



Bluechiip Limited

ABN 79 104 795 922

Appendix 4D

(ASX Listing Rule 4.2A.3)

For the six months ended 31 December 2016

Reporting period - 1 July 2016 to 31 December 2016

(Previous corresponding period - 1 July 2015 to 31 December 2015)

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF YEAR ENDED 31 DECEMBER 2016

PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2015

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 2016.

	Change	%	Half Year 31 December 2016	Half Year 31 December 2015
Net revenue from ordinary activities	Up	869.82%	\$100,580	\$10,371
Net loss after tax attributable to members	Up	4.22%	(\$1,014,822)	(\$973,703)

Dividends

It is not proposed to pay a dividend (2015: 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 2016 (2015: Nil).

Net Tangible Assets per security

As at 31 December 2016: 0.56 cents

As at 31 December 2015: 0.66 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Operating Results

The consolidated loss of the Group for the half year after income tax amounted to \$1,014,822 (2015: loss of \$973,703).

The increase in the consolidated net loss of the Group by 4.22% from \$973,703 to \$1,014,822 was a result of the following:

Income

Revenue recognised from sales of the Group's products for the half year was \$100,580 (2015: \$10,371) which resulted from the sales of developer kits, engineering services and licence income received. Other income for the half year was \$353,248 (2015: \$348,000), representing a marginal increase of 1.51%. This was attributable to:

- an increase in interest income earned for the period of \$248 to \$3,248 (2015: \$3,000); and
- an increase in Research and Development (R&D) tax incentive receivable of \$5,000 for the 6 months period of \$350,000 (2015: \$345,000).

Expenses

Included in the half year result were total expenses for the period of \$1,468,650 (2015: \$1,332,074). The increase in expenses of 10.25% for the half year result was largely attributable to:

- an increase in external R&D expenses of \$12,081 to \$271,925 (2015: \$259,844);
- an increase in patent costs of \$27,893 to \$42,599 (2015: \$14,706) which resulted from registration of newly developed products;
- an increase in business development expenses of \$13,539 to \$83,349 (2015: \$69,810) due to amongst others, the engagement of contractors for its business development in the US market.
- an increase in employee benefits expense of \$94,752 to \$628,416 (2015: \$533,664) due to larger internal resources applied to increased R&D activity and bonus payment made to the CEO of \$65,768 comprising \$31,393 in cash and \$34,375 in new shares issued in Bluechiip (2015: Nil); and

The increase in expenses was mitigated by the:

- decrease in consultancy fees to \$21,943 (2015: \$58,841); and
- decrease in travel and accommodation expenses to \$25,788 (2015: \$43,808)

Auditors Review Report

The review report prepared by the independent auditor Deloitte Touche Tohmatsu 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.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
Managing Director

22 February 2017



BLUECHIP LIMITED

ABN 79 104 795 922

**Half Year Financial Report
For the six month period ended
31 December 2016**

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

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

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

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 2016

Your directors submit their report for the half year ended 31 December 2016.

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

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 loss of the Group for the half year after providing for income tax amounted to \$1,014,822 (2015: loss of \$973,703).

The increase in the consolidated net loss of the Group by 4.22% from \$973,703 to \$1,014,822 was a result of amongst others, the following:

Income

Revenue recognised from sales of the Group's products for the half year was \$100,580 (2015: \$10,371) which resulted from the sales of developer kits, engineering services and licence income received. Other income for the half year was \$353,248 (2015: \$348,000), representing a marginal increase of 1.51%. This was attributable to:

- an increase in interest income earned for the period of \$248 to \$3,248 (2015: \$3,000); and
- an increase in Research and Development (R&D) tax incentive receivable of \$5,000 for the 6 months period of \$350,000 (2015: \$345,000).

