



Bluechiip Limited

ABN 79 104 795 922

Appendix 4E

(ASX Listing Rule 4.3A)

Preliminary Final Report For the financial year ended 30 June 2021

**Reporting period - 1 July 2020 to 30 June 2021
(Previous corresponding period - 1 July 2019 to 30 June 2020)**

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

FINANCIAL YEAR ENDED (“CURRENT PERIOD”)

30 JUNE 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Change	Change in Value \$	%	To
Net revenue from ordinary activities	Down	184,497	78.2%	\$51,133
Other income – interest income and R&D tax incentive	Up	\$21,007	1.2%	\$1,765,377
Operating expenses	Down	\$1,206,263	24.6%	\$4,741,722
Operating EBITDA	Down	\$1,217,163	27.5%	\$3,212,519
Loss from ordinary activities after tax attributable to members	Down	\$1,273,666	28.2%	\$3,227,419

Dividends

It is not proposed to pay a dividend (2020: No dividend proposed).

There are no franked dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2021 (2020: Nil).

Net Tangible Assets per security

As at 30 June 2021: 1.18 cents

As at 30 June 2020: 1.71 cents

COMMENTARY ON THE RESULTS FOR THE YEAR AND SIGNIFICANT INFORMATION

Results of operations

Operating Results

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

Results of Operations

The Company recognised net revenue totalling \$51,133 (2020: \$235,630) during the financial year from the sale of products.

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

- Labcon agreed to provide Bluechiip with USD1.6 million comprising:
 - an USD850,000 cash payment; and
 - return of USD750,000 worth of Bluechiip delta tags and products previously sold to, and paid for by, Labcon. These will be incorporated or repurposed into the newest generation of Bluechiip Products and Bluechiip Enabled consumables.
- In addition, Labcon and Bluechiip have entered a new supply agreement for the new Bluechiip enabled consumables, readers, and software. Bluechiip will provide a credit of up to USD1.35 million on sales under this new supply arrangement.

The Settlement Agreement with Labcon during the year contributed cash settlement sum of \$1,123,002. This settlement sum has been recognised as deferred revenue, to be recognised over the term of the new supply agreement with Labcon and on receipt of the returned goods.

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

Included in the Government Grants are JobKeeper payments and Cashflow Boost as part of the Federal Government's programs to support the businesses during this COVID-19 Pandemic.

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

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

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

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

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

Acquisition and Divestment

During the year, there have been no entities over which control has been gained or lost during the year ended 30 June 2021.

Capital structure

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

Events after Balance Date

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

COVID-19 Pandemic

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

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

Audit

This preliminary final report is based on the attached consolidated financial statements for the year ended 30 June 2021 which have been audited by the Company's auditors, Deloitte Touche Tohmatsu.

Other disclosure requirements

Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the 2021 Annual Report attached to this document. This document should be read in conjunction with the 2021 Annual Report.



Mr Andrew McLellan
Managing Director and CEO
30 August 2021