



## **Bluechiip Limited**

ABN 79 104 795 922

### **Appendix 4E**

*(ASX Listing Rule 4.3A)*

## **Preliminary Final Report For the financial year ended 30 June 2018**

**Reporting period - 1 July 2017 to 30 June 2018  
(Previous corresponding period - 1 July 2016 to 30 June 2017)**

**Name of entity**

|                          |
|--------------------------|
| <b>BLUECHIIP LIMITED</b> |
|--------------------------|

**ABN**

|                       |
|-----------------------|
| <b>79 104 795 922</b> |
|-----------------------|

**FINANCIAL YEAR ENDED (“CURRENT PERIOD”)**

|                     |
|---------------------|
| <b>30 JUNE 2018</b> |
|---------------------|

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

|   | Change | Change in Value \$ | %       | To          |
|---|--------|--------------------|---------|-------------|
| Revenue from ordinary activities                                | Up     | \$323,771          | 136.17% | \$561,544   |
| Other income – interest income and R&D tax incentive            | Up     | \$243,162          | 31.18%  | \$1,023,152 |
| Loss from ordinary activities after tax attributable to members | Up     | \$473,858          | 23.47%  | \$2,492,491 |

**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 financial year ended 30 June 2018 (2017: Nil).

**Net Tangible Assets per security**

As at 30 June 2018: 0.41 cents

As at 30 June 2017: 0.22 cents

**COMMENTARY ON THE RESULTS FOR THE YEAR AND SIGNIFICANT INFORMATION**

**Results of operations**

**Operating Results**

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$2,492,491 (2017: loss of \$2,018,633).

## **Results of operations**

The Company recognised net revenue totalling \$561,544 (2017: \$237,773) during the financial year from licence income received and the sale of products.

Other income increased from \$779,990 to \$1,023,152 mainly due to the R&D tax incentive income receivable during the year in line with the increased R&D activities.

These have been negated by the increased in operating expenses incurred of \$3,753,550 (2017: \$2,969,195) to arrive at a loss before income tax which has increased to \$2,492,491 (2017: \$2018,633) as a result of amongst others, the following:

- increased external research and development (R&D) expenses - \$875,146 (2017: \$585,001) as a result of the increased R&D activities during the year;
- increased business development expenses - \$236,719 (2017: \$176,274) as a result of increased marketing and business development activities, i.e. trade shows carried out in the USA and European Union;
- higher share based payment expenses - \$124,137 (2017: \$86,748) from the additional performance rights issued to employees during the year; and
- higher employee benefits expenses - \$1,439,055 (2017: \$1,173,209) a result of annual salary increment and bonus payment to selected employees for performance achievements.

## **Acquisition and Divestment**

During the year, there have been no entities over which control has been gained or lost during the year ended 30 June 2018.

## **Capital structure**

In July 2017, the Company announced the completion of a 1 for 3 non-renounceable rights issue at an issue price of \$0.028 per ordinary share and its associated top up facility (2017 Rights Issue) together with a subsequent placement to sophisticated and professional investors. This resulted in a successful capital raising of \$3.434 million.

## **Events after Balance Date**

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

**Audit**

This preliminary final report is based on the attached consolidated financial statements for the year ended 30 June 2018 which are in the process of being audited by the Company's auditors, Deloitte Touche Tohmatsu. The audit report will be made available with the Company's financial report as part of the Company's Annual Report which is still to be completed and will be released during September 2018.



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**Mr Andrew McLellan**  
Managing Director and CEO  
28 August 2018



