment	(43,946)	(8,556)	Up 414%
Loss before income tax	(5,041,025)	(3,059,171)	Up 65%

Operating Results

The Group reported a consolidated loss after income tax for the financial year ended 30 June 2023 of \$5,041,025 (2022: \$3,059,171 loss).

The Company recognised net revenue totalling \$915,036 (2022: \$927,245) during the financial year from the sale of products, licence fee and consulting income.

Other income showed an increase from \$823,490 to \$960,597 during the financial year. This was mainly attributable to the R&D Tax Incentive receivable which the Company expects to receive a total of \$910,000 for the financial year ended 30 June 2023. Also included in the Other Income is the AusIndustry's Supply Chain Resilience Initiative (SCRI) grant of \$19,000. The amount was part of the total cash received of \$472,686 by the Company. As at 30 June 2023, there is \$453,686 not recognised as income and subject to the Company's matched spending.

There was a strategically planned increase of 43% in operating expenses during the financial year with \$6,636,053 (2022: \$4,652,607) incurred to arrive at operating EBITDA of \$4,966,600 (2022: \$3,050,615). The overall strategic increase in operating expenses are attributable to amongst others, the following:

- significant increase in expenditure on research and development (R&D) - \$650,777 (2022: \$268,675), mainly utilised for the development of software for Bluechiip enabled devices;

- increased employee benefits expense of \$3,566,648 (2022: \$2,449,657) mainly attributable to the recruitment of additional employees in Australia and expansion of sales and marketing office in the US; and
- increase in business development and marketing expenses of \$595,607 (2022: \$339,939), resulted from the ongoing marketing and travelling activities particularly in US and Europe regions during the financial year.

Capital Structure

During the financial year, the Company successfully completed a capital raise through:

- Placement to institutional, sophisticated and professional investors for 88.0m new ordinary fully paid shares at an issue price of \$0.025 per ordinary share in Bluechiip, that raised \$2.2m. With the exception of Chairman, Iain Kirkwood's subscription of \$100k worth of shares (subject to shareholders approval at the Company's next general meeting), \$2.1m was fully received; and
- Share Purchase Plan to all its existing shareholders that resulted in 29.1m new ordinary fully paid shares subscribed at an issue price of \$0.025 and raised \$727,500.

Further, in June 2023, there was a conversion of 2,006,667 performance rights into shares by the CEO and certain employees of the Group.

Apart from these, there has not been any material movement in the Company's share capital. As at the date of this report, the Company has 713,670,463 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 2023 has been significantly impacted by a number of events that need consideration.

FUJIFILM Irvine Scientific, Inc. (FISI)

The Company signed a two-year Licence and Development Agreement with FISI on 26 October 2021, in which FISI pays Bluechiip initial licence and development fees over 18–24 months. This development process is nearing completion and Bluechiip and FISI are negotiating a supply agreement for the sale and distribution of the customised Bluechiip Enabled products.

Supply Chain Resilience Initiative (SCRI) Program

During the financial year, the Company was awarded the Federal Government's Supply Chain Resilience Initiative (SCRI) Program which the Company is expected to receive \$787,810 grant for a match funding to a \$1.576m committed project. The Company's grant application titled "Automated Semiconductor Micro-Electro-Mechanical-Systems (MEMS) Device Singulation and Packaging" covers the preparation of chips from the Company's silicon wafers onto antennas for subsequent manufacturing into Bluechiip Enabled consumables. Bluechiip is one of the 18 successful applicants under the Australia-wide program. As at the end of the financial year, the Company had received \$472,686 in cash. \$19,000 has been recognised as income in the current financial year with the balance of \$453,686 to be recognised progressively as income upon the Company's match spending.

Events After Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or could significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results

The Company expects to continue to address its strong and growing install base and opportunity pipeline, with both early- adopting end customers and potential OEMs in multiple markets, including in the IVF space.

With the completion of the development and the launch of its own consumables – Bluechiip Enabled Cryovial's in FY22, the Company is continuing fulfilling the direct to market range of products and solutions.

In response to a significantly growing pipeline of opportunities in the North America market, the Company will continue to work through its growing business development team in the USA to engage end-users especially in North America directly and through growing distributor network to access wider global markets including in Europe.

Bluechiip's development activities with FIS1 is nearing completion and Bluechiip and FIS1 are negotiating a supply agreement for the sale and distribution of the customised Bluechiip Enabled products.

While the Company's direct to market range of products and solutions are gaining traction, Bluechiip is expected to continue in discussions and negotiations with potential OEMs in pursuit of OEM partner agreements including the delivery of concepts and prototypes to OEMs in the pharmaceutical, cell therapy and biobanking markets.

Bluechiip will continue to grow its manufacturing and operational capability both directly and through the Company's supply chain to meet the needs of its growing customer base as repeat orders continue to expand. While the Company is shifting focus to operational delivery, the Company will continue to:

- pursue R&D solutions to meet both direct customers and OEM partners' requirements

- continue 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.

The Group is not aware of any environmental breaches that have been communicated to the consolidated entity by any government agency during the financial year ended 30 June 2023.

Options

Unissued Shares

As at the date of this report, there were no unexercised options (2022: 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 27,951,666 (2022: 14,833,476) unexercised performance rights (zero exercise price options) over ordinary shares, of which 225,000 (2022: 147,778) 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 2001.

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 \$41,503 (2022: \$40,745).

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PKF Melbourne, 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 PKF Melbourne 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
Iain Kirkwood	9	9	1	1	2	2
Andrew McLellan	9	9	-	-	-	-
Michael Ohanessian	9	9	1	1	2	2
Andrew Cox	9	9	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 financial 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 41 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 28 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 2023 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.

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 2001. 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

Remuneration Report

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. 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 2001 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.

An amount of \$394,460 (2022: \$370,511) has been recognised in the Financial Year 2023 by way of share-based payment expense. This is in respect of performance rights (unvested) issued.

Service Contracts

Remuneration arrangements for executives are recognised 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 \$343,325 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; and
- Treatment of entitlements upon termination of employment are as follows:

Remuneration Report

	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:

2023

During the financial year and following receipt of shareholders approval on 28 November 2022, 4,900,000 performance rights (zero exercise price) and a further 14,500,000 performance rights (zero exercise price) were issued under the Performance Rights Plan 2022 respectively to the CEO and certain employees of the Group. Apart from this, no other performance rights or options were issued to Directors or KMP during the financial year ended 30 June 2023.

2022

On 25 November 2021, following receipt of shareholders' approval, 4,500,000 performance rights (zero exercise price) were issued to the CEO (Performance Rights Plan

2021) on the terms specified below. A further 9,500,000 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 2022.

