



Bluechiip Limited

ABN 79 104 795 922

Appendix 4D

(ASX Listing Rule 4.2A.3)

For the six months ended 31 December 2018

**Reporting period - 1 July 2018 to 31 December 2018
(Previous corresponding period - 1 July 2017 to 31 December 2017)**

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF YEAR ENDED 31 DECEMBER 2018
PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The Appendix 4D should be read in conjunction with the half year financial report for the six- month period ended 31 December 2018.

	Change	%	Half Year 31 December 2018	Half Year 31 December 2017
Net revenue from ordinary activities	None	0.00%	\$225,082	\$225,086
Net loss after tax attributable to members	Up	12.89%	(\$1,236,661)	(\$1,095,474)

Dividends

It is not proposed to pay a dividend (2017: 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 6 months ended 31 December 2018 (2017: Nil).

Net Tangible Assets per security

As at 31 December 2018: 1.42 cents

As at 31 December 2017: 0.74 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Operating Results

The consolidated loss of the Group for the half year after providing for income tax amounted to \$1,236,661 (2017: loss of \$1,095,474).

The increase in the consolidated net loss of the Group by 12.89% from \$1,095,474 to \$1,236,661 was driven by amongst others, the following:

Income

Revenue recognised from sales of the Group's products and licences received for the half year was \$225,082 (2017: \$225,086) with no significant changes. Other income for the half year was \$438,049 (2017: \$457,210), representing a decrease of 4.19%. This was mainly attributable to a decrease in Research and Development (R&D) tax incentive receivable of \$430,000 for the 6 months period (2017: \$450,000).

Expenses

Included in the half year result were total expenses for the period of \$1,899,793 (2017: \$1,777,770). The increase in expenses of 6.86% for the half year result was largely attributable to:

- an increase in employee benefits expenses of \$226,243 to \$916,640 (2017: \$690,397) arising from increased headcount supporting the expansion of the Company's growth; and
- an increase in business development and travelling expenses by \$74,053 to \$229,112 (2017: \$155,059) which resulted from the increased activities in engaging with potential OEM customers in the US market and supporting the existing OEM customers.

Auditors Review Report

The review report prepared by the independent auditor Deloitte Touche Tohmatsu is not subject to any dispute or qualification.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
Managing Director

25 February 2019



BLUECHIP LIMITED

ABN 79 104 795 922

**Half Year Financial Report
For the six-month period ended
31 December 2018**

Bluechiip Limited

ABN 79 104 795 922

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Bluechiip Limited

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Corporate Information

Directors

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Andrew Cox	Non-Executive Director
Mr Blair Healy	Non-Executive Director (Retired on 26 November 2018)

Company Secretary

Mr Lee Mitchell

Registered office

1 Dalmore Drive
Caribbean Business Park
Scoresby Victoria 3179
Phone: +613 9763 9763
Fax: +613 9763 9764

Principal place of business

1 Dalmore Drive
Caribbean Business Park
Scoresby Victoria 3179
Phone: +613 9763 9763
Fax: +613 9763 9764

Share registry

Automic Registry Services
Level 3, 50 Holt Street
Sydney NSW 2010
Phone: 1300 288 664 (local)
Phone: +612 9698 5414 (international)
Fax: +612 9279 0664

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

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000

Website

www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

For the half year ended 31 December 2018

Your directors submit their report for the half year ended 31 December 2018.

Directors

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

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Andrew Cox	Non-Executive Director
Mr Blair Healy	Non-Executive Director (Retired on 26 November 2018)

Principal Activities

The principal activity of the Group during the half year was the development and commercialisation of a wireless tracking solution for the healthcare and life science, security, defence and manufacturing industries which represents a generational change from current methods such as labels (hand-written and pre-printed), barcodes (linear and 2D) and microelectronic integrated circuit (IC)-based RFID (Radio Frequency Identification).

There have been no significant changes in the nature of these activities during the half year.

Operating and Financial Review

Operating Results

The consolidated loss of the Group for the half year after providing for income tax amounted to \$1,236,661 (2017: loss of \$1,095,474).

The increase in the consolidated net loss of the Group by 12.89% from \$1,095,474 to \$1,236,661 was driven by amongst others, the following:

Income

Revenue recognised from sales of the Group's products and licences received for the half year was \$225,082 (2017: \$225,086) with no significant changes. Other income for the half year was \$438,049 (2017: \$457,210), representing a decrease of 4.19%. This was mainly attributable to a decrease in Research and Development (R&D) tax incentive receivable of \$430,000 for the 6 months period (2017: \$450,000).

