Bluechiip Tracking Solutions

2019 Annual Report

Bluechiip Limited ACN 104 795 922

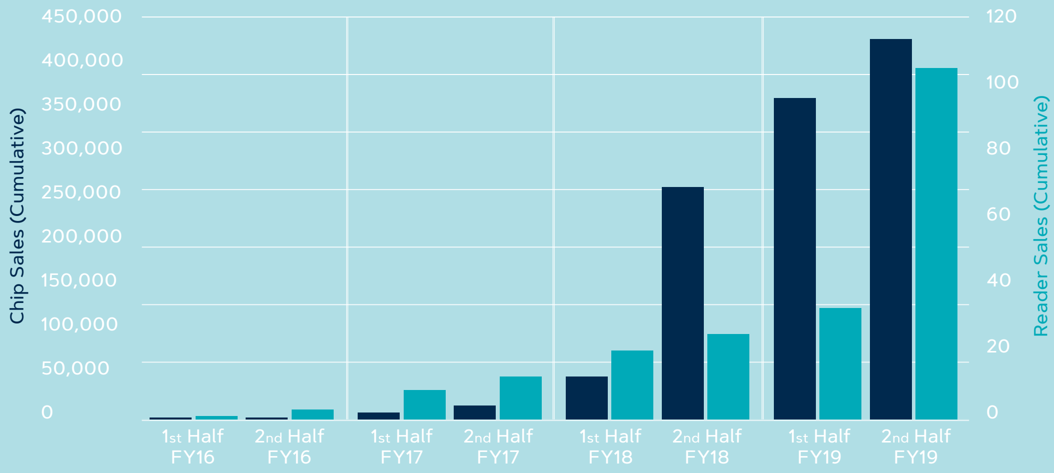
PRODUCTIVITY.
SAMPLE QUALITY.
INTEGRITY.

Contents

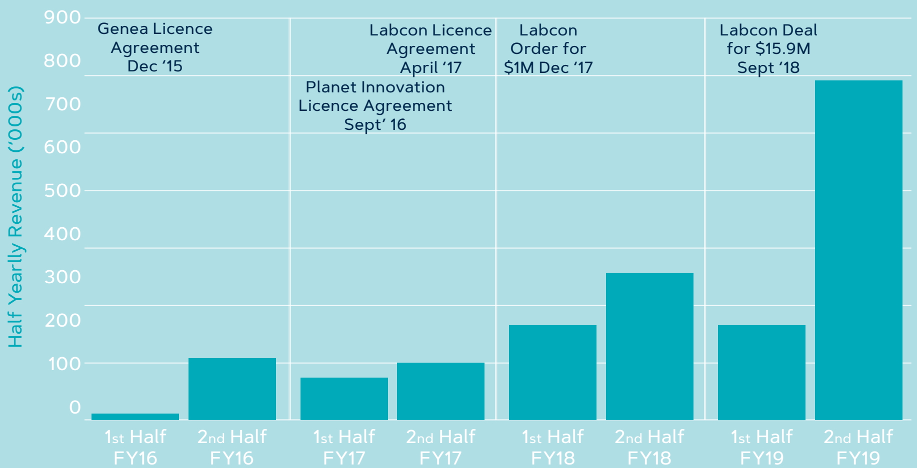
2018/19 Highlights

- Dramatically increasing partner pipeline with 32 developer kits sold to date
- Signed and have begun execution of a three-year supply agreement with Labcon, worth over US$11.6 million
- Continued to rapidly scale production to meet customer demand
- Delivered over 400k chips to date
- Now seeing recurring revenues with FY19 sales of $1.02M, an 82% growth Y.O.Y
- Continued intensive research and development activities to meet the requirements of new and existing customers

Cumulative Reader & Chip Sales



Product & Licence Reader



Bluechiip Overview

Bluechiip's technology wirelessly tracks the identification and temperature of valuable samples such as tissue, blood, serum and plasma which are stored in vials and bags in harsh environments like liquid nitrogen. This technology is highly differentiated, a world first with protected IP and a rapidly growing >$200m market with very large adjacent markets.