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 Bluechip 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 2023 and 30 June 2022 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.

During the financial year, 750,000 performance rights held by persons in the 'Remuneration of Key Management Personnel' table were exercised (2022: Nil).

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 (2022: 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 Report

Remuneration of Key Management Personnel

2023

	Short-term Benefits				Post- Employment	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 \$			Superannuation Contributions \$	Long Service Leave \$	Shares \$				Performance Rights \$
Directors													
Iain Kirkwood	70,000	-	-	-	-	-	-	-	-	-	70,000	0.0%	
Michael Ohanessian	40,000	-	-	-	-	-	-	-	-	-	40,000	0.0%	
Andrew Cox	36,199	-	-	-	3,801	-	-	-	-	-	40,000	0.0%	
Executive													
Andrew McLellan	287,607	*29,425	96,159	26,452	25,292	8,657	-	-	130,757	-	604,349	37.5%	
Total Director and Key Management Personnel Compensation	433,806	29,425	96,159	26,452	29,093	8,657	-	-	130,757	-	754,349	30.1%	

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

** 20,039,269 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. During the financial year, an amount of \$130,757 has been recognised as part of the share-based payment expense in respect of the performance rights, share-based payment expense in respect of the performance rights.

Remuneration of Key Management Personnel

2022

	Short-term Benefits				Post-employment Contributions	Long-term Benefits	Share-based Payments		Termination/Resignation payment	Total Compensation	Remuneration Paid as % of Performance Based
	Salary and Fees \$	Non-cash Benefits \$	Bonuses/Incentives \$	Annual Leave \$	Superannuation Contributions \$	Long Service Leave \$	Shares \$	Options/Performance Rights \$			
Directors											
Iain Kirkwood	70,000	-	-	-	-	-	-	-	-	70,000	0.0%
Michael Ohanessian	40,000	-	-	-	-	-	-	-	-	40,000	0.0%
Andrew Cox	36,364	-	-	-	3,636	-	-	-	-	40,000	0.0%
Executive											
Andrew McLellan	268,247	*27,263	61,479	24,656	23,568	5,834	-	**160,570	-	571,617	38.8%
Total Director and Key Management Personnel Compensation	414,611	27,263	61,479	24,656	27,204	5,834	-	160,570	-	721,617	30.8%

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

** 15,139,269 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. During the financial year, an amount of \$160,570, has been recognised as part of the share-based payment expense in respect of the performance rights.

Remuneration Report

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 2023 and 2022 financial years, other than 750,000 performance rights held by Andrew McLellan that were vested and exercised during the financial year (2022:Nil).

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 2022	Granted as Remuneration	Purchased/ (Sold) During the Year	On Exercise of Performance Rights	Net Change Other	Balance at 30 June 2023
I Kirkwood	27,847,732	-	-	-	-	27,847,732
A McLellan	10,449,086	-	-	750,000	750,000	11,199,086
M Ohanessian	9,247,735	-	800,000	-	800,000	10,047,735
A Cox	500,000	-	-	-	-	500,000
Total	48,044,553	-	800,000	750,000	1,550,000	49,594,553

Additional disclosures relating to options and shares (2023)

The number of performance rights over ordinary shares in Bluechip Limited held by each KMP during the Financial Year 2023 is as follows:

	Balance at 1 July 2022	Granted as Remuneration	Net Change		Performance Rights Exercised	Performance Rights Lapsed	Balance at 30 June 2023	Vested at 30 June 2023	
			Other					Vesting Date	Exercisable
I Kirkwood	-	-	-	-	-	-	-	-	-
A McLellan	5,013,698	4,900,000	-	(750,000)	(1,263,698)		7,900,000		
Performance Rights Plan 2018									
Tranche 1	-	-	-	-	-	-	-	30 Aug 19	-
Tranche 2	-	-	-	-	-	-	-	30 Aug 20	-
Tranche 3	-	-	-	-	-	-	-	30 Aug 21	-
Performance Rights Plan 2019									
Tranche 1	-	-	-	-	-	-	-	30 Aug 20	-
Tranche 2	-	-	-	-	-	-	-	30 Aug 21	-
Tranche 3	513,698	-	-	-	(513,698)	-	-	30 Aug 22	-
Performance Rights Plan 2021									
Tranche 1	1,500,000	-	-	(750,000)	(750,000)	-	-	30 Aug 22	-
Tranche 2	1,500,000	-	-	-	-	1,500,000	-	30 Aug 23	-
Tranche 3	1,500,000	-	-	-	-	1,500,000	-	30 Aug 24	-
Performance Rights Plan 2022									
Tranche 1	-	1,633,333	-	-	-	1,633,333	-	30 Aug 23	-
Tranche 2	-	1,633,333	-	-	-	1,633,333	-	30 Aug 24	-
Tranche 3	-	1,633,334	-	-	-	1,633,334	-	30 Aug 25	-
M O'haneessian	-	-	-	-	-	-	-	-	-
A Cox	-	-	-	-	-	-	-	-	-
Total	5,013,698	4,900,000	-	(750,000)	(1,263,698)	7,900,000	-	-	-

Additional disclosures relating to options and shares (2022)

The number of performance rights over ordinary shares in Bluechip Limited held by each KMP during the Financial Year 2022 is as follows:

	Balance at 1 July 2021	Granted as Remuneration	Net Change Other	Performance Rights Exercised	Performance Rights Lapsed	Balance at 30 June 2022	Vested at 30 June 2022	
							Vesting Date	Exercisable
I Kirkwood	-	-	-	-	-	-	-	-
A McLellan	2,097,602	4,500,000	-	-	(1,583,904)	5,013,698	-	-
Performance Rights Plan 2018								
Tranche 1	-	-	-	-	-	-	30 Aug 19	-
Tranche 2	-	-	-	-	-	-	30 Aug 20	-
Tranche 3	1,369,863	-	-	-	(1,369,863)	-	30 Aug 21	-
Performance Rights Plan 2019								
Tranche 1	-	-	-	-	-	-	30 Aug 20	-
Tranche 2	214,041	-	-	-	(214,041)	513,698	30 Aug 21	-
Tranche 3	513,698	-	-	-	-	-	30 Aug 22	-
Performance Rights Plan 2021								
Tranche 1	-	1,500,000	-	-	-	1,500,000	30 Aug 22	-
Tranche 2	-	1,500,000	-	-	-	1,500,000	30 Aug 23	-
Tranche 3	-	1,500,000	-	-	-	1,500,000	30 Aug 24	-
M O'haneessian	-	-	-	-	-	-	-	-
A Cox	-	-	-	-	-	-	-	-
Total	2,097,602	4,500,000	-	-	(1,583,904)	5,013,698	-	-