Bluechiip Limited

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Directors' Report (continued)
For the half year ended 31 December 2018

Operating and Financial Review (continued)

Expenses

Included in the half year result were total expenses for the period of \$1,899,793 (2017: \$1,777,770). The increase in expenses of 6.86% for the half year result was largely attributable to:

- an increase in employee benefits expenses of \$226,243 to \$916,640 (2017: \$690,397) arising from increased headcount supporting the expansion of the Company's growth; and
- an increase in business development and travelling expenses by \$74,053 to \$229,112 (2017: \$155,059) which resulted from the increased activities in engaging with potential OEM customers in the US market and supporting the existing OEM customers.

Dividends

No dividends were paid or declared since the start of the financial year (2017: Nil). No recommendation for payment of dividends has been made.

Events during the Half Year

On 29 August 2018, the Company announced that it had updated its development and supply agreement with Labcon North America (Labcon) for a three year term to supply chips, readers, software and engineering services worth USD11.9m (AUD15.9m).

The agreement provides Bluechiip to meet the orders from Labcon effective 24 August 2018 in the following manner:

- (a) Supply of chips, readers, software and engineering services worth USD4.2m (AUD5.8m) over a two year period;
- (b) Supply of products and services with a minimum order of USD7.4m (AUD10.1m) in the third year following the two year period; and
- (c) Extend a further two (2) years of development and supply contracts to a fourth and fifth year with minimum orders to be determined.

In September 2018 the Company completed its capital raise and successfully raised \$7.45 million before costs through the completion of the following:

- Placement to sophisticated and professional investors with \$5.500 million proceeds fully received and 93,220,339 new ordinary shares issued at \$0.059 per ordinary share (2018 Placement); and
- Share Purchase Plan to its existing shareholders with \$1.952 million proceeds fully received and 33,091,519 new ordinary shares issued at \$0.059 per ordinary share (2018 SPP).

On 26 November 2018, Blair Healy retired as non-executive director of the Company.

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Directors' Report (continued)
For the half year ended 31 December 2018

Events after Balance Date

There were no matters or circumstances that have arisen since the end of the half year financial period which significantly affected or could significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the future financial years.

Basis of Preparation

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

The review opinion prepared by the independent auditor Deloitte Touche Tohmatsu is not subject to any dispute or qualification.

Auditor independence declaration

The directors received the declaration set out on page 23 of this report from the auditor of Bluechiip Limited.

Signed in accordance with a resolution of the directors.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 25 February 2019

Bluechiip Limited

ABN 79 104 795 922

Condensed consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	5,642,477	1,172,047
Trade and other receivables	8	1,572,862	1,115,669
Other current assets	9	152,022	147,583
Inventory		514,213	446,349
TOTAL CURRENT ASSETS		7,881,574	2,881,648
NON-CURRENT ASSETS			
Term Deposit	7	27,471	27,195
Plant and equipment		145,180	124,224
TOTAL NON-CURRENT ASSETS		172,651	151,419
TOTAL ASSETS		8,054,225	3,033,067
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	424,659	643,845
Interest-bearing liabilities	11	-	600,000
Employee entitlements		79,896	79,896
TOTAL CURRENT LIABILITIES		504,555	1,323,741
NON-CURRENT LIABILITIES			
Employee entitlements		79,609	79,609
TOTAL NON-CURRENT LIABILITIES		79,609	79,609
TOTAL LIABILITIES		584,164	1,403,350
NET ASSETS		7,470,061	1,629,717
EQUITY			
Issued capital	12	33,441,335	26,316,085
Reserves	13	4,822,789	4,871,034
Accumulated losses		(30,794,063)	(29,557,402)
TOTAL EQUITY		7,470,061	1,629,717

Bluechiip Limited

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Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue from operating activities	3	225,082	225,086
Cost of Sales		(87,915)	(62,523)
Gross Profit		137,167	162,563
Other income	4	438,049	457,210
Employee benefits expense		(919,640)	(690,397)
Business development		(192,214)	(109,576)
Depreciation and amortisation		(8,979)	(7,745)
Research and Development		(197,782)	(413,222)
Patent costs		(16,657)	(36,010)
Consultancy fees		(9,932)	(13,015)
Travel and accommodation		(36,898)	(45,483)
Occupancy costs		(33,709)	(32,727)
Legal and professional fees		(135,596)	(130,584)
Share based payment expense - options		(37,475)	(23,244)
Finance costs		(29,589)	(46,340)
Other expenses	5	(193,406)	(166,904)
Loss before income tax		(1,236,661)	(1,095,474)
Income tax		-	-
Net loss after income tax		(1,236,661)	(1,095,474)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(1,236,661)	(1,095,474)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)	6	(0.26)	(0.29)
Diluted earnings/(loss) per share (cents)	6	(0.26)	(0.29)