Expenses

Included in the half year result were total expenses for the period of \$1,468,650 (2015: \$1,332,074). The increase in expenses of 10.25% for the half year result was largely attributable to:

- an increase in external R&D expenses of \$12,081 to \$271,925 (2015: \$259,844);
- an increase in patent costs of \$27,893 to \$42,599 (2015: \$14,706) which resulted from registration of newly developed products;

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Directors' Report (continued)

For the half year ended 31 December 2016

Operating and Financial Review (continued)

- an increase in business development expenses of \$13,539 to \$83,349 (2015: \$69,810) due to amongst others, the engagement of contractors for its business development in the US market;
- an increase in employee benefits expense of \$94,752 to \$628,416 (2015: \$533,664) due to larger internal resources applied to increased R&D activity and a bonus payment made to the CEO of \$65,768 comprising \$31,393 in cash and \$34,375 in new shares issued in Bluechiip (2015: Nil); and

The increase in expenses was mitigated by the:

- decrease in consultancy fees to \$21,943 (2015: \$58,841); and
- decrease in travel and accommodation expenses to \$25,788 (2015: \$43,808)

Dividends

No dividends were paid or declared since the start of the financial year (2015: Nil). No recommendation for payment of dividends has been made.

Events during the Half Year

On 15 September 2016, the Company entered into a non-exclusive Licence and Supply Agreement (Licence Agreement) and Master Services Agreement (Master Services Agreement) with Planet Innovation Pty Ltd (Planet Innovation).

- The Licence Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology in the field of systems and devices for the handling, storage or monitoring of medical biological products or samples. Bluechiip is to sell its technology products including tags, readers and software to Planet Innovation and Planet Innovation is to commit minimum annual development expenditure alternatively to minimum annual purchasing obligations; and
- The Master Services Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology whilst retain all rights in its core technology and intellectual property.

On 1 September 2016, the Company also announced the filing of provisional patent application for an "over-temperature chip", a consequence from the Commonwealth Government co-funded Research Connection development project with the University of Melbourne (Over-Temperature Project).

On 1 September 2016, the Company signed a Technology Evaluation Agreement with a US-based Auto ID and Data Capture Company which allows the latter to test and assess Bluechiip's technologies in high-value harsh-environment applications which include the biobanking and aerospace industries.

On 21 September 2016, the Company successfully completed the Non-Renounceable Rights Issue on the basis of 1 for 3 at an issue price of \$0.022 per ordinary share which was announced on 15 August 2016 (Rights Issue). In conjunction with the Rights Issue, the Company also successfully arranged for shares to be placed with a number of sophisticated and professional investors (Shortfall Facility). Both the Rights Issue and Shortfall Facility raised total cash proceeds of \$1,493,547.

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Directors' Report (continued)

For the half year ended 31 December 2016

Events during the Half Year (continued)

On 10 Oct 2016, the Company received an R&D Tax Incentive refund of \$674,677 for the financial year ended 30 June 2016 from the Australian Government. The R&D Tax Incentive is an Australian Government program under which eligible companies receive cash refunds based on 45% of the eligible expenditure on research and development.

On 17 November 2016, the Company announced the approval of \$50,000 in funding from Innovation Connections, which is part of the Australian Government's Entrepreneur's Programme to proceed with the second phase of the development of the Over-Temperature Project. This is the second grant Bluechiip has received from the Commonwealth Government, which is to be matched by funding from the Company.

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

- Continuation of the second phase of the Original Equipment Manufacturing (OEM) license and supply agreement to incorporate Bluechiip's technology into its partner's Assisted Reproductive Technologies (ART) medical device for sale into In Vitro Fertilisation (IVF) clinics across the globe;
- Continuation with the introduction of the Bluechiip OEM Developer Kit and to work on collaboration with potential OEM partners to integrate Bluechiip technology with their own OEM products. This includes continued research and development of solutions to meet the partners' requirements; and
- continued expansion of Bluechiip's OEM pipeline in USA, Europe and APAC market and conversion of OEM partner opportunities

Events after Balance Date

There were no 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.