Particulars of performance rights held by KMP In Bluechiip Limited during the financial year 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)	Nil/(1,369,863)	799,087/(1,484,018)
Measurement Period	1 July 2018 – 30 June 20	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	

Particulars of performance rights held by KMP In Bluechiip 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	21 November 2019	21 November 2019	21 November 2019	
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)	Nil/(128,425)	Nil/(214,041)	Nil/(513,698)	Nil/(856,164)
Measurement Period	1 July 2019 – 30 June 2022	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		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 2022	31 December 2023	31 December 2024	

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

Performance Rights Plan 2021

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 2022, a total of 4,500,000 performance rights were granted to Andrew McLellan and 9,500,000 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	25 November 2021	25 November 2021	25 November 2021							
No. of performance rights granted to CEO and capable of vesting	1,500,000	1,500,000	1,500,000	4,500,000						
Vesting Date	30 August 2022	30 August 2023	30 August 2024							
No. of performance rights Vested and exercised/(Lapsed)	750,000/750,000	Not vested	Not vested							
Measurement Period	1 July 2021 – 30 June 2022	1 July 2022 – 30 June 2023	1 July 2023 – 30 June 2024							
Exercise price	Nil	Nil	Nil							
Fair value per performance right	\$0.0509	\$0.0502	\$0.0541							
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: <table><tr><th>TSR Performance</th><th>Proportion to vest</th></tr><tr><td>Achieving 100% of the index for the relevant Measurement Period</td><td>50%</td></tr><tr><td>Exceeding the index for the relevant Measurement Period</td><td>Balance vests proportionately on a straight-line basis up to 120% of the index performance for the Measurement Period</td></tr></table>			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	
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	31 December 2024	31 December 2025	31 December 2026							

Remuneration Report

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

Performance Rights Plan 2022

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 FY23, a total of 4,900,000 performance rights were granted to Andrew McLellan and 14,500,000 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	28 November 2022	28 November 2022	28 November 2022							
No. of performance rights granted to CEO and capable of vesting	1,633,333	1,633,333	1,633,334	4,900,000						
Vesting Date	30 August 2023	30 August 2024	30 August 2025							
No. of performance rights Vested and exercised/(Lapsed)	Not vested	Not vested	Not vested							
Measurement Period	1 July 2022 – 30 June 2023	1 July 2023 – 30 June 2024	Nil 1 July 2024 – 30 June 2025							
Exercise price	Nil	Nil	Nil							
Fair value per performance right	\$0.0182	\$0.0221	\$0.0243							
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: <table><tr><th>TSR Performance</th><th>Proportion to vest</th></tr><tr><td>Achieving 100% of the index for the relevant Measurement Period</td><td>50%</td></tr><tr><td>Exceeding the index for the relevant Measurement Period</td><td>Balance vests proportionately on a straight-line basis up to 120% of the index performance for the Measurement Period</td></tr></table>			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	
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	31 December 2025	31 December 2026	31 December 2027							

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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 2019 \$	30 June 2020 \$	30 June 2021 \$	30 June 2022 \$	30 June 2023 \$
Measures					
Closing share price at 30 June	0.078	0.049	0.041	0.027	0.021
Basic Earnings Per Share (cents)	(0.7)	(0.8)	(0.5)	(0.5)	(0.7)
Dividends	None	None	None	None	None
Loss before income tax	3,257,996	4,501,085	3,227,419	3,059,171	5,041,025

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

31 August 2023

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 2022/2023 Corporate Governance Statement is dated as at 28 August 2023 and reflects the corporate governance practices in place throughout the reporting period. The Corporate Governance Statement was approved by the Board on 28 August 2023 and can be viewed at www.bluechiip.com/investor/corporate-governance-policies.

Auditors Independence Declaration



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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF BLUECHIIP LIMITED

In relation to our audit of the financial report of Bluechiip Limited for the year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

A stylized handwritten signature of the letters 'PKF' in black ink.

PKF
Melbourne, 31 August 2023

A handwritten signature in black ink that appears to read 'K. Weldin'.

Kenneth Weldin
Partner

PKF Melbourne Audit & Assurance Pty Ltd is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separately owned legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Liability limited by a scheme approved under Professional Standards Legislation.

Bluechiip Limited Consolidated Statement of Financial Position as at 30 June 2023

	Note	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	11	1,722,837	2,750,579
Trade and other receivables	12	1,056,805	1,125,003
Other current assets	13	77,008	88,196
Inventory	14	3,218,792	2,960,435
Total Current Assets		6,075,442	6,924,213
Non-Current Assets			
Property, plant and equipment	15	228,662	37,397
Total Non-Current Assets		228,662	37,397
Total Assets		6,304,104	6,961,610
Current Liabilities			
Trade and other payables	16	504,874	389,260
Lease liability	17	71,042	-
Interest bearing borrowing	18	650,000	-
Deferred revenue	19	2,280,962	1,887,622
Employee benefits	20	305,180	228,253
Total Current Liabilities		3,812,058	2,505,135
Non-Current Liabilities			
Lease liability	17	85,349	-
Employee benefits	20	42,398	94,091
Total Non-Current Liabilities		127,747	94,091
Total Liabilities		3,939,805	2,599,226
Net Assets		2,364,299	4,362,384
Equity			
Issued capital	21	45,312,657	42,579,254
Reserves		5,695,740	5,386,203
Accumulated losses		(48,644,098)	(43,603,073)
Total Equity		2,364,299	4,362,384

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Bluechiip Limited Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from operating activities	6	915,036	927,245
Cost of sales		(206,179)	(148,743)
Other income	7	960,597	823,490
Employee benefits expense		(3,566,648)	(2,449,657)
Superannuation		(199,389)	(162,501)
Share-based payment expense	25	(394,460)	(370,511)
Advertising and branding		(65,632)	(68,566)
Business development		(595,607)	(339,939)
Depreciation costs	8 (a)	(43,946)	(8,556)
Research and Development		(650,777)	(268,675)
Patent costs		(157,083)	(145,447)
Occupancy costs		(86,376)	(86,882)
Legal and professional fees		(275,060)	(344,777)
Listing, share registry and secretarial fee		(159,562)	(116,801)
Exchange gains / losses		24,601	78,987
Finance costs		(30,479)	-
Other expenses	8 (b)	(510,061)	(377,836)
Loss Before Income Tax		(5,041,025)	(3,059,171)
Income tax	9	-	-
Net Loss After Income Tax		(5,041,025)	(3,059,171)
Other comprehensive income		-	-
Total Comprehensive Loss for The Year		(5,041,025)	(3,059,171)
Earnings Per Share			
Basic losses per share (cents)	10	(0.71)	(0.51)
Diluted losses per share (cents)	10	(0.71)	(0.51)