Bluechiip's technology improves productivity, reduces human error and ensures sample integrity in industries such as the US$2B bio-preservation market. Bluechiip's miniature chips – smaller than the size of a matchhead – are attached to storage bags and vials, and information from these chips is read by a mechanical reader. Current sample-tracking technology – largely barcodes, radio-frequency identification (RFID) technology and written labels – is simply not keeping up with the increasing value of biosamples. Bluechiip's chips are currently being built into a range of vials by a US company, Labcon North America, one of the world's biggest consumables manufacturers. Bluechiip is in discussion with several other manufacturers to incorporate its technology into their products. Bluechiip's strong IP portfolio across nine patent families, includes 25 granted patents.

Bluechiip Technology

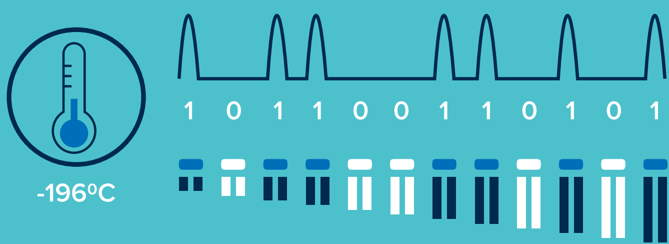
The chip, a Micro Electro Mechanical System (MEMS), measuring 1mm x 1mm x 1mm, is a purely mechanical device with no powered electronics. Unlike other labelling technology – such as labels, barcodes and radio-frequency identification (RFID) technology – Bluechiip's chips perform in extreme environments like liquid nitrogen, operating reliably at -196°C. They are also resistant to gamma sterilisation, they are extremely difficult to clone or corrupt, and provide the temperature of samples when read.

Resonating Micro Beams Shifting with Temperature

Each chip is a unique micro electro mechanical system (MEMS) containing multiple beams

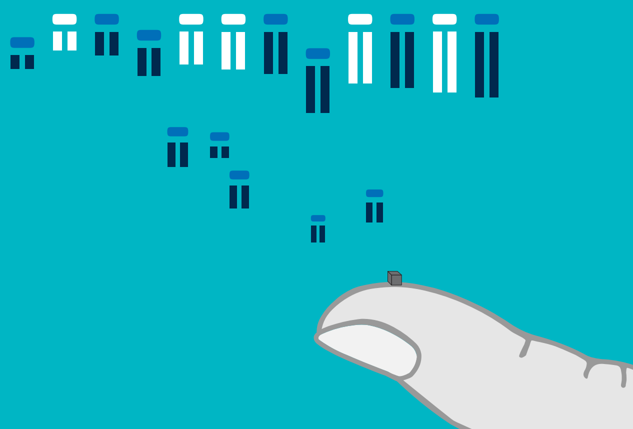
Miniature Chip

The beams resonate at different frequencies which are translated to an ID. The frequency of the beams is directly related to the temperature



Billions of ID Combinations

Billions of unique ID combinations can be captured in this miniaturised chip



Bluechiip Strategy

Bluechiip is now in the commercialization phase, having secured three OEM Agreements with companies in Australia and the USA. The company is currently producing growing revenue, and experienced team is working with potential customers to increase take up of the company's products and services. The company is initially targeting companies with high-value samples – where the cost of failure is high – such as IVF, regenerative medicine, cryo-transport and pharmaceuticals.

Primary Target Markets

Bluechiip's initial target is the US$2b bio-preservation and cryo-preservation market, which processes more than 300 million samples per year of tissue, blood, serum, plasma, etc for industries such as pharmaceuticals, IVF, research and clinical trials.

Our Product

Bluechiip's product range consists of a wireless tracking/measuring chip, a reader, and associated software.

- The chip: Bluechiip core technology, the miniature chip is embedded into OEM partners' consumables, such as Labcon Coldpoint™ Bluechiip Enabled Range.
- The reader: Bluechiip readers are available in benchtop, handheld and multi-point devices. Readers enable instant tracking of each sample's data, including provenance, history and temperature.
- Stream software: Bluechiip's easy-to-use software has wireless connectivity, and keeps chain-of-custody records for each sample in one location.

Competitive Advantages

Few technologies work in extreme environments and no other technology provides integrated wireless temperature reading and tracking. Traditional tracking technologies such as barcode and labels are not suited for many high-value industries because labels and barcodes cannot be read through frost and removing frost to take readings can damage samples. RFID technologies typically do not work in very low temperatures or survive sterilization procedures. Conventional temperature-sensing technologies are limited because they sense the environmental temperature, not the temperature of the specific samples, and they require wiring and electronics which do not work in harsh environments.