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

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Directors' Report (continued)

For the half year ended 31 December 2016

Auditor independence declaration

The directors received the declaration set out on page 22 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, 22 February 2017

Bluechiip Limited

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Condensed consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,092,267	487,934
Trade and other receivables	7	381,775	725,764
Other current assets	8	146,684	173,553
Inventory		386,567	381,911
TOTAL CURRENT ASSETS		2,007,293	1,769,162
NON-CURRENT ASSETS			
Plant and equipment		81,507	88,149
TOTAL NON-CURRENT ASSETS		81,507	88,149
TOTAL ASSETS		2,088,800	1,857,311
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	350,126	234,057
Interest-bearing liabilities	10	153,970	503,879
Employee entitlements		35,138	49,918
TOTAL CURRENT LIABILITIES		539,234	787,854
NON-CURRENT LIABILITIES			
Employee entitlements		23,627	23,628
TOTAL NON-CURRENT LIABILITIES		23,627	23,628
TOTAL LIABILITIES		562,861	811,482
NET ASSETS		1,525,939	1,045,829
EQUITY			
Issued capital	11	22,868,680	21,373,748
Reserves	12	4,718,359	4,718,359
Accumulated losses		(26,061,100)	(25,046,278)
TOTAL EQUITY		1,525,939	1,045,829

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Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue from operating activities	3	100,580	10,371
Cost of Sales		(57,454)	(8,560)
Gross Profit		43,126	1,811
Other income	4	353,248	348,000
Employee benefits expense		(628,416)	(533,664)
Business development		(83,349)	(69,810)
Depreciation, amortisation and impairments		(9,493)	(12,090)
Research and Development		(271,925)	(259,844)
Patent costs		(42,599)	(14,706)
Consultancy fees		(21,943)	(58,841)
Travel and accommodation		(25,788)	(43,808)
Occupancy costs		(29,526)	(28,324)
Legal and professional fees		(112,359)	(119,288)
Finance costs		(38,844)	(31,623)
Other expenses	5	(146,954)	(151,516)
Loss before income tax		(1,014,822)	(973,703)
Income tax		-	-
Net loss after income tax		(1,014,822)	(973,703)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(1,014,822)	(973,703)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)	6	(0.43)	(0.58)
Diluted earnings/(loss) per share (cents)	6	(0.43)	(0.58)

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Condensed consolidated Statement of Changes in Equity

For the Half Year Ended 31
December 2016

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2016		21,373,748	4,718,359	(25,046,278)	1,045,829
Total comprehensive income/(loss) attributable to members of the entity		-	-	(1,014,822)	(1,014,822)
Shares issued during the period		*1,540,026	-	-	1,540,026
Share based payments		-	-	-	-
Transaction costs on shares issued		** (45,094)	-	-	(45,094)
At 31 December 2016		22,868,680	4,718,359	(26,061,100)	1,525,939

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
Share based payments	12	25,000	(25,000)	-	-
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

* Shares issued during the period included shares issued in lieu of payment to a creditor for professional services rendered in the Rights Issue and also shares issued to the CEO, being 50% of the bonus payment approved by the shareholders at the AGM in November 2016.

** These are transaction costs in relation to the Rights Issue. Included in these transaction costs is a cost related to a service rendered by a professional in relation to the Rights Issue of which payment was made via shares issued.

*** These are transaction costs relating to the April 2015 Placement and December 2015 Placement.

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Condensed consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		124,225	11,183
Payments to suppliers and employees		(1,275,868)	(1,433,230)
Interest income received		3,248	3,062
Interest paid		(32,137)	(11,425)
R&D tax incentive received		674,677	628,668
Net cash flows used in operating activities		(505,855)	(801,742)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,137)	(3,245)
Net cash flows used in investing activities		(3,137)	(3,245)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		1,493,547	450,000
Transaction costs on share issue		(30,222)	-
Proceeds from borrowings		150,000	600,000
Repayment of borrowings		(500,000)	(600,000)
Transaction costs on borrowings		-	(20,000)
Net cash flows from financing activities		1,113,325	430,000
Net increase/(decrease) in cash held		604,333	(374,987)
Cash and cash equivalents at beginning of period		487,934	742,803
Cash and cash equivalents at end of period		1,092,267	367,816