# **BLUECHIP LIMITED**

**ABN 79 104 795 922**

**Preliminary Unaudited Financial Report  
For the Year Ended 30 June 2018**

# Bluechiip Limited

ABN 79 104 795 922

## Preliminary Unaudited Consolidated Statement of Financial Position

As at 30 June 2018

|                                       | Note | 2018<br>\$       | 2017<br>\$       |
|---------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                         |      |                  |                  |
| <b>CURRENT ASSETS</b>                 |      |                  |                  |
| Cash and cash equivalents             | 7    | 1,172,047        | 972,767          |
| Trade and other receivables           | 8    | 1,115,669        | 803,171          |
| Other current assets                  | 9    | 147,583          | 141,023          |
| Inventory                             | 10   | 446,349          | 361,700          |
| <b>TOTAL CURRENT ASSETS</b>           |      | <b>2,881,648</b> | <b>2,278,661</b> |
| <b>NON-CURRENT ASSETS</b>             |      |                  |                  |
| Term Deposit                          | 7    | 27,195           | 26,540           |
| Property, plant and equipment         | 11   | 124,224          | 78,550           |
| <b>TOTAL NON-CURRENT ASSETS</b>       |      | <b>151,419</b>   | <b>105,090</b>   |
| <b>TOTAL ASSETS</b>                   |      | <b>3,033,067</b> | <b>2,383,751</b> |
| <b>LIABILITIES</b>                    |      |                  |                  |
| <b>CURRENT LIABILITIES</b>            |      |                  |                  |
| Trade and other payables              | 12   | 643,845          | 1,066,835        |
| Interest-bearing loans and borrowings | 13   | 600,000          | 619,469          |
| Employee benefits                     | 14   | 79,896           | 59,626           |
| <b>TOTAL CURRENT LIABILITIES</b>      |      | <b>1,323,741</b> | <b>1,745,930</b> |
| <b>NON-CURRENT LIABILITIES</b>        |      |                  |                  |
| Employee benefits                     | 14   | 79,609           | 40,681           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |      | <b>79,609</b>    | <b>40,681</b>    |
| <b>TOTAL LIABILITIES</b>              |      | <b>1,403,350</b> | <b>1,786,611</b> |
| <b>NET ASSETS</b>                     |      | <b>1,629,717</b> | <b>597,140</b>   |
| <b>EQUITY</b>                         |      |                  |                  |
| Issued capital                        | 15   | 26,316,085       | 22,856,944       |
| Reserves                              |      | 4,871,034        | 4,805,107        |
| Accumulated losses                    |      | (29,557,402)     | (27,064,911)     |
| <b>TOTAL EQUITY</b>                   |      | <b>1,629,717</b> | <b>597,140</b>   |

The above preliminary unaudited consolidated statement of financial position should be read in conjunction with the accompanying notes and the full financial report for the year ended 30 June 2017.

# Bluechiip Limited

ABN 79 104 795 922

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

|  | Note  | 2018<br>\$         | 2017<br>\$         |
|--|-------|--------------------|--------------------|
| Revenue from operating activities            | 3     | 561,544            | 237,773            |
| Cost of sales                                |       | (323,636)          | (67,201)           |
| Other income                                 | 7     | 1,023,152          | 779,990            |
| Employee benefits expense                    |       | (1,439,055)        | (1,173,209)        |
| Superannuation                               |       | (115,869)          | (97,520)           |
| Share based payment expense                  | 17    | (124,137)          | (86,748)           |
| Business development                         |       | (236,719)          | (176,274)          |
| Depreciation                                 | 5 (b) | (19,185)           | (19,358)           |
| Research and Development                     |       | (875,146)          | (585,001)          |
| Patent costs                                 |       | (78,568)           | (88,375)           |
| Consultancy fees                             |       | (31,314)           | (37,091)           |
| Travel and accommodation                     |       | (76,914)           | (63,520)           |
| Occupancy costs                              |       | (65,945)           | (62,253)           |
| Legal and professional fees                  |       | (273,152)          | (229,408)          |
| Finance costs                                | 5 (a) | (59,393)           | (66,666)           |
| Other expenses                               | 5 (c) | (358,154)          | (283,772)          |
| <b>Loss before income tax</b>                |       | <b>(2,492,491)</b> | <b>(2,018,633)</b> |
| Income tax                                   |       | -                  | -                  |
| <b>Net loss after income tax</b>             |       | <b>(2,492,491)</b> | <b>(2,018,633)</b> |
| Other comprehensive income                   |       | -                  | -                  |
| <b>Total comprehensive loss for the year</b> |       | <b>(2,492,491)</b> | <b>(2,018,633)</b> |
| Earnings per share                           |       |                    |                    |
| Basic losses per share (cents)               | 6     | (0.64)             | (0.73)             |
| Diluted losses per share (cents)             | 6     | (0.64)             | (0.73)             |

The above preliminary unaudited consolidated statement of financial position should be read in conjunction with the accompanying notes and the full financial report for the year ended 30 June 2017.