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Condensed consolidated Statement of Changes in Equity

For the Half Year Ended 31
December 2018

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2018		26,316,085	4,871,034	(29,557,402)	1,629,717
Transactions with owners in their capacity as owners					
Shares issued during the period	12	7,452,404	-	-	7,452,404
Transaction costs on shares issued	12	(412,874)	-	-	(412,874)
Performance rights exercised	13	85,720	(85,720)	-	-
Share based payments	13	-	37,475	-	37,475
		7,125,250	(48,245)	-	7,077,005
Comprehensive income					
Loss for the period		-	-	(1,236,661)	(1,236,661)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(1,236,661)	(1,236,661)
At 31 December 2018		33,441,335	4,822,789	(30,794,063)	7,470,061

For the Half Year Ended 31
December 2017

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2017		22,856,944	4,805,107	(27,064,911)	597,140
Transactions with owners in their capacity as owners					
Shares issued during the period	12	3,434,488	-	-	3,434,488
Transaction costs on shares issued	12	(33,557)	-	-	(33,557)
Performance rights exercised	13	58,210	(58,210)	-	-
Share based payments	13	-	23,244	-	23,244
		3,459,141	(34,966)	-	3,424,175
Comprehensive income					
Loss for the period		-	-	(1,095,474)	(1,095,474)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(1,095,474)	(1,095,474)
At 31 December 2017		26,316,085	4,770,141	(28,160,385)	2,925,841

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Condensed consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2018

	December 2018 \$	December 2017 \$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	171,148	224,582
Payments to suppliers and employees	(2,095,500)	(1,713,635)
Interest income received	7,773	6,880
Interest paid	(29,589)	(43,890)
R&D tax incentive received	-	-
Net cash flows used in operating activities	<u>(1,946,168)</u>	<u>(1,526,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(23,150)</u>	<u>(7,764)</u>
Net cash flows used in investing activities	<u>(23,150)</u>	<u>(7,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	7,452,404	2,788,019
Transaction costs on share issue	(412,656)	(50,910)
Proceeds from borrowings	-	-
Repayment of borrowings	(600,000)	-
Transaction costs on borrowings	-	-
Net cash flows from financing activities	<u>6,439,748</u>	<u>2,737,109</u>
Net increase in cash held	4,470,430	1,203,282
Cash and cash equivalents at beginning of period	<u>1,172,047</u>	<u>972,767</u>
Cash and cash equivalents at end of period	<u>5,642,477</u>	<u>2,176,049</u>

Bluechiip Limited

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2018

Note 1 Basis of preparation and Accounting Policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report together with any public announcements made by Bluechiip Limited during the half-year.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, and all values are rounded to the nearest dollar unless otherwise stated.

The Group has adopted all of the new and revised standards issued by the Australian Accounting Standards Board and amendments that are relevant to its operations and effective for the current annual reporting period. The new relevant revised standards and amendments include:

(i) *AASB 9 Financial Instruments and related amending Standards*

The Group has adopted *AASB 9 Financial Instruments* from which replaces *AASB 139 Financial Instruments: Recognition and Measurement* effective 1 July 2018. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts and new hedge accounting requirements. The impact on the Group from the adoption of AASB 9 did not have a material impact as discussed below.

Credit losses on trade receivables

The Group has elected to use the simplified approach which requires the recognition of lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on credit risks attributes and debtor's days in estimating expected credit losses.

Given the nature of the accounts receivable recorded by the Group, which are mainly short-term trade receivables, the adoption of AASB 9 has not materially impacted the credit loss allowance calculated under AASB 9 compared to the incurred loss calculated under AASB 139.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

(ii) **AASB 15 Revenue from Contracts with Customers and related amending Standards**

The Group has adopted AASB 15 Revenue from Contracts with Customers which replaces AASB 118 Revenue effective 1 July 2018. The Group is applying the modified approach on transition. AASB 15 establishes a single comprehensive model with five-step approach to revenue recognition. The core principle of AASB 15 premises on that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to revenue recognition. The five-step approach to revenue recognition under AASB 15 is as follows

- *Step 1: Identify the contract(s) with a customer*
- *Step 2: Identify the performance obligations in the contract*
- *Step 3: Determine the transaction price*
- *Step 4: Allocate the transaction price to the performance obligations in the contract*
- *Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The impact of the adoption of AASB 15 are discussed under each revenue stream below.

