



BLUECHIIP LIMITED

ABN 79 104 795 922

**Half Year Financial Report
For the six month period ended
31 December 2015**

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 Matthew Morgan	Non-Executive Director
Mr Michael Ohanessian	Non-Executive Director

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
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Phone: +613 9763 9763
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Share registry

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Phone: +612 9290 9600
Fax: +612 9279 0664

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

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Website

www.bluechiip.com

Bluechiip Limited

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Directors' Report

For the half year ended 31 December 2015

Your directors submit their report for the half year ended 31 December 2015.

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 Matthew Morgan	Non-Executive Director
Mr Michael Ohanessian	Non-Executive Director

Principal Activities

The principal activity of the Group during the half year was the development and commercialisation of a unique tracking system that offers enhanced technical capabilities over existing barcode and Radio Frequency Identification (**RFID**) technologies.

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

Operating and Financial Review

Operating Results

The consolidated net loss of the Group for the half year after providing for income tax amounted to \$973,703 (2014: loss of \$1,017,206).

The decline in the consolidated net loss of the Group by 4.28% from \$1,017,206 to \$973,703 was a result of the following:

Income

Revenue recognised from sales of the Group's products for the half year was \$10,371 (2014: \$28,713). Other income for the half year was \$348,000 (2014: \$356,790), representing a decrease of 2.46%. This was attributable to:

- a lower interest income earned for the period of \$3,000 (2014: \$13,106); and
- Research and Development (**R&D**) tax incentive receivable of \$345,000 (2014: \$343,684).

Expenses

Included in the half year result were total expenses for the period of \$1,332,074 (2014: \$1,402,709). The decrease in expenses of 5.04% for the half year result was largely attributable to:

- a reduction in external R&D expenses to \$259,844 (2014: \$375,221);
- an increase in employee benefits expense to \$533,664 (2014: \$387,573) due to larger internal resources applied to R&D activity and the absence of a CEO for 2 months in the previous half year; and
- consultancy fees decreased to \$58,841 (2014: \$116,468).

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Directors' Report (continued)

For the half year ended 31 December 2015

Dividends

No dividends were paid or declared since the start of the financial year (2014: Nil). No recommendation for payment of dividends has been made.

Events during the Half Year

On 3 December 2015, the Company entered into a license and supply agreement with Genea Biomedx to incorporate Bluechiip's sample tracking technology into Genea Biomedx's range of Assisted Reproductive Technology (**ART**) instruments used in vitro fertilisation (**IVF**) clinics across the globe (**Agreement**). The Agreement will progress through development phases including concept due diligence and product development.

During the half year, the Company was granted The "Ringup/Ringdown Interrogation of RFID Tags" patent (**EPO No. 2335182** or **Patent**) by the European Patent Office (**EPO**). The Patent describes the method of radio frequency communication between **RFID** reader and micro-electromechanical system (**MEMS**)-based tags which is fundamental to the wireless communication and operation of Bluechiip's wireless tracking system.

On 17 December 2015, the Company completed a capital raising of \$450,000 to sophisticated and professional investors via a placement comprising 11,250,000 ordinary fully paid shares at an issue price of \$0.04 per ordinary share (**Placement**).

During the half year, ongoing commercial and validation activities include:

- Expanding Bluechiip's co-development Original Equipment Manufacturer (**OEM**) strategy opportunity pipeline;
- Execution of a license and supply agreement with Genea Biomedx to incorporate Bluechiip's sample tracking technology into Genea Biomedx's range of ART used in the in the IVF clinics across the globe;
- Execution of two development agreements with confidential partners in the fields of Protein Crystallography and Cell Therapies;
- Release of a Bluechiip OEM Developer Kit to enable OEM partners to integrate Bluechiip technology with their own OEM products including execution of agreement for the sale of the first OEM Developer Kit in the coming quarter with an international Synchrotron in the Protein Crystallography market;
- Continued development and refinement of the multi vial reader prototype for dual identity cryovials;
- Progression to concept production for the development of its handheld reader which led to the release of a new portable handheld reader; and
- Development of Bluechiip buttons to enable retrofit into existing biobank sample storage applications.