# Bluechiip Limited

ABN 79 104 795 922

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

|  | Note  | Ordinary<br>Shares<br>\$ | Employee<br>Equity<br>Benefits<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
|--|-------|--------------------------|---|-----------------------------|-------------|
| At 1 July 2017   |       | 22,856,944               | 4,805,107                                       | (27,064,911)                | 597,140     |
| <b>Transactions with owners in their capacity as owners:</b>     |       |                          |   |                             |             |
| - Shares issued during the year                                  | 15(a) | 3,434,488                | (58,210)  | -                           | 3,376,278   |
| - Transaction costs on share issue                               | 15(a) | (33,557)                 | -   | -                           | (33,557)    |
| - Share-based payment expense                                    |       | 58,210                   | 124,137   | -                           | 182,347     |
|  |       | 3,459,141                | 65,927  | -                           | 3,525,068   |
| <b>Comprehensive income:</b>                                     |       |                          |   |                             |             |
| - Loss for the year  |       | -                        | -   | (2,492,491)                 | (2,492,491) |
| - Other comprehensive income                                     |       | -                        | -   | -                           | -           |
| - Total comprehensive loss attributable to members of the entity |       | -                        | -   | (2,492,491)                 | (2,492,491) |
| <b>At 30 June 2018</b>   |       | 26,316,085               | 4,871,034                                       | (29,557,402)                | 1,629,717   |

  

|  | Note  | Ordinary<br>Shares<br>\$ | Employee<br>Equity<br>Benefits<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
|--|-------|--------------------------|---|-----------------------------|-------------|
| At 1 July 2016   |       | 21,373,748               | 4,718,359                                       | (25,046,278)                | 1,045,829   |
| <b>Transactions with owners in their capacity as owners:</b>   |       |                          |   |                             |             |
| - Shares issued during the year                                | 15(a) | 1,555,552                | -   | -                           | 1,555,552   |
| - Transaction costs on share issue                             | 15(a) | (72,356)                 | -   | -                           | (72,356)    |
| - Share-based payment expense                                  |       | -                        | 86,748  | -                           | 86,748      |
|  |       | 1,483,196                | 86,748  | -                           | 1,569,944   |
| <b>Comprehensive income:</b>                                   |       |                          |   |                             |             |
| Loss for the year  |       | -                        | -   | (2,018,633)                 | (2,018,633) |
| Other comprehensive income                                     |       | -                        | -   | -                           | -           |
| Total comprehensive loss attributable to members of the entity |       | -                        | -   | (2,018,633)                 | (2,018,633) |
| <b>At 30 June 2017</b>   |       | 22,856,944               | 4,805,107                                       | (27,064,911)                | 597,140     |

The above preliminary unaudited consolidated statement of changes in equity should be read in conjunction with the accompanying notes and the full financial report for the year ended 30 June 2017.



# Bluechiip Limited

ABN 79 104 795 922

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

|   | Note | 2018<br>\$  | 2017<br>\$  |
|---|------|-------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |      |             |             |
| Receipts from customers                                   |      | 511,650     | 262,190     |
| Payments to suppliers and employees                       |      | (3,730,947) | (2,572,949) |
| Interest received   |      | 22,648      | 5,313       |
| Interest paid   |      | (54,740)    | (51,342)    |
| R&D tax concession received                               |      | 775,504     | 674,677     |
| Net cash flows used in operating activities               | 16   | (2,475,885) | (1,682,111) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |      |             |             |
| Purchase of property, plant and equipment                 |      | (45,428)    | (4,214)     |
| Net cash flows used in investing activities               |      | (45,428)    | (4,214)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |      |             |             |
| Proceeds from issue of ordinary shares                    |      | 2,788,019   | 1,488,296   |
| Proceeds from share subscription                          |      | -           | 646,919     |
| Transaction costs on share issue                          |      | (57,963)    | (35,317)    |
| Transaction costs on borrowings                           |      | (9,463)     | (2,200)     |
| Placement of term deposit as security for credit facility | 7    | -           | (26,540)    |
| Proceeds from borrowings                                  |      | 600,000     | 600,000     |
| Repayment of borrowings                                   |      | (600,000)   | (500,000)   |
| Net cash flows from financing activities                  |      | 2,720,593   | 2,171,158   |
| Net increase/(decrease) in cash held                      |      | 199,280     | 484,833     |
| Cash and cash equivalents at beginning of financial year  |      | 972,767     | 487,934     |
| Cash and cash equivalents at end of financial year        | 7    | 1,172,047   | 972,767     |

The above preliminary unaudited consolidated statement of changes in equity should be read in conjunction with the accompanying notes and the full financial report for the year ended 30 June 2017.