The accompanying notes form part of these financial statements

Bluechiip Limited Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2022		42,579,254	5,386,203	(43,603,073)	4,362,384
Transactions with owners in their capacity as owners					
Shares issued during the year	21(a)	2,912,423	(84,923)	-	2,827,500
Transaction costs on share issue	21(a)	(179,020)	-	-	(179,020)
Share-based payment expense		-	394,460	-	394,460
		2,733,403	309,537	-	3,042,940
Comprehensive income					
Loss for the year		-	-	(5,041,025)	(5,041,025)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(5,041,025)	(5,041,025)
At 30 June 2023		45,312,657	5,695,740	(48,644,098)	2,364,299

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2021		42,562,517	5,033,997	(40,543,902)	7,052,612
Transactions with owners in their capacity as owners					
Shares issued during the year	21(a)	18,305	(18,305)	-	-
Transaction costs on share issue	21(a)	(1,568)	-	-	(1,568)
Share-based payment expense		-	370,511	-	370,511
		16,737	352,206	-	368,943
Comprehensive income					
Loss for the year		-	-	(3,059,171)	(3,059,171)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(3,059,171)	(3,059,171)
At 30 June 2022		42,579,254	5,386,203	(43,603,073)	4,362,384

Bluechiip Limited Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash Flows From Operating Activities			
Receipts from customers		1,028,337	582,287
Payments to suppliers and employees		(6,589,341)	(4,879,980)
Interest received		7,754	15,788
R&D tax incentive received		824,777	1,093,307
Government support programs		519,955	21,957
Net Cash Flows Used in Operating Activities	22	(4,208,518)	(3,166,641)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment (work-in-progress)		(71,484)	-
Net Cash Flows Used in Investing Activities		(71,484)	-
Cash Flow from Financing Activities			
Proceeds from issue of ordinary shares		2,827,500	-
Principal lease payment		(7,336)	-
Transaction costs on share issue		(195,438)	(1,725)
Transaction costs on borrowings		(22,466)	-
Proceeds from borrowings		650,000	-
Net Cash Flows Used in Financing Activities		3,252,260	(1,725)
Net decrease in cash held		(1,027,742)	(3,168,366)
Cash and cash equivalents at beginning of financial year		2,750,579	5,918,945
Cash and Cash Equivalents at End of Financial Year	11	1,722,837	2,750,579

The accompanying notes form part of these financial statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The consolidated financial report of Bluechiip Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 31 August 2023.

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 have been prepared on a going concern basis.

Going Concern

As strategically planned, the Group has incurred a net loss after tax of \$5,041,025 (2022: loss \$3,059,171) and negative operating cash flows of \$4,208,518 (2022: negative operating cash flows of \$3,166,641) for the financial year ended 30

June 2023. These results reflect the significant investment made in expanding the US sales team from two in FY22 to currently six whilst at the same time building distribution networks in the UK and several countries in the EU.

Based on these results and while the Company has positive net asset position of \$2.364 million (2022: \$4.362million) as at 30 June 2023, the Directors note that these conditions indicate a material uncertainty that may cast doubt about the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company is dependent upon successful capital raising during FY24 in order for sufficient funds to be available to distinguish the debts.

The Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern and that it will be appropriate to adopt the going concern basis in the preparation of financial report after consideration of the following factors:

- Continued support of its lenders and shareholders;
- Access to R&D borrowing facilities noting the Group have a track record in successful R&D grant applications;
- Continued and growing repeat orders from existing customers and conversion of the pipeline of customer opportunities to new sales
- Strong cost containment with a focus on activities that drive sales and supply to customer orders

Based on the above factors, and notably the expectation that the Group will be able to successfully raise sufficient new capital prior to the third quarter of FY24, the Directors are of the opinion that the use of the going concern assumption is appropriate.

In the event that the Group is unable to achieve successful outcomes in relation to the matters listed above, there is a material uncertainty that will cast significant doubt as to whether

the Group will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts of classifications of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian 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 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
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AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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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 beginning 1 July 2022.

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.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Bluechiip Limited and its subsidiaries (the Group) (as outlined in Note 27) as at and for the year ended 30 June 2023. 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.

Notes to the Consolidated Financial Statements

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

The functional and presentation currency of Bluechiip Limited is Australian dollars (\$). The functional and presentation currency of its subsidiaries is United States Dollars (USD) and Australian dollars (\$) respectively

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)

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 (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 (ECL) 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, 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 weighted average cost 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)

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.

Notes to the Consolidated Financial Statements

(j) Right-of-use assets (Ref Note 17)

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets less than \$10,000. Lease payments on these assets are expensed to profit or loss as incurred.

(k) Leases (Ref Note 17)

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(l) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate 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.

(m) 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.

(n) 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.

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

(p) Employee Benefits (Ref Note 20)

i. 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.

ii. 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.

Notes to the Consolidated Financial Statements

(q) Share-based Payment Transactions (Ref Note 25) 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 canceled award and designated as a replacement 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).

(r) Contributed equity (Ref Note 21)

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.

(s) Revenue recognition (Ref Note 6)

i. Sales Revenue (Ref Note 6)

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.

Licence Income

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

Sale of Engineering Services

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

ii. Government Grants (Ref Note 7)

The R&D tax incentive is accrued only when the amount receivable has been quantified, based on eligible development spend and supported by appropriate claim documentation. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

iii Interest Revenue (Ref Note 7)

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

Notes to the Consolidated Financial Statements

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).

(t) 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 2023.

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.

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

(u) 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 financial year, the impact of options and performance rights was anti-dilutive and as such, basic and diluted EPS are the same amount.

(v) Contract Liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised with a customer pays consideration before the company has transferred the goods or services to the customer.

(w) Comparative Figures

When required by Accounting Standards, comparative figures will be adjusted to conform to changes in presentation. Items in the Statement of Profit or Loss have been reclassified to better represent the nature of the expenses.

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	2023 \$	2022 \$
Financial Assets - at amortised costs			
Cash and cash equivalents	11	1,722,837	2,750,579
Trade and other receivables	12	1,056,805	1,125,003
Total Financial Assets		2,779,642	3,875,582
Financial Liabilities			
Trade and other payables	16	504,874	389,260
Lease liability	17	156,391	-
Interest-bearing borrowing	18	650,000	-
Total Financial Liabilities		1,311,265	389,260

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 enters into nor 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.