Revenue Recognition

The Group recognises revenue at a point in time or an over time depending when the Group expects to satisfy the performance obligation and, on the nature, and specifications of contracts entered into with its customers from the following major sources:

Licence Income

Licence income is the fee income received from customers in consideration to grant the customer the rights and access to use the Bluechiip intellectual property technology Licence income is recognised over time where the Group continues to retain the responsibility for the performance obligations associated with the licence and that the customer simultaneously receives and consumes the benefits from the Group. Amounts collected for rights and access not yet provided are recorded as deferred revenue in the balance sheet. The adoption of AASB 15 had no material impact.

Sale of Goods

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, which continues to occur at the point of sale when goods were collected or delivered from the premise. In recognising revenue from the sale of goods, the Group considers its historical experience with sales return to determine if it is highly probable that a significant reversal of revenue will arise in the future. The adoption of AASB 15 had no material impact.

Sale of Services

Sale of services is recognised at a point in time when the performance obligations of rendering the services has been fulfilled which continues to occur at the point of sale when the customers assumes the delivery of the goods with performed services. The adoption of AASB 15 has not materially impacted the timing of revenue recognition on the sale of services.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

(ii) **AASB 15 Revenue from Contracts with Customers and related amending Standards (continued)**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. The Group's assessment of the impact of these standards and interpretations is set out below.

(iii) **AASB 16 Leases**

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. This standard must be implemented retrospectively, either with the restatement of comparative information or with the cumulative impact of application recognised as at application date under the modified retrospective approach. AASB 16 contains several practical expedients. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

AASB 16 on implementation is to provide an estimate and is dependent on amongst others the appropriate application of discount rates and the choice of transition method. Notwithstanding this, the Group does not consider the upcoming leasing standard to have a material impact on the Group given the minimal leases currently in place.

Going Concern

The half year financial report has been prepared on a going concern basis, which takes into account of the Group's assets and liabilities and assumes continuity of normal business and the Directors' assessment included:

- current cash balances recorded in the balance sheet;
- sales revenue anticipated to be generated over the next twelve months;
- grants from the Australian state and federal governments which the Group continues to actively pursue;
- receipts from the Federal R&D Tax incentive programme on the basis that the Group continues to qualify for these receipts; and
- up-front license fees, milestone payments, co-development or collaboration funding from third party joint ventures may be generated within the next twelve months.

Bluechip Limited

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 2 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the Chief Operating Decision Maker or CODM) in assessing performance and in determining the allocation of resources. The CODM only reviews consolidated financial information and as such, it has been determined that there is only one segment at the moment. Given the Company's stage of development, the Directors consider this to be appropriate.

Note 3 Revenue from operating activities

	2018 \$	2017 \$
Gross revenue from sale of products	225,890	241,668
Trade discounts	(808)	(16,582)
Net revenue from sale of products	225,082	225,086

Note 4 Other Income

Other income		
- Interest income	8,049	7,210
- R&D tax incentive	430,000	450,000
Total other income	438,049	457,210

Note 5 Other Expenses

Expense information:

Share registry, administration and secretarial	48,878	40,569
Insurance	23,381	18,406
Advertising and branding	45,704	48,001
Telecommunication	7,154	7,905
Other	68,289	52,023
Total Other Expenses	193,406	166,904

Note 6 Earnings per share

	31 December 2018 \$	31 December 2017 \$
Earnings used to calculate basic and dilutive EPS	(1,236,661)	(1,095,474)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half year – number used in calculating basic EPS	468,691,548	378,538,479

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

Bluechip Limited

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 7 Cash and Cash Equivalents & Term Deposit

	31 December 2018	30 June 2018
	\$	\$
Current assets – Cash and Cash Equivalents		
Cash at bank	5,642,477	1,172,047
Non-current assets		
Term Deposit (a)	27,471	27,195

(a) Term Deposit with a bank held as security for a credit card facility.