Bluechiip Limited

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2016

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 2016 annual financial report for the financial year ended 30 June 2016, 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. Cost is 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 effective for the current half year include:

- AASB 2015-3, Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- AASB 2014-4, Clarification of acceptable methods of depreciation and amortisation
- AASB 2015-1, Annual improvements to Australian Accounting Standards Cycle

Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

Note 1 Basis of preparation and Accounting Policies (continued)

Impact of the application of AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead
- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

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. During the 6 month period the company has continued to generate losses (loss after tax \$1.01m) and had a net cash outflow from operations (\$0.51m).

The ability of the company to continue as a going concern is dependent on funds to be obtained from several sources including:

- the R&D Tax Prepayment Loan in respect of which a facility has been made available;
- sales revenue is 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 license fees, milestone payments, co-development or collaboration funding from third party joint ventures may be generated within the next twelve months; and
- raising further capital over the next twelve months

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

Note 1 Basis of preparation and Accounting Policies (continued)

Going Concern (continued)

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 financial report.

In the event that such activities are not entered into or concluded on a timely basis, there is a material uncertainty as to 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

	2016 \$	2015 \$
Gross revenue from sale of products	115,371	11,255
Trade discounts	(14,791)	(884)
Net revenue from sale of products	100,580	10,371

	2016 \$	2015 \$
Other income		
- Interest income	3,248	3,000
- R&D tax incentive	350,000	345,000
Total other income	353,248	348,000

Note 4 Other Income

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

	2016 \$	2015 \$
Note 5 Other Expenses		
Expense information:		
Share registry, administration and secretarial	40,206	55,190
Insurance	18,025	18,839
Advertising and branding	39,485	3,700
Conference and seminar	-	2,125
Telecommunication	8,396	8,749
Other	40,842	62,913
Total Other Expenses	146,954	151,516

Note 6 Earnings per share

Earnings used to calculate basic and dilutive EPS (1,014,822) (973,703)

	31 December 2016 No.	31 December 2015 No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half year – number used in calculating basic EPS	236,374,737	168,594,206

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

	31 December 2016 \$	30 June 2016 \$
Note 7 Current Assets – Trade and Other Receivables		
Trade receivables	31,452	50,764
R&D tax off-set receivable	350,323	675,000
	381,775	725,764

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

	31 December 2016 \$	30 June 2016 \$
Note 8 Other Current Assets		
Prepayments	25,121	25,416
Advance to manufacturer (a)	121,563	148,137
	<u>146,684</u>	<u>173,553</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 9 Trade and Other Payables

Trade payables	265,070	107,914
Sundry payables and accrued expenses	85,056	126,143
	<u>350,126</u>	<u>234,057</u>

Note 10 Interest-bearing liabilities

CURRENT

R&D Tax Prepayment Loan	150,000	500,000
Director & Officers Premium Funding	3,970	15,879
Deferred borrowing costs	-	(12,000)
	<u>153,970</u>	<u>503,879</u>
 Total interest-bearing liabilities	 <u>153,970</u>	 <u>503,879</u>

	31 December 2016 \$	31 December 2015 \$
Note 11 Issued Capital		
Opening Balance	21,373,748	20,344,230
Shares issued during the period (i)	1,540,026	531,495
Transaction cost for shares issued	(45,094)	(27,449)
Total	<u>22,868,680</u>	<u>20,848,276</u>

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

- The Rights Issue and Shortfall Facility placement to sophisticated and professional investors totalling \$1,493,547 comprising 67,888,419 ordinary fully paid shares at an issue price of \$0.022 per ordinary share which was completed on 21 September 2016;
- 550,273 shares issued at \$0.0222 in lieu of payment to a creditor for professional services rendered in relation to the Rights Issue; and
- 1,562,500 shares issued at \$0.022 per share to the CEO, being 50% of the bonus payment approved by the shareholders at the AGM in November 2016 (2016 AGM).