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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	
		2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Cash and cash equivalents	11	1,722,837	2,750,579	-	-	-	-	-	-	1,722,837	2,750,579
Trade and other receivables	12	1,056,805	1,125,003	-	-	-	-	-	-	1,056,805	1,125,003
Total		2,779,642	3,875,582	-	-	-	-	-	-	2,779,642	3,875,582
Financial Liabilities Due for Payment											
Trade and other payables	16	504,874	389,260	-	-	-	-	-	-	504,874	389,260
Lease liability		33,755	-	37,287	-	85,348	-	-	-	156,391	-
Interest-bearing borrowing		650,000	-	-	-	-	-	-	-	650,000	-
Total		1,188,629	389,260	37,287	-	85,348	-	-	-	1,311,265	389,260

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 2023		
+1% in interest rates	17,228	27,506
-1% in interest rates	(17,228)	(27,506)
Year Ended 30 June 2022		
+1% in interest rates	27,506	27,506
-1% in interest rates	(27,506)	(27,506)

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. 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.

Provision for expected credit losses

Provision for doubtful debts is made by a provision matrix to measure expected credit losses ("ECLs") of trade receivables. In assessing the loss rates, management uses considerable amount of judgement and assumptions when assessing the recoverability of the receivables in determining estimates of the ECLs of receivables.

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.

Lease terms

The lease term is a significant component in the measurement of both the right-of-use asset and the lease liability. Judgement is exercised in determining whether there is a reasonable expectation of the period during which the underlying asset will be used. In determining the lease term, all facts and circumstances that create an economical incentive to remain are considered. Factors considered include the importance of the asset to the company's operations, existence of other related lease and the costs and disruption to replace the asset. The company reassesses lease terms if there is a significant event or significant change in circumstances.

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 two segments at the present time. Consistent with the comparative year 2022, the Group's operations predominantly relate to provision of products and services to OEM customers primarily in the healthcare and life science industries based in North America and Europe. The market segment remains the main operating segment with sales of products, income from engineering services and licence to North America contributed during the financial year that amounted to \$843,193 which represents 92.15% of the Group's total sales revenue (2022: \$774,125; 83.49%).

Notes to the Consolidated Financial Statements

Note 6 Revenue from Operating Activities

	2023 \$	2022 \$
Gross Revenue From Sale of product, Engineering service and Licence income		
Sale of product – point in time	399,063	431,496
Engineering service income – point in time	424,969	341,179
Licence income – over time	91,004	154,570
Revenue From Operating Activities	915,036	927,245

Note 7 Other Income

	2023 \$	2022 \$
Other Revenue		
Interest income	6,820	10,222
R&D tax incentive	934,777	793,307
Australia Government Supply Chain Resilience Initiative Round 2 Grant (2022: Government Support Programs – Australia Government Entrepreneur's Program – Growth Grant)	19,000	19,961
Total Other Income	960,597	823,490

Note 8 Expenses

	2023 \$	2022 \$
(a) Depreciation		
Depreciation of property, plant and equipment	37,397	8,556
Depreciation of Right of Use Assets – Office (1 Dalmore Drive)	6,549	-
	43,946	8,556
(b) Other Expenses		
Bad debts	1,756	-
Computer expenses	133,973	83,441
Consulting fees	14,221	12,803
Conference and seminar	18,400	18,490
Consumables – Production	21,226	-
Insurance	80,861	68,751
Equity research fees	35,000	-
Non-business development travel related expenses	62,122	23,095
Packaging and delivery	76,211	92,591
Quality management system	9,913	15,480
Telecommunications	11,192	7,583
Travel expenses related to service, support and repairs	8,390	-
Other miscellaneous expenses	36,796	55,602
Total Other Expenses	510,061	377,836

Note 9 Income Tax Expense

No taxation has been provided in view of the losses incurred for the year (2022: Nil). Tax losses for the Financial Year 2023 are \$5,975,802 (2022: \$1,338,079). The amount of carry forward tax losses available for offset against future taxable income is \$19,211,928 (2022: \$16,242,514). The deferred tax asset of \$4,802,982 (2022: \$2,727,319) associated with carried forward tax losses as well as deferred tax assets arising from temporary differences of \$84,892 (2022: \$371,581) 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:

	2023 \$	2022 \$
Prima facie tax on loss from ordinary activities before income tax at 25.0% (2022: 25.0%) *		
Consolidated entity loss before tax	(1,493,951)	(764,793)
Add/(Deduct): Tax Effect of		
Non-deductible expenses	527,452	47,475
Research and development tax effect	-	279,756
Deferred tax assets arising not brought to account as at balance sheet date because realisation is not considered probable	21,223	442,552
Assessable income – Government Entrepreneurs' Programme Growth Grant	-	(4,990)
Tax Loss not recognised	945,276	-
Income Tax Credit Attributable to the Consolidated Entity	-	-

* The income tax rate represents the base rate entity company tax rate of 25.0% for Financial Year 2023 (2022:25.0%).

Note 10 Earnings Per Share

	2023 \$	2022 \$
Earnings/(loss) used to calculate basic and dilutive EPS	(5,041,025)	(3,059,171)
For Basic and Diluted EPS		
Weighted average number of ordinary shares outstanding during the year – No. used in calculating basic EPS	614,323,559	598,181,860

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

	2023 \$	2022 \$
Current Assets – Cash and Cash Equivalents		
Cash at bank	1,722,837	2,750,579
Total	1,722,837	2,750,579

Notes to the Consolidated Financial Statements

Note 12 Trade and Other Receivables

	2023 \$	2022 \$
Current Assets – Trade and Other Receivables		
Trade receivables (Note a)	147,399	324,069
Less: Provision for Expected Credit Losses	(594)	-
	146,805	324,069
Other debtors	-	934
R&D tax incentive receivable	910,000	800,000
	1,056,805	1,125,003
The ageing analysis of trade receivables is ^a		
0-30 days	101,987	232,593
31-60 days	44,224	66,305
61-90 days (past due not impaired)	-	-
91+ days (past due not impaired)	1,188	25,171
Total Trade and Other Receivables	147,399	324,069

^a 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. A provision for expected credit losses is made in respect of the review made.