Note 8 Current Assets – Trade and Other Receivables

Trade receivables	142,862	115,669
R&D tax off-set receivable	1,430,000	1,000,000
	<u>1,572,862</u>	<u>1,115,669</u>

Note 9 Other Current Assets

Prepayments	35,372	30,933
Advance to manufacturer (a)	116,650	116,650
	<u>152,022</u>	<u>147,583</u>

(a) This advance represents balance of payments made to the manufacturer for the purchase of raw materials to manufacture the Company's commercial Matchbox™ readers.

Note 10 Trade and Other Payables

	31 December 2018	30 June 2018
	\$	\$
Trade payables	294,327	546,832
Sundry payables and accrued expenses	122,633	62,222
Unearned Income	7,699	-
Application money held in trust	-	34,791
	<u>424,659</u>	<u>643,845</u>

Note 11 Interest-bearing liabilities

CURRENT

	31 December 2018	30 June 2018
	\$	\$
R&D Tax Prepayment Loan	-	600,000
Total interest-bearing liabilities	<u>-</u>	<u>600,000</u>

Bluechip Limited

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 12 Issued Capital	31 December 2018	31 December 2017
	\$	\$
Opening Balance at 1 July	26,316,085	22,856,944
Shares issued during the 6-month period (i):		
- Issue of ordinary shares pursuant to the 2017 Rights Issue	-	719,415
- Issue of ordinary shares pursuant to the 2017 Shortfall Placement	-	2,465,073
- Issue of ordinary shares pursuant to the Placement subsequent to approval of shareholders at the 2017 AGM	-	250,000
- Issue of ordinary shares pursuant to the 2018 Placement	5,500,000	
- Issue of ordinary shares pursuant to the 2018 SPP	1,952,404	
Transaction cost for shares issued	(412,874)	(33,557)
Performance Rights exercised during the period:		
- Issue of ordinary shares to the Managing Director pursuant to exercise of CS Target Tranche 2 Performance Rights 2015 (2017: Tranche 1)	21,375	21,375
- Issue of ordinary shares to the Managing Director and employees pursuant to exercise of Tranche 2 Performance Rights 2016 (2017: Tranche 1)	40,674	36,835
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 Performance Rights 2017	23,671	-
	<u>7,125,250</u>	<u>3,459,141</u>
Closing Balance at 31 December	<u>33,441,335</u>	<u>26,316,085</u>

(i) Shares issued during the period were in relation to the following:

- Placement to sophisticated and professional investors with \$5.500 million proceeds fully received and 93,220,339 new ordinary shares issued at \$0.059 per ordinary share (2018 Placement)
- Share Purchase Plan to its existing shareholders with total proceeds of \$1.952 million raised comprising 33,091,519 new ordinary shares issued at \$0.059 per ordinary share (2018 SPP);
- 375,000 shares issued to Managing Director pursuant to exercise of 375,000 CS Rights Tranche 2 Performance Rights 2015;
- 2,188,000 shares issued to Managing Director and employees pursuant to exercise of 2,188,000 Performance Rights 2016 Tranche 2 and
- 1,254,000 shares issued to employees pursuant to exercise of 1,254,000 Performance Rights 2017 Tranche 1

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 12 Issued Capital (continued)

(a) Number of Ordinary Shares	31 December 2018 No.	31 December 2017 No.
At the beginning of the reporting period	397,033,377	271,810,092
Shares issued during the period:		
- Issue of ordinary shares pursuant to the 2017 Rights Issue	-	25,693,407
- Issue of ordinary shares pursuant to the 2017 Shortfall Placement	-	88,038,307
- Issue of ordinary shares pursuant to the Placement subsequent to approval of shareholders at the 2017 AGM	-	8,928,571
- Issue of ordinary shares pursuant to the 2018 Placement	93,220,339	-
- Issue of ordinary shares pursuant to the 2018 SPP	33,091,519	-
- Issue of ordinary shares to the Managing Director pursuant to exercise of CS Target Tranche 2 Performance Rights 2015 (2017: Tranche 1)	375,000	375,000
- Issue of ordinary shares to the Managing Director and employees pursuant to exercise of Tranche 2 Performance Rights 2016 (2017: Tranche 1)	2,188,000	2,188,000
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 Performance Rights 2017	1,254,000	-
	-	-
	<u>130,128,858</u>	<u>125,223,285</u>
Total issued and fully paid ordinary shares	<u><u>527,162,235</u></u>	<u><u>397,033,377</u></u>

As at 31 December 2018, there were no options outstanding (30 June 2018: Nil).