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Preliminary Unaudited Consolidated Financial Statements

### Note 1 Corporate Information

The preliminary unaudited consolidated financial report of Bluechiip Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 August 2018.

Bluechiip Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

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

### Note 2 Summary of Significant Accounting Policies

#### Basis of Preparation

The 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 goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

### Note 3 Revenue from operating activities

|   | 2018<br>\$    | 2017<br>\$    |
|---|---------------|---------------|
| Gross revenue from sale of product & licence income |               |               |
| - Sale of product                                   | 433,795       | 140,439       |
| - Licence income                                    | 153,007       | 116,755       |
|   | <hr/> 586,802 | <hr/> 257,194 |
| Less: Trade discount                                | 25,258        | (19,421)      |
| Revenue from operating activities                   | <hr/> 561,544 | <hr/> 237,773 |

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 4 Other Income

|                                | 2018<br>\$ | 2017<br>\$ |
|--------------------------------|------------|------------|
| Other revenue                  |            |            |
| - Interest income              | 22,648     | 5,313      |
| - R&D tax incentive/concession | 1,000,504  | 774,677    |
| - Insurance recoverable        | -          | -          |
| Total other income             | 1,023,152  | 779,990    |

### Note 5 Expenses

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| <b>(a) Finance costs</b>                                  |            |            |
| Interest expense  | 50,030     | 52,666     |
| Debt establishment fee (refer Note 17 for further detail) | 9,363      | 12,000     |
| Quarterly service fee for R&D Advance Facility            | -          | 2,000      |
| Total finance costs                                       | 59,393     | 66,666     |
| <b>(b) Depreciation</b>                                   |            |            |
| Depreciation of property, plant and equipment             | 19,185     | 19,358     |
| Total   | 19,185     | 19,358     |
| <b>(c) Other Expenses:</b>                                |            |            |
| Share registry, administration and secretarial            | 68,383     | 66,902     |
| Insurance   | 44,402     | 37,974     |
| Advertising and Branding                                  | 110,979    | 80,380     |
| Conference and seminar                                    | 2,754      | -          |
| Telecommunications  | 17,362     | 17,356     |
| Membership and subscriptions                              | 8,100      | 3,729      |
| Others  | 106,174    | 77,431     |
| Total Other Expenses                                      | 358,154    | 283,772    |

### Note 6 Earnings per share

|  |             |             |
|--|-------------|-------------|
| Earnings/(loss) used to calculate basic and dilutive EPS   | (2,492,491) | (2,018,633) |
| <b>For basic and diluted EPS</b>   |             |             |
| Weighted average number of ordinary shares outstanding during the year – No. used in calculating basic EPS | 386,632,392 | 276,627,524 |

As the Group incurred a loss during the year, the impacts of performance rights were anti-dilutive and as such, basic and diluted EPS are the same amount.

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 7 Cash and Cash Equivalents & Term Deposit

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| <b>Current assets – Cash and Cash Equivalents</b> |            |            |
| Cash at bank (a)                                  | 1,172,047  | 972,767    |
| <b>Non-current assets</b>                         |            |            |
| Term Deposit (b)                                  | 27,195     | 26,540     |

(a) Cash at bank at end of previous financial year includes application money held in trust which relates to subscription money from the Rights Issue and Placement launched in June 2017 pending completion and new ordinary shares in the Company to be issued. Please refer to Note 12 for further details.

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

### Note 8 Current assets - Trade and Other Receivables

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Trade receivables                               | 115,669    | 28,171     |
| R&D tax off-set receivable                      | 1,000,000  | 775,000    |
|   | 1,115,669  | 803,171    |
| (a) The ageing analysis of trade receivables is |            |            |
| 0-30 days                                       | 114,882    | 23,853     |
| 31-60 days                                      | -          | 589        |
| 61-90 days (past due not impaired)              | -          | -          |
| 91+ days (past due not impaired)                | 787        | 3,729      |
| Total Trade and other receivables               | 115,669    | 28,171     |

Debts over 90 days are individually assessed for impairment. As at the date of this report, the Group deems these individually recoverable.

### Note 9 Other current assets

|             | 2018<br>\$ | 2017<br>\$ |
|-------------|------------|------------|
| Prepayment  | 33,653     | 24,373     |
| Deposit (a) | 116,650    | 116,650    |
|             | 147,583    | 141,023    |

(a) The deposit represents the balance of a supplier payment for the purchase of raw materials to manufacture the Company's Matchbox™ readers.