During the half year, Bluechiip was also granted approval from Research Connections, part of the Australian Government's Entrepreneurs' Programme which enables the Company to gain access to advice and facilitation services. Through collaboration with local research sector, Bluechiip may have access to financial assistance in the form of matched funding grant worth up to \$50,000. Bluechiip will commence collaboration with local researchers in the second half of the financial year.

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Directors' Report (continued)

For the half year ended 31 December 2015

Events after Balance Date

On 21 January 2016, the Company launched a share purchase plan which allows the eligible shareholders in Australia and New Zealand (**SPP**) to purchase up to \$15,000 worth of Bluechiip shares (free of brokerage and other transaction costs) to be priced at the lower of the same issue price paid by sophisticated and professional investors under the Placement in December 2015 of \$0.04 per new share and a price to be determined at the issue date based on 15% discount to the weighted average price of Bluechiip Shares over the 5 trading day period on the ASX prior to the issue of the new shares. At the close of the SPP on 19 February 2016, \$240,000 was raised at an issue price of \$0.0285 per share.

On 5 February 2016, the Company was further granted two (2) additional patents in Europe and Australia:

- RFID Memory Devices (EPO No. 2297736) granted by the European Patent Office which describes memory device with a dual identification device where two (2) sets of data are stored in the same circuit but are accessed independently; and
- "Temperature Sensing and Heating Device" (No. 2011357590) granted by Australian Patent Office which describes Bluechiip induction heating and sample tracking system using Bluechiip's patented wireless temperature tracking technology.

On 12 February 2016, the Company announced the successful completion of the concept due diligence milestone with its partner in the field of ART and IVF in accordance with the Agreement announced on 3 December 2015.

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 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 EY is not subject to any dispute or qualification, but is subject to an emphasis of matter paragraph regarding continuation of the Group as a going concern.

Auditor independence declaration

The directors received the declaration set out on page 20 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, 26 February 2016

Bluechiip Limited

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Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		367,816	742,803
Trade and other receivables	7	399,321	682,989
Other current assets	8	170,934	178,874
Inventory		397,527	377,867
TOTAL CURRENT ASSETS		1,335,598	1,982,533
NON-CURRENT ASSETS			
Property, plant and equipment		100,593	109,684
TOTAL NON-CURRENT ASSETS		100,593	109,684
TOTAL ASSETS		1,436,191	2,092,217
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	163,115	344,628
Interest-bearing liabilities	10	-	4,857
Employee entitlements		64,903	64,137
TOTAL CURRENT LIABILITIES		228,018	413,622
NON-CURRENT LIABILITIES			
Employee entitlements		8,643	9,408
TOTAL NON-CURRENT LIABILITIES		8,643	9,408
TOTAL LIABILITIES		236,661	423,030
NET ASSETS		1,199,530	1,669,187
EQUITY			
Issued capital	11	20,848,276	20,344,230
Reserves	12	4,694,252	4,694,252
Accumulated losses		(24,342,998)	(23,369,295)
TOTAL EQUITY		1,199,530	1,669,187

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Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2015

	Note	2015 \$	2014 \$
Revenue from operating activities	3	10,371	28,713
Cost of Sales		(8,560)	(89,038)
Other income	4	348,000	356,790
Employee benefits expense		(533,664)	(387,573)
Business development		(69,810)	(48,341)
Depreciation, amortisation and impairments		(12,090)	(16,892)
Research and Development		(259,844)	(375,221)
Patent costs		(14,706)	(9,510)
Consultancy fees		(58,841)	(116,468)
Travel and accommodation		(43,808)	(34,222)
Occupancy costs		(28,324)	(27,326)
Legal and professional fees		(119,288)	(103,721)
Finance costs		(31,623)	(45,089)
Other expenses	5	(151,516)	(149,308)
Loss before income tax		(973,703)	(1,017,206)
Income tax		-	-
Net loss after income tax		(973,703)	(1,017,206)
Total comprehensive income/(loss) for the half year		(973,703)	(1,017,206)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)	6	(0.58)	(0.74)
Diluted earnings/(loss) per share (cents)	6	(0.58)	(0.74)