Senses temperature and reads ID through frost


Overcomes issues with illegible handwriting


Frost time wasted and uncontrolled temperature

Bluechiip Enabled Features

	Cryo Operational	On-Board Sensor	Non-Visual ID	Anti Counterfeit	Sterilisation Proof
Bluechiip	✓	✓	✓	✓	✓
Labels	✓	✗	✗	✗	✓
Barcodes	✓	✗	✗	✗	✓
RFID	✗	✗	✓	✗	✗

Bluechiip Enabled Benefits

- Improved productivity
- Increased Sample Quality
- Reduced Human Error

CHAIRMAN'S LETTER

Building scale as sales orders increase

Dear Shareholder,

On behalf of the Board, I am pleased to report that Bluechiip has significantly strengthened its position over the past year and is well positioned to pursue growth as it rapidly scales production. Some five years ago, following major board changes including a new CEO & MD, we laid the foundations for future success with a fresh commercialisation strategy and execution. Bluechiip's core technology, the chip itself, remains 'unique' and is a real value proposition.

Our target market is resonating strongly and we are seeing the rewards of those changes. Annual sales revenue has now passed $1 million and nearly half a million chips and over 100 readers have been delivered to the market. North America accounts for over three-quarters of these readers, underpinned by the deal with Labcon. As important, there are 32 developer kits in the market which we regard as a key barometer to track market interest in Bluechiip's technology.

Momentum is building and we see a big difference in how some of our target partners deal with us. They are now stepping through the "does this work?" stage straight to the development and customisation "how to implement" stage, which is very encouraging.

No other technology provides integrated wireless temperature reading and tracking. Bluechiip's technology is highly differentiated, a world first and protected by a solid family of patents. These are fundamental strengths of our business, which we expect to grow strongly and establish a prominent market position.

The OEM beachhead established in North America was vital and your Directors expect to see chip and reader deliveries grow dramatically and steadily in the coming year.

We have an experienced team led by Andrew. They will continue to drive the business forward to grow sales and financial performance.

As always we thank our shareholders for their continuing support and we look forward to sharing the Company's success with them.

Chairman

MANAGING DIRECTOR'S REPORT

The year to the end of June 2019 was one of significant progress for Bluechiip Limited on multiple fronts, highlighted by a growing number of potential partners with developer kits and a key client, Labcon North America, adding a major upgrade to its order for our tracking chips. Our range of Bluechiip reader formats continued transfer into scale manufacture and we released a new version of our Stream software.

During the year we delivered chips, readers and software to our partners, bolstering sales for the year to AS1.02 million, 82% higher than for the previous year. This result was driven in part of the three-year supply agreement worth more than US$11.6 million (AS15.9 million) with Labcon North America.

Notably, the research and development of our technology over the years have propelled us to dramatically and rapidly scale our production to meet orders.

After working together for several years through initial developer kit sales to licence and supply agreement and initial orders through FY17/18, in August 2018 Labcon North America and Bluechiip Limited updated their licence and supply agreement, announcing the signing of a three-year US$11.6 million (A$15.9 million) deal for Bluechiip to supply Labcon chips and associated hardware, software and services.

In 2017-18 Labcon commenced production of its Coldpoint™ Bluechiip Enabled range for the global vial market, including Bluechiip Enabled Cryovials, Boxes, Readers and Software. Since then Bluechiip has delivered hundreds of thousands of chips. The new agreement extends and modifies the existing agreement between Bluechiip and Labcon North America to a three-year term.

Labcon agreed to order US$4.2 million (A$5.8 million) of chips, readers, software and engineering services over a two-year period. An additional minimum of US$7.4 million (A$10.1 million) of products and services potential in the third year with an additional two-year term to be negotiated as the supply agreement progresses.

Labcon North America, one of Bluechiip's Original Equipment Manufacturer (OEM) partners, is the world's leading manufacturer of earth-friendly laboratory consumables, moulding each year more than 1.4 billion units of products for major companies in the Life Sciences sector.

Bluechiip is working closely with Labcon's sales team with sales training, support training, accompanying sales representatives on customer visits and assisting with the roll out of Labcon's Coldpoint Bluechiip Enabled range.