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 10 Inventory

|  | 2018<br>\$ | 2017<br>\$ |
|--|------------|------------|
| Raw materials                                      | 286,218    | 235,278    |
| Finished goods                                     | 221,722    | 188,013    |
| Provision of net realisable value - Finished Goods | (61,591)   | (61,591)   |
| Total inventory                                    | 446,349    | 361,700    |

Management has to exercise significant judgement in estimating the net realisable value of inventory which includes estimating future sales quantities and selling prices. These estimates are based on the current contracts in place by the Company and given the application of the technology is deemed reasonable. Management assess the classification of inventory based on forward sales growth and expect to realise the inventory in the next twelve months.

### Note 11 Non-current assets - Property, Plant and Equipment

|  | 2018<br>\$ | 2017<br>\$ |
|--|------------|------------|
| Technical equipment and tools at cost    | 290,574    | 235,060    |
| Accumulated depreciation                 | (184,001)  | (170,658)  |
| Total technical equipment and tools      | 106,573    | 64,402     |
| Furniture, fixtures and fittings at cost | 18,876     | 18,876     |
| Accumulated depreciation                 | (13,104)   | (12,090)   |
| Total furniture, fixtures and fittings   | 5,772      | 6,786      |
| Computer & office equipment at cost      | 119,064    | 109,719    |
| Accumulated depreciation                 | (107,185)  | (102,357)  |
| Total computer & office equipment        | 11,879     | 7,362      |
| Total property, plant and equipment      | 124,224    | 78,550     |

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 11 Non-current assets - Property, Plant and Equipment (continued)

#### (a) Movements in Carrying Amounts Consolidated

|   | Technical<br>Equipment and<br>Tools<br>\$ | Furniture,<br>Fixtures and<br>Fittings<br>\$ | Computer &<br>Office<br>Equipment<br>\$ | Total<br>\$    |
|---|---|--|---|----------------|
| <b>Balance at 30 June 2018</b>                    |   |  |   |                |
| Balance at the beginning of year                  | 64,402                                    | 6,786  | 7,362                                   | 78,550         |
| Additions   | 55,514                                    | -  | 9,345                                   | 64,859         |
| Depreciation                                      | (13,343)                                  | (1,014)                                      | (4,828)                                 | (19,185)       |
| <b>Carrying amount at the end of 30 June 2018</b> | <b>106,573</b>                            | <b>5,772</b>                                 | <b>11,879</b>                           | <b>124,224</b> |
| <b>Consolidated</b>                               |   |  |   |                |
|   | Technical<br>Equipment and<br>Tools<br>\$ | Furniture,<br>Fixtures and<br>Fittings<br>\$ | Computer &<br>Office<br>Equipment<br>\$ | Total<br>\$    |
| <b>Balance at 30 June 2017</b>                    |   |  |   |                |
| Balance at the beginning of year                  | 72,493                                    | 7,087  | 8,569                                   | 88,149         |
| Additions   | 6,000                                     | 720  | 3,039                                   | 9,759          |
| Depreciation                                      | (14,091)                                  | (1,021)                                      | (4,246)                                 | (19,358)       |
| <b>Carrying amount at the end of 30 June 2017</b> | <b>64,402</b>                             | <b>6,786</b>                                 | <b>7,362</b>                            | <b>78,550</b>  |

### Note 12 Current liabilities – Trade and Other Payables

|                                      | 2018<br>\$     | 2017<br>\$       |
|--------------------------------------|----------------|------------------|
| Trade payables (a)                   | 546,832        | 368,131          |
| Sundry payables and accrued expenses | 62,222         | 51,785           |
| Unearned income (b)                  | 34,791         | -                |
| Application money held in trust (c)  | -              | 646,919          |
|                                      | <b>643,845</b> | <b>1,066,835</b> |

(a) The trade payables as at 30 June 2018 includes directors' fee owing of \$9,750 (2017: \$7,833).

(b) The unearned income relates to money received from customers for licence income to be recognised in the following month and delivery of products not fulfilled at end of financial year.

(c) The application money held in trust relates to subscription money received from shareholders and investors for the Rights Issue and Placement launched in June 2017 which were subsequently completed with new ordinary shares in the Company issued.