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Consolidated Statement of Changes in Equity

For the Half Year Ended 31
December 2015

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2015		20,344,230	4,694,252	(23,369,295)	1,669,187
Total comprehensive income/(loss) attributable to members of the entity		-	-	(973,703)	(973,703)
Shares issued during the period	11	531,495	-	-	531,495
Transaction costs on shares issued	11	*(27,449)	-	-	(27,449)
At 31 December 2015		20,848,276	4,694,252	(24,342,998)	1,199,530

For the Half Year ended 31
December 2014

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2014		17,667,151	4,715,025	(21,457,607)	924,569
Total comprehensive income/(loss) attributable to members of the entity		-	-	(1,017,206)	(1,017,206)
Shares issued during the period		1,908,965	-	-	1,908,965
Share based payments	12	25,000	(25,000)	-	-
Transaction costs on shares issued	11	**(108,877)	-	-	(108,877)
At 31 December 2014		19,492,239	4,690,025	(22,474,813)	1,707,451

* These are transaction costs relating to the April 2015 Placement and December 2015 Placement. Refer to Note 11 for further details.

** These are transaction costs relating to the Placement and share purchase plan for the half year ended 31 December 2014.

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Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,183	43,492
Payments to suppliers and employees		(1,433,230)	(1,635,043)
Interest income received		3,062	13,106
Interest paid		(11,425)	(14,617)
R&D tax incentive received		628,668	625,047
Net cash flows used in operating activities		(801,742)	(968,015)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,245)	-
Net cash flows used in investing activities		(3,245)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		450,000	1,860,167
Transaction costs on share issue		-	(131,340)
Proceeds from borrowings		600,000	234,761
Repayment of borrowings		(600,000)	(486,158)
Transaction costs on borrowings		(20,000)	-
Net cash flows from financing activities		430,000	1,477,430
Net (decrease)/increase in cash held		(374,987)	509,415
Cash and cash equivalents at beginning of period		742,803	609,684
Cash and cash equivalents at end of period		367,816	1,119,099

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Notes to the Financial Statements For the Half Year Ended 31 December 2015

Note 1 Basis of preparation and Accounting Policies

Basis of Preparation

Bluechiip Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the ASX.

This condensed interim financial report for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report has also been prepared on a historical cost basis.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Bluechiip Limited during the half year ended 31 December 2015 and to the date of this report in accordance with the continuous disclosure obligations of the ASX Listing rules.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The following accounting standard was adopted by the Group:

- AASB 2015-3, Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

The accounting standards which had an application date during the half year had no material impact on the Group.

Going Concern

The half year financial report has been prepared on a going concern basis which takes account of the Group's assets and liabilities and assumes that funds will be obtained from several sources including:

- sales revenue anticipated to be generated over the next twelve months;
- grants from the Australian state and federal governments, and from overseas sources 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;
- up-front licence fees, milestone payments and co-development;
- collaboration funding with third party joint ventures;
- raising further capital; and
- loans from the third party and/or Directors

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Notes to the Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2015

Note 1 Basis of preparation and Accounting Policies (continued)

Basis of Preparation (continued)

In assessing its fundraising opportunities the Directors note:

- an amount of \$240,000 has been raised from the Share Purchase Plan in February 2016;
- a short term loan facility for up to \$500,000 has been secured from a Director; and
- the Group is considering further opportunities to raise additional equity both in its own right and in conjunction with broader commercial opportunities which are confidential and inconclusive.

The Directors cannot be certain of the success of, or the timing of, funding from these sources, however, the Directors will continue to plan the Group's operations on the basis that the sources and activities identified above are in progress and the Directors believe funds raised from these sources and activities together with the existing assets will allow for the Group to operate for a period of not less than twelve months from the date of this report.