Note 13 Other Current Assets

	2023 \$	2022 \$
Prepayment	77,008	88,196
	77,008	88,196

Note 14 Inventory

	2023 \$	2022 \$
Raw Materials		
	2,374,678	2,269,983
Less: Provision for obsolete stocks	(136,851)	(185,367)
Total	2,237,827	2,084,616
Finished goods		
	1,149,034	937,410
Less: Provision for net realisable value	(168,069)	(61,591)
Total	980,965	875,819
Total Inventory	3,218,792	2,960,435

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

	2023 \$	2022 \$
Technical equipment and tools at cost	238,307	257,024
Accumulated depreciation and impairment	(238,307)	(227,049)
Total technical equipment and tools	-	29,975
Furniture, fixtures and fittings at cost	16,747	18,876
Accumulated depreciation	(16,747)	(15,528)
Total Furniture, Fixtures and Fittings	-	3,348
Computer and office equipment at cost	51,730	127,142
Accumulated depreciation	(51,730)	(123,068)
Total Computer and Office Equipment	-	4,074
Right of Use Assets - Office	163,727	-
Accumulated Depreciation Right of Use Assets - Office	(6,549)	-
Total Rights of Use Assets	157,178	-
Work-in-progress - Technical equipment and tools	71,484	-
Accumulated depreciation	-	-
Total Work-in-progress - Technical equipment and tools	71,484	-
Total Property, Plant and Equipment	228,662	37,397

(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 \$	Right-of-use assets - Office \$	Total \$
Balance at 30 June 2023					
Balance at the beginning of year	29,975	3,348	4,074	-	37,397
Additions	-	-	-	163,727	163,727
Work-in-progress	71,484	-	-	-	71,484
Impairments	-	-	-	-	-
Depreciation	(29,975)	(3,348)	(4,074)	(6,549)	(43,946)
Carrying Amount at End 30 June 2023	71,484	-	-	157,178	228,662

Notes to the Consolidated Financial Statements

	Technical Equipment and Tools \$	Furniture, Fixtures and Fittings \$	Computer and Office Equipment \$	Right-of-use assets – Office \$	Total \$
Balance at 30 June 2022					
Balance at the beginning of year	37,257	3,812	4,884	-	45,953
Additions	-	-	-	-	-
Work-in-progress	-	-	-	-	-
Impairments	-	-	-	-	-
Depreciation	(7,282)	(464)	(810)	-	(8,556)
Carrying Amount at End 30 June 2022	29,975	3,348	4,074	-	37,397

Note 16 Current Liabilities – Trade and Other Payables

	2023 \$	2022 \$
Trade payables ^a	374,521	156,682
Sundry payables and accrued expenses	130,353	232,578
Total Current Liabilities	504,874	389,260

^a The trade payables as at 30 June 2023 includes directors' fee owing of \$9,167 (2022: \$9,167).

Note 17 Lease Liability

	2023 \$	2022 \$
Lease liability – Office		
Current	71,042	-
Non Current	85,349	-
Total	156,391	-

This is in relation to the lease for the office space for a period of 24 months, with the first lease payment commenced in June 2023.

Note 18 Interest-bearing Borrowing

	2023 \$	2022 \$
Current		
R&D Tax Incentive Prepayment Loan ^a	650,000	-
Total Interest-bearing Liabilities	650,000	-

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

^a Relates to a R&D Tax Incentive Prepayment Loan facility ("R&D Advance Facility") from Asymmetric Innovation Finance Pty Ltd secured and to be repaid from R&D Tax Incentive 2023 refund which is expected to be received during the financial year 2024. An establishment fee of \$5,000 was incurred for the R&D Advance Facility during the financial year (2022: Nil). An interest rate of 15% (2022: Nil) per annum is calculated and payable monthly on the drawn down amount of the R&D Advance Facility.

Note 19 Deferred Revenue

	2023 \$	2022 \$
Unearned income		
- Labcon contract liability ^a	1,800,761	1,843,407
- FISl	26,515	44,215
Total Deferred Revenue	1,822,276	1,887,622
Government Grant ^b	453,686	-
Total Deferred Revenue	2,280,962	1,887,622

^a Deferred Revenue includes (i) USD 850,000 (\$1,123,002) cash payment received as part of settlement from Labcon North America (Labcon) pursuant to the Settlement Agreement entered into between Bluechiip and Labcon and (ii) deferred settlement revenue from the full return of Bluechiip delta tags and products previously sold to and paid for by Labcon. The initial cost for the returned inventory after adjustments was USD783,099 (\$1.12 million). Labcon and Bluechiip have entered a new supply agreement for the new Bluechiip enabled consumables, readers, and software. Bluechiip agreed to provide a credit of up to USD1.35 million (\$1.80 million) on sales under this new supply arrangement.

^b Relates to government grant payment received as part of the Federal Government's Supply Chain Resilience Initiative Round 2 of a total of \$787,810. The joint equal contribution of \$787,810 by the Company involves setting up a highly specialised micro-electronics fabrication processing line utilising state-of-the-art semiconductor fab processing equipment which is expected to cost \$1.58 million over two years. As at the end of financial year, a total of \$19,000 of \$472,686 grant received was spent and recognised as income with the remainder \$453,686 yet to be spent.

Note 20 Employee Benefits

	2023 \$	2022 \$
Current Employee Benefits		
Annual Leave provision	175,254	175,254
Long Service Leave provision	129,926	52,999
Total Provisions	305,180	228,253
Non-Current Employee Benefits		
Long Service Leave provision	42,398	94,091
Total Provisions	347,578	322,344

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

Notes to the Consolidated Financial Statements

Note 21 Issued Capital

	2023 \$	2022 \$
(a) Issued and Paid up Share Capital		
Ordinary Shares		
At the beginning of the reporting year	42,579,254	42,562,517
Issue of ordinary shares		
- Placement	2,100,000	-
- Share Purchase Plan	727,500	-
- Exercise of Performance Rights Plan	84,923	18,305
Less: Capitalised share issue costs	(179,020)	(1,568)
	45,312,657	42,579,254

Details	No. of shares	Total (\$)
Ordinary shares issued during the financial year pursuant to exercise of:		
- Tranche 1 Performance Rights 2021 by eligible employees	2,006,667	84,923
Total issued during the year	2,006,667	84,923

	2023 No.	2022 No.
(b) Number of Shares		
Ordinary Shares		
At the beginning of the reporting year	598,563,796	597,880,502
Issue of ordinary shares		
- Placement	84,000,000	-
- Share Purchase Plan	29,100,000	-
- Exercise of Performance Rights Plan	2,006,667	683,294
Total Issued and Fully Paid Ordinary Shares	713,670,463	598,563,796

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.

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 2023, there were no options outstanding (2022: Nil).

As at end of financial year, there were 27,951,666 outstanding Performance Rights and 225,000 Performance Rights vested but remain unexercised.

During the financial year, 4,900,000 (2022: 4,500,000) new performance rights were granted to Andrew McLellan and 14,500,000 (2022: 9,000,000) new performance rights were issued to employees under the Performance Rights Plan 2022, 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 and Note 25 Share-based Payment Plans.