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

Note 11 Issued Capital (Cont'd)

(a) Number of Ordinary Shares	31 December 2016 No.	31 December 2015 No.
At the beginning of the reporting period	201,377,647	167,508,269
Shares issued during the period:		
- Issue of ordinary shares	-	13,061,011
- Issue of ordinary shares pursuant to the Rights Issue	30,360,938	-
- Issue of ordinary shares pursuant to the Shortfall Facility placement	37,527,481	-
- Issue of ordinary shares in lieu of bonus paid to CEO	1,562,500	-
- Issue of ordinary shares in lieu of payment to a creditor	550,273	-
Total issued and fully paid ordinary shares	271,378,839	180,569,280

As at 31 December 2016, there were no options outstanding (30 June 2016: Nil).

During the period, the Company successfully completed the Non-Renounceable Rights Issue on the basis of 1 for 3 at an issue price of \$0.022 per ordinary share which was announced on 15 August 2016 (Rights Issue). In conjunction with the Rights Issue, the Company also successfully arranged for shares to be placed with Non-Executive Directors, Iain Kirkwood and Michael Ohanessian and a number of sophisticated and professional investors (Shortfall Facility). Both the Non- Rights Issue and Shortfall Facility raised proceeds of \$1,493,547.

As at 31 December 2016, there were 8,500,000 performance rights on issue as follows:

- 1,500,000 performance rights (30 June 2016: 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;
- 4,000,000 performance rights (30 June 2016: Nil) granted to selected employees of the Company in September 2016 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
- 3,000,000 performance rights (30 June 2016: Nil) granted to Mr McLellan in November 2016 as part of the Bluechiip Performance Rights Plan pursuant to shareholders' approval at the 2016 AGM. Subject to the performance rights being vested which is dependent on performance hurdles, each performance right entitles Mr McLellan to acquire one fully paid ordinary share in the Company for nil exercise price.

Note 12 Employee Equity Benefits Reserve	31 December 2016 \$	31 December 2015 \$
Opening balance	4,718,359	4,694,252
Employee Share Acquisition Plan (ESAP) expense	-	-
Total Employee Equity Benefits Reserve	4,718,359	4,694,252

Bluechiip Limited

ABN 79 104 795 922

Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2016

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 pursuant to the August 2016 Placement of Shortfall Shares were approved during the AGM held on 25 November 2016.

	31 December 2016 \$	30 June 2016 \$
Note 14 Commitments		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for:		
Payable – minimum lease payments:		
- not later than 12 months	70,000	27,071
- more than 12 months	-	-
	<u>70,000</u>	<u>27,071</u>

The above lease commitment for 2016 is in respect of office premises rental (2015: office premises).

(b) Contractual Commitments

As at 31 December 2016, the Company has purchase orders made in the prior year which remain unfulfilled totalling USD192,423 (30 June 2016: USD192,423) for the development and production of chips.

Note 15 Contingencies

The company has no contingent liabilities or contingent assets as at 31 December 2016.

Note 16 Events After the Balance Sheet Date

There were no 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.

Bluechiip Limited

ABN 79 104 795 922

Directors' Declaration

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

In the opinion of the Directors:

- (a) The financial statements and notes of Bluechiip Limited for the half year ended 31 December 2016 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 2016 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, 22 February 2017

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 2016, 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 as set out on pages 8 to 19.

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 2016 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 Bluechip 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 2016 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 Going Concern of the half year financial report which describes the material uncertainty relating to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 22 February 2017

22 February 2017

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Members of the Board

Bluechiip Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Board of 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 2016, 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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