In the event that such activities are not entered into or concluded on a timely basis, there is likely to be material uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements take no account of the consequences, if any, of the effect of:

- An inability to generate sales revenue and the associated cash flows; or
- An inability of the Group to obtain adequate funding.

The carrying value of assets including inventories and advances to manufacturers are assessed on the basis that the Group will continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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

	2015 \$	2014 \$
Gross revenue from sale of products	11,255	49,417
Trade discounts	(884)	(20,704)
Net revenue from sale of products	10,371	28,713

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Notes to the Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2015

	2015 \$	2014 \$
Note 4 Other Income		
Other income		
- Interest income	3,000	13,106
- R&D tax incentive	345,000	343,684
Total other income	348,000	356,790

	2015 \$	2014 \$
Note 5 Other Expenses		
Expense information:		
Share registry, administration and secretarial	55,190	58,214
Insurance	18,839	22,175
Advertising and branding	3,700	2,000
Conference and seminar	2,125	1,966
Telecommunication	8,749	12,071
Website development	-	651
Other	62,913	52,231
Total Other Expenses	151,516	149,308

Note 6 Earnings per share

Earnings used to calculate basic and dilutive EPS	(973,703)	(1,017,206)
	31 December 2015 No.	31 December 2014 No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half year – number used in calculating basic EPS	168,594,206	138,268,727

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

	31 December 2015 \$	30 June 2015 \$
Note 7 Current Assets – Trade and Other Receivables		
Trade receivables	2,253	2,253
R&D tax off-set receivable	397,068	680,736
	399,321	682,989

Included in the R&D tax off-set receivable is an amount of \$52,068 in relation to 2014/2015 R&D which was subsequently received from the Australian Taxation Office in January 2016.

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Notes to the Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2015

Note 8 Current Assets – Other Current Assets

Other debtors	2,000	-
Prepayments	29,152	26,404
Advance to manufacturer (a)	139,782	152,470
	<u>170,934</u>	<u>178,874</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.

31 December 2015	30 June 2015
\$	\$

Note 9 Current Liabilities – Trade and Other Payables

Trade payables	98,142	178,954
Sundry payables and accrued expenses	64,973	165,674
	<u>163,115</u>	<u>344,628</u>

Note 10 Interest-bearing Liabilities

CURRENT

Finance lease (a)	-	4,857
	<u>-</u>	<u>4,857</u>
Total interest-bearing liabilities	<u>-</u>	<u>4,857</u>

(a) Relates to a three year finance lease for IT infrastructure that expired in November 2015.

31 December 2015	31 December 2014
\$	\$

Note 11 Issued Capital

Opening Balance	20,344,230	17,667,151
Shares issued during the period (i)	531,495	1,933,965
Transaction cost for shares issued	(27,449)	(108,877)
Total	<u>20,848,276</u>	<u>19,492,239</u>

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

- Shares issued to Non-Executive Directors, Iain Kirkwood and Michael Ohanessian (\$81,495) comprising 1,811,011 new ordinary fully paid shares pursuant to the placement to sophisticated and professional investors at an issue price of \$0.045 per ordinary share which was completed in April 2015 but approved by the shareholders at the recent Annual General Meeting (**AGM**) on 23 October 2015 (**April 2015 Placement**); and
- The placement (\$450,000) to sophisticated and professional investors via a placement comprising 11,250,000 ordinary fully paid shares at an issue price of \$0.04 per ordinary share which was completed on 17 December 2015 (**December 2015 Placement**).

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Notes to the Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2015

Note 11 Issued Capital (Cont'd)

(a) Number of Ordinary Shares	31 December 2015 No.	31 December 2014 No.
At the beginning of the reporting period	167,508,269	127,526,037
Shares issued during the period:		
- Issue of ordinary shares	-	19,571,020
- Issue of ordinary shares pursuant to April 2015 Placement	1,811,011	-
- Issue of ordinary shares pursuant to December 2015 Placement	11,250,000	-
Total issued and fully paid ordinary shares	180,569,280	147,097,057

As at 31 December 2015, there were no options outstanding (30 June 2015: Nil).