(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 22 Cash Flow Statement Reconciliation

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

	2023 \$	2022 \$
Net loss	(5,041,025)	(3,059,171)
Non-cash Flows in Loss		
Depreciation	43,946	8,556
Share-based payment expense	394,460	370,511
Provision for stock obsolescence	57,961	19,103
Accrued interest on borrowing	8,013	-
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	68,198	(15,398)
(Increase)/decrease in other assets	11,188	104,024
(Increase)/decrease in inventory	(316,318)	(1,429,294)
(Decrease)/increase in trade and other payables	146,485	(19,592)
(Decrease)/Increase in deferred revenue	393,340	764,620
(Decrease)/increase in employee benefits	25,234	90,000
Net Cashflows from Operating Activities	(4,208,518)	(3,166,641)

Notes to the Consolidated Financial Statements

Note 23 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 24 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 24 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):

	2023 \$	2022 \$
Short-term employee benefits [#]	585,842	528,009
Post-employment benefits	29,093	27,204
Long-term employee benefits	8,657	5,834
Share-based payments	130,757	160,570
	754,349	721,617

[#] The short-term employee benefits paid include Non-Executive Directors fees paid amounting to \$150,000 (2022: \$150,000).

Note 25 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.

	2023 \$	2022 \$
Performance Rights Plan Expense During the Year		
Performance Rights Plan 2018	-	8,299
Performance Rights Plan 2019	6,151	47,485
Performance Rights Plan 2021	181,688	314,727
Performance Rights Plan 2022	206,621	-
	394,460	370,511

2023

During the financial year, 4,900,000 (2022: 4,500,000) new performance rights were granted to Andrew McLellan and 14,500,000 (2022: 9,000,000) new performance rights were issued to employees under the Performance Rights Plan 2022, 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.

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
4,900,000 to Andrew McLellan comprising							
Tranche 1 -1,633,333	28 Nov 2022	30 Aug 2023/ 31 Dec 2025	\$0.0182	Nil	\$0.03	3.42%	95%
Tranche 2 -1,633,333	28 Nov 2022	30 Aug 2024/ 31 Dec 2026	\$0.0221	Nil	\$0.03	3.33%	95%
Tranche 3 -1,633,334	28 Nov 2022	30 Aug 2025/ 31 Dec 2027	\$0.0243	Nil	\$0.03	3.18%	95%
14,500,000 to employees comprising							
Tranche 1 -4,833,333	28 Nov 2022	30 Aug 2023/ 31 Dec 2025	\$0.0182	Nil	\$0.03	3.42%	95%
Tranche 2 -4,833,333	28 Nov 2022	30 Aug 2024/ 31 Dec 2026	\$0.0221	Nil	\$0.03	3.33%	95%
Tranche 3 -4,833,334	28 Nov 2022	30 Aug 2025/ 31 Dec 2027	\$0.0243	Nil	\$0.03	3.18%	95%

Other than the Performance Rights granted to the CEO, Andrew McLellan and employees as set out above, no options were issued to Directors, employees or other KMP during this financial year.

Notes to the Consolidated Financial Statements

2022

During the financial year ended 30 June 2022, 4,500,000 (2021: Nil) new performance rights were granted to Andrew McLellan and 9,000,000 (2021: Nil) new performance rights were issued to employees under the Performance Rights Plan 2021, 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.

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
4,500,000 to Andrew McLellan comprising							
Tranche 1 -1,500,000	25 Nov 2021	30 Aug 2022/ 31 Dec 2024	\$0.0509	Nil	\$0.059	0.15%	95%
Tranche 2 -1,500,000	25 Nov 2021	30 Aug 2021/ 31 Dec 2025	\$0.0502	Nil	\$0.059	0.55%	95%
Tranche 3 -1,500,000	25 Nov 2021	30 Aug 2022/ 31 Dec 2026	\$0.0541	Nil	\$0.059	0.96%	95%
9,000,000 to employees comprising							
Tranche 1 -3,000,000	28 Oct 2021	30 Aug 2022/ 31 Dec 2024	\$0.0372	Nil	\$0.044	0.26%	95%
Tranche 2 -3,000,000	28 Oct 2021	30 Aug 2021/ 31 Dec 2025	\$0.0373	Nil	\$0.044	0.60%	95%
Tranche 3 -3,000,000	28 Oct 2021	30 Aug 2022/ 31 Dec 2026	\$0.0388	Nil	\$0.044	0.97%	95%

Other than the Performance Rights granted to the CEO, Andrew McLellan and employees as set out above, no options were issued to Directors, employees or other KMP during this financial year.

Note 26 Contingencies and Capital Commitments

Bluechiip Limited entered into a two years lease rental agreement for additional office space with a lease rental commitment of \$87,296. The lease commenced after the financial year ended 30 June 2023.

The Company has no other contingent liabilities as at 30 June 2023 (2022: Nil).

Note 27 Events After the Balance Sheet Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or could significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in future financial years.

Note 28 Auditor's Remuneration

	2023 \$	2022 \$
The Auditor of Bluechiip Limited is PKF Melbourne (2022: Deloitte Touche Tohmatsu)		
Audit or review of the financial report	92,500	115,000
Tax Services		
Compliance – PKF Melbourne (2022: Deloitte Touche Tohmatsu)	6,500	8,400
Fringe Benefits Tax – Deloitte Touche Tohmatsu	2,500	2,500
Audit Services and Tax Services	101,500	125,900

Note 29 Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2023	Percentage Owned (%)* 2022
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.

During the financial year, Bluechiip Limited made sales of products to Bluechiip, Inc. amounted to USD175,918 (2022: USD79,076) which Bluechiip, Inc. subsequently sold the entire products to customers in the US.

Note 30 Parent Entity Information

	2023 \$	2022 \$
Information Relating to Bluechiip Limited		
Current assets	6,071,559	6,924,213
Total Assets	6,300,221	6,961,610
Current liabilities	3,838,821	2,505,135
Total Liabilities	3,966,568	2,599,226
Issued capital	45,312,657	42,579,254
Reserves	5,695,740	5,386,203
Accumulated losses	(48,674,743)	(43,603,073)
Total Shareholder's Equity	2,333,653	4,362,384
Loss of the Parent Entity	(5,058,919)	(3,059,171)
Total Comprehensive Loss of the Parent Entity	(5,058,919)	3,059,071)

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 2023 are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2023 and performance for the period ended on that date
 - ii. Complying with Australian 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 2023.

On behalf of the Board.