# Bluechiip Limited

ABN 79 104 795 922

## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 13 Interest-bearing loans and borrowings

#### CURRENT

R&D Tax Prepayment Loan (a)

Directors & Officers premium funding

Total Interest-bearing liabilities

| 2018<br>\$ | 2017<br>\$ |
|------------|------------|
| 600,000    | 600,000    |
| -          | 19,469     |
| 600,000    | 619,469    |

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

(a) Relates to a R&D Advance Facility from R&D Capital Partners Pty Ltd (R&D Capital) secured by R&D tax incentive 2017/2018 to be received. In prior financial year, similar facility was obtained with R&D Capital of \$600,000 (2016/2017 Advance). The 2016/2017 Advance was secured and fully settled during the current financial year by the R&D tax incentive 2016/2017. An establishment fee of \$7,500 was incurred for the R&D Advance Facility during the financial year (2017: Nil). An interest rate of 15% (2017:15%) per annum is calculated and payable monthly on the drawn down amount of the R&D Advance Facility.

### Note 14 Employee Benefits

#### CURRENT

Annual Leave provision

#### NON-CURRENT

Long Service Leave provision

#### TOTAL PROVISIONS

| 2018<br>\$ | 2017<br>\$ |
|------------|------------|
| 79,896     | 59,626     |
| 79,609     | 40,681     |
| 159,505    | 100,307    |

### Note 15 Issued Capital

397,033,377 (2017: 271,810,092) Ordinary shares

Less: Capitalised share issue costs

| 2018<br>\$  | 2017<br>\$  |
|-------------|-------------|
| 27,902,682  | 24,409,984  |
| (1,586,597) | (1,553,040) |
| 26,316,085  | 22,856,944  |

(a) Ordinary shares

At the beginning of the reporting year

Issue of ordinary shares

Less: Capitalised share issue costs

|            |            |
|------------|------------|
| 22,856,944 | 21,373,748 |
| 3,492,698  | 1,555,552  |
| (33,557)   | (72,356)   |
| 26,316,085 | 22,856,944 |

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## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 15 Issued Capital (continued)

Shares issued during the year were in relation to the following:

- 25,693,407 shares issued (\$719,415) pursuant to 2017 Rights Issue entitlement
- 88,018,307 shares (\$2,464,513) issued pursuant to shortfall shares placed with professional and sophisticated investors pursuant to 2017 Shortfall Placement
- 20,000 shares (\$560) issued as commission in connection with the 2017 Rights Issue.
- 8,928,571 shares (\$250,000) issued to a non-executive director as part of the shortfall shares subscribed in the 2017 Rights Issue pursuant to shareholders approval at the 2017 AGM
- 1,375,000 shares issued to CEO, Andrew McLellan pursuant to exercise of CS Rights Tranche 1 Performance Rights 2015 and Tranche 1 Performance Rights 2016.
- 1,188,000 shares issued to eligible employees upon exercise of the Tranche 1 Performance Rights 2016.

#### (b) Number of Ordinary Shares

|   | <b>2018<br/>No.</b> | <b>2017<br/>No.</b> |
|---|---------------------|---------------------|
| At the beginning of the reporting year      | 271,810,092         | 201,377,647         |
| Shares issued during the year:              |                     |                     |
| - Issue of ordinary shares                  | 125,223,285         | 70,432,445          |
| Total issued and fully paid ordinary shares | 397,033,377         | 271,810,092         |

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

At 30 June 2018, there were no options outstanding (2017: Nil).

A total 3,000,000 (2017:3,000,000) and 4,000,000 (2017:4,000,000) performance rights were granted in July 2017 to Andrew McLellan and employees respectively as part of the Variable Compensation – LTI which entitle both Andrew McLellan and the employees to acquire one fully paid share in the Company for a nil exercise price (Performance Rights). Further details of the performance rights and the terms are set out in the Variable Compensation – Long-term Incentive section of the remuneration report.

#### (c) Capital Management

Management controls the capital of the Group in order to ensure that the Company can fund its operations and continue as a going concern. The Group's debt and capital includes share capital and financial liabilities, supported by financial assets. There is no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Company's financial risk and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management.