During the period, the Company completed the December 2015 Placement.

As at 31 December 2015, there were 1,500,000 performance rights (30 June 2015: 1,500,000) granted to Mr McLellan as part of the Variable Compensation – LTI which entitle Mr McLellan to acquire one fully paid share in the Company for a nil exercise price (Performance Rights) and they remain outstanding. The issuance of the Performance Rights was approved by the Company's shareholders at the recent AGM on 23 October 2015.

Note 12 Employee Equity Benefits Reserve	31 December 2015 \$	31 December 2014 \$
Opening balance	4,694,252	4,715,025
Employee Share Acquisition Plan (ESAP) expense	-	(25,000)
Total Employee Equity Benefits Reserve	4,694,252	4,690,025

Note 13 Related Party Disclosures

Transactions with related parties

As stated in Note 11, shares issued to Non-Executive Directors, Iain Kirkwood and Michael Ohanessian were approved during the AGM on 23 October 2015.

Note 14 Commitments	31 December 2015 \$	30 June 2015 \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for:		
Payable – minimum lease payments:		
- not later than 12 months	48,142	22,472
- more than 12 months	-	-
	48,142	22,472

The above lease commitment for 2015 is in respect of office premises rental (2014: office premises).

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Notes to the Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2015

Note 14 Commitments (Cont'd)

(b) Contractual Commitments

As at 31 December 2015, the Company has purchase orders made in prior year which remain unfulfilled totalling USD208,593 (30 June 2015: USD266,805) for the development and production of chips.

Note 15 Contingencies

The company has no contingent liabilities or contingent assets as at 31 December 2015.

Note 16 Events After the Balance Sheet Date

On 21 January 2016, the Company launched a share purchase plan which allows the eligible shareholders in Australia and New Zealand (**SPP**) to purchase up to \$15,000 worth of Bluechiip shares (free of brokerage and other transaction costs) to be priced at the lower of the same issue price paid by sophisticated and professional investors under the Placement in December 2015 of \$0.04 per new share and a price to be determined at the issue date based on 15% discount to the weighted average price of Bluechiip Shares over the 5 trading day period on the ASX prior to the issue of the new shares. At the close of the SPP on 19 February 2016, \$240,000 was raised at an issue price of \$0.0285 per share.

On 5 February 2016, the Company was further granted two (2) additional patents in Europe and Australia:

- RFID Memory Devices (EPO No. 2297736) granted by the European Patent Office which describes memory device with a dual identification device where two (2) sets of data are stored in the same circuit but are accessed independently; and
- "Temperature Sensing and Heating Device" (No. 2011357590) granted by Australian Patent Office which describes Bluechiip induction heating and sample tracking system using Bluechiip's patented wireless temperature tracking technology.

On 12 February 2016, the Company announced the successful completion of the concept due diligence milestone with its partner in the field of ART and IVF in accordance with the Agreement announced on 3 December 2015.

Except as disclosed on other sections to the report and the above, there were no other matters or circumstances that have arisen since the end of the 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, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of Bluechiip Limited for the half year ended 31 December 2015 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 2015 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.

On behalf of the board,



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 26 February 2016

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bluechiip Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows 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 half-year end 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 2015 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 and the entities it controlled during the half-year, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' 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 2015 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*.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to the following matter. Unless the entity can obtain further funding in the short term, as referred to in Note 1 to the half-year financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern, and therefore whether it will realise the assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



David Petersen
Partner
Melbourne
26 February 2016

Auditor's Independence Declaration to the Directors of Bluechiip Limited

As lead auditor for the review of Bluechiip Limited for the half-year ended 31 December 2015, 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* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bluechiip Limited and the entities it controlled during the financial period.



Ernst & Young



David Petersen
Partner
26 February 2016