As at 31 December 2018, there were 15,143,475 (30 June 2018: 12,162,000) performance rights on issue and remain outstanding and they are as follows:

- 1,224,000 Performance Rights 2016 (30 June 2018: 2,412,000) granted to selected employees of the Company in September 2016 as part of the Bluechiip Performance Rights Plan. 1,188,000 of the Tranche 2 Performance Rights 2016 were vested during the period with performance hurdles met. The performance rights were fully exercised which entitled the employees to one fully paid ordinary share in the Company for nil exercise price;
- 1,000,000 Performance Rights 2016 (30 June 2018: 2,000,000) granted to Mr McLellan in November 2016 subsequent to shareholders approval the 2016 AGM as part of the 2016 Bluechiip Performance Rights Plan. 1,000,000 of the Tranche 2 Performance Rights 2016 were vested during the period with performance hurdles met. The performance rights were fully exercised which entitled Mr McLellan to one fully paid ordinary share in the Company for nil exercise price;
- 2,746,000 Performance Rights 2017 (30 June 2018: 4,000,000) granted to selected employees of the Company in September 2017 as part of the Bluechiip Performance Rights Plan. 1,254,000 of the Tranche 2 Performance Rights 2017 were vested during the period with performance hurdles met. The performance rights were fully exercised which entitled the employees to one fully paid ordinary share in the Company for nil exercise price;

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 12 Issued Capital (continued)

- 3,000,000 Performance Rights 2017 (30 June 2018: 3,000,000) granted to Mr McLellan in November 2017 as part of the Bluechiip Performance Rights Plan pursuant to shareholders' approval at the 2017 AGM. 1,000,000 of the Performance Rights 2017 were vested during the period with performance hurdles met but not exercised. Mr McLellan is entitled to exercise the performance rights to one fully paid ordinary share in the Company for nil exercise price;
- 4,890,370 Performance Rights 2018 (30 June 2018: Nil) granted to selected employees of the Company in November 2018 as part of the Bluechiip Performance Rights Plan. Subject to the performance rights being vested which is dependent on performance hurdles, each performance right entitles the employees to acquire one fully paid ordinary share in the Company for nil exercise price; and
- 2,283,105 Performance Rights 2018 (30 June 2018: Nil) granted to Mr McLellan in November 2018 as part of the Bluechiip Performance Rights Plan pursuant to shareholders' approval at the 2018 AGM. Subject to the performance rights being vested which is dependent on performance hurdles, each performance right entitles the employees to acquire one fully paid ordinary share in the Company for nil exercise price

Note 13 Employee Equity Benefits Reserve	31 December 2018 \$	31 December 2017 \$
Opening balance	4,871,034	4,805,107
Share based expense	37,475	23,244
Performance Rights exercised:		
- 375,000 CS Target Tranche 2 Performance Rights 2015	(21,375)	(21,375)
- 2,188,000 Tranche 2 Performance Rights 2016	(40,674)	(36,835)
- 1,254,000 Tranche 1 Performance Rights 2017	(23,671)	-
	<u>(85,720)</u>	<u>(58,210)</u>
Total Employee Equity Benefits Reserve	<u>4,822,789</u>	<u>4,770,141</u>

Note 14 Related Party Disclosures

Transactions with related parties

There were no transactions with related parties during the period.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2018

Note 15 Commitments	31 December 2018	30 June 2017
	\$	\$
<hr/>		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for:		
Payable – minimum lease payments:		
- not later than 12 months	72,100	36,050
	<hr/>	<hr/>
	72,100	35,000
	<hr/>	<hr/>

The above lease commitment for 2018 is in respect of office premises rental (2017: office premises).

(b) Contractual Commitments

As at 31 December 2018, the Company has purchase orders made in the prior year which remain unfulfilled totalling USD192,423 (30 June 2018: USD192,423) for the development and production of chips.

Note 16 Contingencies

The company has no contingent liabilities or contingent assets as at 31 December 2018.

Note 17 Events After the Balance Sheet Date

There were no matters or circumstances that have arisen since the end of the half year financial period which significantly affected or could significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the future financial years.

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Directors' Declaration

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

1. In the opinion of the Directors:
 - (a) The financial statements and notes of Bluechiip Limited for the half year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
 - ii. Complying with Accounting Standard AASB134 Interim Financial Reporting and the *Corporations Regulations 2001*
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the board,



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 25 February 2019

25 February 2019

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Board Members

Bluechiip Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bluechiip Limited.

As lead audit partner for the review of the financial report of Bluechiip Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Review Report to the members of Bluechiip Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bluechiip Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bluechiip Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bluechiip Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bluechiip Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 25 February 2019