# Bluechiip Limited

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## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 16 Cash Flow Statement Reconciliation

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

|   | 2018<br>\$         | 2017<br>\$         |
|---|--------------------|--------------------|
| Net loss  | (2,492,491)        | (2,018,633)        |
| <b>Non-cash Flows in Loss</b>                                       |                    |                    |
| - Depreciation  | 19,185             | 19,358             |
| - Share based payment expense                                       | 124,137            | 86,748             |
| - Shares issue in lieu of cash bonus payment to employees           | -                  | 49,900             |
| - Shares issue in lieu of payment to supplier                       | -                  | 12,106             |
| <b>Changes in Assets and Liabilities</b>                            |                    |                    |
| - (Increase)/decrease in trade and other receivables                | (312,498)          | (77,407)           |
| - (Increase)/decrease in other assets                               | (6,561)            | 32,530             |
| - (Increase)/decrease in inventory                                  | (84,649)           | 20,211             |
| - (Decrease)/increase in trade, other payables and deferred revenue | 217,794            | 166,315            |
| - (Decrease)/increase in employee benefits                          | 59,198             | 26,761             |
|   | <u>(2,475,885)</u> | <u>(1,682,111)</u> |

### Note 17 Share-based Payment Plans

#### Expenses Arising From Share-based Payment Transactions

The performance rights expense under the Performance Rights Plan 2017 has been determined based on the fair values of the performance rights granted to Directors and officers calculated at grant date using a hybrid trinomial option pricing model with a relative TSR hurdle. The hybrid trinomial option pricing model with TSR hurdle uses a combination of Monte Carlo Simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the selected peer group, taking into account their individual volatilities and correlations.

|   | 2018<br>\$     | 2017<br>\$    |
|---|----------------|---------------|
| Performance Rights Plan expense during the year |                |               |
| - Performance Rights Plan 2015                  | 5,795          | 18,370        |
| - Performance Rights Plan 2016                  | 40,555         | 68,378        |
| - Performance Rights Plan 2017                  | 77,787         | -             |
|   | <u>124,137</u> | <u>86,748</u> |

#### Fair Value of Performance Rights

The fair value of the performance rights granted to the CEO in the table below has been calculated at grant date using the hybrid trinomial option pricing model with TSR hurdle. The model uses a combination of Monte Carlo Simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the selected peer group, taking into account their individual volatilities and correlations.

# Bluechiip Limited

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## Notes to the Consolidated Financial Statements (continued)

### For the Year Ended 30 June 2018

#### 2018

During the financial year, the following performance rights were granted to the CEO, Andrew McLellan and employees of the Company:

| Number and Recipient of Performance Rights      | Grant Date  | Vesting Date/<br>Exercise Expiry date | Fair Value Per Performance Right | Exercise Price | Price of Shares on Grant Date | Risk Free interest Rate | Estimated Volatility |
|---|-------------|---------------------------------------|----------------------------------|----------------|-------------------------------|-------------------------|----------------------|
| <b>3,000,000 to Andrew McLellan comprising:</b> |             |                                       |                                  |                |                               |                         |                      |
| Tranche 1<br>-1,000,000                         | 1 July 2017 | 30 Aug 2018/                          | \$0.0186                         | Nil            | \$0.028                       | 1.53%                   | 90%                  |
| Tranche 2<br>-1,000,000                         | 1 July 2017 | 30 Aug 2019/                          | \$0.0207                         | Nil            | \$0.028                       | 1.66%                   | 90%                  |
| Tranche 3<br>-1,000,000                         | 1 July 2017 | 30 Aug 2020/                          | \$0.0245                         | Nil            | \$0.028                       | 1.86%                   | 90%                  |
| <b>4,000,000 to employees comprising:</b>       |             |                                       |                                  |                |                               |                         |                      |
| Tranche 1<br>-1,333,333                         | 1 July 2017 | 30 Aug 2018/                          | \$0.0189                         | Nil            | \$0.028                       | 1.57%                   | 90%                  |
| Tranche 2<br>-1,333,333                         | 1 July 2017 | 30 Aug 2019/                          | \$0.0218                         | Nil            | \$0.028                       | 1.73%                   | 90%                  |
| Tranche 3<br>-1,333,333                         | 1 July 2017 | 30 Aug 2020/                          | \$0.0230                         | Nil            | \$0.028                       | 1.94%                   | 90%                  |

Other than the Performance Rights granted to the CEO, Andrew McLellan and employees as set out above, no options were issued to Directors or other KMP during the financial year ended 30 June 2018.