Iain Kirkwood
Chairman

31 August 2023

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUECHIIP LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Bluechiip Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2023, 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, notes to the financial statements, including material accounting policy information, and the Directors' Declaration of the Company and the consolidated entity (the Group) comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (b) 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 and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty relating to Going Concern

We draw attention to Note 2: Going Concern in the financial report, which indicates that the Group incurred a net loss after income tax of \$5.04m and negative cash flows from operating activities totalling \$4.21m for the financial year ended 30 June 2023. As outlined these events or conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

A Key Audit Matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed this matter
Existence and valuation of inventory The Group held inventory with a carrying value of \$3.22m as at 30 June 2023 (2022: \$2.96m), as disclosed in Note 14 of the financial report.	Our audit procedures included, but were not limited to: - attending the stock count to observe the controls in place and investigate any weaknesses in place. - performing sample stock counts to confirm both existence and completeness, including re-performing

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Independent Auditor's Report



AASB 102 *Inventories* requires entities to recognise inventory at the lower of cost and net realisable value. In considering the existence and valuation of inventory the Group had regard to:

- An assessment of slow-moving or obsolete inventory
- Judgement applied in estimating future selling prices and provisions for quality or obsolescence issues in a changing economic environment.

Due to these factors, we consider existence and valuation of inventory to be a Key Audit Matter.

a count of a sample of items and verifying against the final inventory listing.

- performing cut off procedures to verify that inventory has been recorded in the correct accounting period.
- performing analytical procedures in relation to inventory turnover and ageing.
- testing the valuation methods applied to closing inventory and validating that inventory was recorded at the lower of cost and net realisable in line with AASB 102 *Inventories*.
- performing net realisable value testing and reviewing the adequacy of any inventory provisions.

Key audit matter

R&D Tax Incentive

The Group determines the eligibility of the research and development activities under the Australian government tax incentive scheme.

The R&D receivable for the year was \$910,000 and the income recognised in the consolidated statement of profit or loss and other comprehensive income was \$934,477 for the year then ended.

There is inherent subjectivity involved in the Group's judgements in relation to the calculation and recognition of the R&D incentive income and receivable, with several assumptions made in determining the eligibility of claimable expenses.

Due to these factors, we consider the R&D tax incentive to be a Key Audit Matter.

How our audit addressed this matter

Our audit procedures included, but were not limited to:

- obtaining an understanding of the process undertaken to calculate the research and development tax incentive.
- performing substantive testing over a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria.
- performing testing of the approval process for a sample of expenses.
- performing analytical procedures over the nature of the R&D expenditure included in the current year estimate to the prior year claim.
- utilising an internal research and development tax specialist to:
 - review the methodology used by the group for consistency with the R&D tax offset rules.
 - Consider the nature of the expenses against the eligible criteria of the R&D incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria.
- considering the Group's history of successful claims.
- performing an inspection of relevant correspondence with Aus Industry and the Australian Taxation Office related to the claims.
- assessing the adequacy of the Group's disclosures in relation to the R&D tax incentive.



Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 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, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we 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 information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 Group's ability 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 cease operations, or have no realistic alternative but to do so.

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 the 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 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 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 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 other 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.

Independent Auditor's Report



- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Bluechiip Limited for the year then ended 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.

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

PKF
Melbourne, 31 August 2023

A handwritten signature of Kenneth Weldin, appearing to read 'K. Weldin' in a cursive script.

Kenneth Weldin
Partner

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 2023.

a. Distribution of equity securities

(i) Ordinary shares

713,670,463 (17 August 2022: 598,563,796) fully paid ordinary shares are held by 1,562 (17 August 2022: 1,630) individual shareholders.

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

(ii) Unlisted options

Nil (August 2021: 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	92	7,469	0.00%
1,001 - 5,000	38	133,181	0.02%
5,001 - 10,000	153	1,256,123	0.18%
10,001 - 100,000	695	30,619,424	4.29%
100,001 and over	584	681,654,266	95.51%
	1,562	713,670,463	100.00%
Holding less than a marketable parcel	551	6,073,346	0.85%

b. Substantial shareholders

	Number of Fully Paid Ordinary Shares	% of Issued Share Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,834,755	14.13%

Additional ASX Information

c. Twenty largest holders of quoted equity securities

	Fully Paid Number	% of Issued Share Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	100,834,755	14.13%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	31,943,930	4.48%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,027,271	4.07%
MUTUAL TRUST PTY LTD	18,381,336	2.58%
DR STEPHEN FREDERICK WOODFORD	18,200,000	2.55%
MR IAIN MACGREGOR CRAWFORD KIRKWOOD	15,774,949	2.21%
ALLHC PTY LTD <SAM HUPERT FAMILY A/C>	13,040,000	1.83%
BRAMSCORP PTY LTD <GILBERT FAMILY S/FUND A/C>	8,783,102	1.23%
EDWARD ST CONSULTING PTY LTD <KIRKWOOD FAMILY S/FUND A/C>	8,320,037	1.17%
TALENTO HOLDINGS PTY LTD	7,866,667	1.10%
CITICORP NOMINEES PTY LIMITED	7,179,441	1.01%
RICHARD SEVILLE AND ASSOCIATES PTY LTD <THE SEVILLE SUPER FUND A/C>	6,961,567	0.98%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2MR MICHAEL BERNARD OHANESSIAN	6,959,737	0.98%
SPURGIN SMSF PTY LTD <SPURGIN SMSF A/C>	6,750,000	0.95%
ALLTOGETHER PTY LTD <ALLTOGETHER SUPER FUND A/C>	6,001,322	0.84%
BRENDAN LUXTON INVESTMENTS PTY LTD	6,000,000	0.84%
CORPDAN INVESTMENTS PTY LIMITED <MCGUIRK SUPER FUND A/C>	5,709,468	0.80%
ANSATA INVESTMENTS PTY LTD <ANSATA INVESTMENT A/C>	5,674,087	0.80%
BELLADONNA HOLDINGS PTY LTD <BELLADONNA SUPER FUND A/C>	5,460,601	0.77%
ADAM JAMES WINSTANLEY & MRS JODY ANNETTE WINSTANLEY <WINSLAND SUPERANNUATION A/C>	5,065,032	0.7%
	313,933,302	43.99%

Corporate Information

Directors

Mr Iain Kirkwood
Non-Executive Chairman

Mr Andrew McLellan
Managing Director and CEO

Mr Michael Ohanessian
Non-Executive Director

Mr Andrew Cox
Non-Executive Director

Company Secretary

Ms Chelsea Sheridan

Registered Office

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Principal Place of Business

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Phone: +613 9763 9763

Automatic Registry Services

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

Bankers

National Australia Bank Limited
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Auditors

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Website

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