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## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### 2017

No options were issued to/or exercised by Directors, employees or other KMP during the financial year ended 30 June 2017.

| Number and recipient of Performance Rights      | Grant date  | Vesting Date/<br>Exercise Expiry date | Fair value per Performance Right | Exercise price | Price of shares on grant date | Risk free interest rate | Estimated volatility |
|---|-------------|---------------------------------------|----------------------------------|----------------|-------------------------------|-------------------------|----------------------|
| <b>3,000,000 to Andrew McLellan comprising:</b> |             |                                       |                                  |                |                               |                         |                      |
| • Tranche 1 -1,000,000                          | 1 July.2016 | 30.08.2017/<br>31.12.2017             | \$0.0168                         | Nil            | \$0.022                       | 1.49%                   | 100%                 |
| • Tranche 2 -1,000,000                          | 1 July 2016 | 30.08.2018/<br>31.12.2018             | \$0.0186                         | Nil            | \$0.022                       | 1.46%                   | 100%                 |
| • Tranche 3 -1,000,000                          | 1 July 2016 | 30.08.2019/<br>31.12.2019             | \$0.0201                         | Nil            | \$0.022                       | 1.51%                   | 100%                 |
| <b>4,000,000 to employees comprising:</b>       |             |                                       |                                  |                |                               |                         |                      |
| • Tranche 1 -1,333,333                          | 1 July 2016 | 30.08.2017/<br>31.12.2017             | \$0.0168                         | Nil            | \$0.022                       | 1.49%                   | 100%                 |
| • Tranche 2 -1,333,333                          | 1 July 2016 | 30.08.2018/<br>31.12.2018             | \$0.0186                         | Nil            | \$0.022                       | 1.46%                   | 100%                 |
| • Tranche 3 -1,333,333                          | 1 July 2016 | 30.08.2019/<br>31.12.2019             | \$0.0201                         | Nil            | \$0.022                       | 1.51%                   | 100%                 |

Other than the Performance Rights granted to the CEO, Andrew McLellan and employees as set out above, no options were issued to Directors or other KMP during the financial year ended 30 June 2017.

# Bluechiip Limited

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## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

| <b>Note18 Commitments</b>                        | <b>2018</b>   | <b>2017</b>   |
|--|---------------|---------------|
|  | <b>\$</b>     | <b>\$</b>     |
| <b>(a) Operating Lease Commitments</b>           |               |               |
| Non-cancellable operating leases contracted for: |               |               |
| Payable - minimum lease payments:                |               |               |
| - not later than 12 months                       | 36,050        | 35,000        |
|  | <u>36,050</u> | <u>35,000</u> |

The above lease commitments are in respect of office premises rental.

### **(b) Contractual Commitments**

Subsequent to 30 June 2018, the Company has purchase orders made in 2014 with a foreign supplier which remains unfulfilled with purchase cost totalling \$260,348 (USD192,423) (2017: \$249,926 or USD192,243) for the development and production of chips.

## **Note 19 Contingencies**

The Company has no contingent liabilities or contingent assets as at 30 June 2018.

## **Note 20 Events After the Balance Sheet Date**

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

# Bluechiip Limited

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## Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2018

### Note 21 Controlled Entities

|                                | Country of<br>Incorporation | Percentage<br>Owned (%)*<br>2018 | Percentage<br>Owned (%)*<br>2017 |
|--------------------------------|-----------------------------|----------------------------------|----------------------------------|
| Parent Entity:                 |                             |                                  |                                  |
| Bluechiip Limited              | Australia                   |                                  |                                  |
| Subsidiaries of Parent Entity: |                             |                                  |                                  |
| Bluechiip, Inc.(a)             | United States               | 100%                             | 100%                             |
| Bluechiip Holdings, Inc.(a)    | United States               | 100%                             | 100%                             |

\* Percentage of voting power is in proportion to ownership

(a) These companies (which are dormant) are in the process of dissolution as the Directors opine that the subsidiaries are not required at this moment.

### Note 22 Parent entity information

|   | 2018<br>\$   | 2017<br>\$   |
|---|--------------|--------------|
| Information relating to Bluechiip Limited     |              |              |
| Current assets                                | 2,881,648    | 2,278,661    |
| Total assets                                  | 3,033,067    | 2,383,751    |
| Current liabilities                           | 1,323,741    | 1,745,930    |
| Total liabilities                             | 1,403,350    | 1,786,611    |
| Issued capital                                | 26,316,085   | 22,856,944   |
| Reserves                                      | 4,871,034    | 4,805,107    |
| Accumulated losses                            | (29,557,402) | (27,064,911) |
| Total shareholder's equity                    | 1,629,717    | 597,140      |
| Loss of the parent entity                     | (2,492,491)  | (2,018,633)  |
| Total comprehensive loss of the parent entity | (2,492,491)  | (2,018,633)  |