As a result of this commitment we progressed development of our Multi-Vial reader and Hand-Held reader, both of which are progressing towards scale manufacture. These are important elements of the Bluechiip system as the Multi-Vial reader allows a user to scan up to 100 samples at once and the Hand-Held reader allows a user to take mobile readings throughout a facility.

Through FY19, via further research and development of the software, a substantial upgrade to our Stream software was undertaken and released onto our Bluecube servers. The Bluecube provides a central node and database to which each of our readers communicates and sample information is stored.

Significant improvements included the robustness of the software and enhancement of the user interface. All of our Bluechiip readers and Stream-installed Bluecubes are being distributed with Labcon's Coldpoint™ Bluechiip Enabled consumables. It is exciting to have a range of consumables, multiple reader formats and software available on the market for the first time.

Over the year we have also made progress with Planet Innovation, another of our OEM partners. They continue to support our R&D activities and progress our reader platforms towards volume manufacture, while also introducing us to their wide range of customers.

Notably, to date we have sold 32 Bluechiip Developer Kits, which we hope will lead to the signing up of more customers. We now have several active proposals in the market for additional OEMs to incorporate Bluechiip technology.

As the year progressed, we saw a greater interest in the company from shareholders, stockbrokers, asset managers and potential investors. They are interested in our world-first, highly differentiated technology, with its widely-protected and expanding IP foundation.

The markets we continue to chase are significant. Our key target bio-preservation market is greater than US$200 million, with large adjacent markets.

I would like to thank all shareholders for their support during the year. Many of them participated in the capital raise in September 2018, in which Bluechiip successfully completed a placement of A$5.5 million, and a subsequent shareholder purchase plan to its existing shareholders that raised A$1.95 million. We are using these funds to further our R&D activities, scale our production capacity, increase execution of business development and as working capital for the continuing operation of the business.

I look forward to the coming year with enthusiasm as we will further scale production to meet demand. We expect to see increased sales volumes and growth in coming years. Our pipeline with new and existing OEMs remains robust, with Bluechiip Enabled products expected to be deployed in many active markets worldwide, including IVF, Cell Therapy, Cold Chain Logistics and biorepositories. We remain focused on continuing to expand our IP base and product pipeline.

Lastly, I would like to thank the team at Bluechiip for their commitment throughout a year of continued growth.

Andrew McLellan
Managing Director

Managing Directors Report

The Bluechiip patent portfolio currently has 9 patent families with 25 granted patents and 11 patent applications pending. During the year, 1 patent family application did not proceed. Recently the patent families 7 and 8 have progressed to national phase applications, and family 9 provisional patent has progressed to PCT application.

Title	Publication Number	Patents Granted	Expiry Date (filing date if not granted)
Family 1: Memory Devices			
Memory Devices	EP 1618513	United Kingdom, France, Germany, Switzerland,	17 March 2024
Memory Devices	US 7,434,737	USA	14 November 2025
Family 2: Tagging Methods and Apparatus			
Tagging Methods and Apparatus	EP 2124171	United Kingdom, France, Germany, Switzerland, Italy	22 May 2028
Tagging Methods and Apparatus	US 8,186,587	USA	1 July 2030
Family 3: RFID Memory Devices			
RFID Memory Devices	EP 2297736	United Kingdom, France, Germany, Switzerland, Italy	19 June 2029
RFID Memory Devices	US 8,884,743	USA	2 July 2033
Family 4: Ringup/Ringdown Interrogation of RFID Tags			
Ringup/ Ringdown Interrogation of Rfid Tags	EP 2335182	United Kingdom, France, Germany, Switzerland, Italy	30 September 2029
Family 5: Sample Storage and Monitoring System			
Sample Storage and Monitoring System	US 9,140,487	USA	21 January 2032
Sample Storage and Monitoring System	EP 2509412		Europe (7 December 2010)
Family 6: Temperature Sensing and Heating Device			
Temperature Sensing and Heating Device	AU 2011357590	Australia	22 December 2031
Temperature Sensing and Heating Device	US 20140008355	USA	24 April 2034
Temperature Sensing and Heating Device	EP 2668820		Europe (22 December 2011)
Family 7: Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport			
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	EP17818751.1		Europe (29 January 2019)
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	US 16/314,609		USA (31 December 2018)
Monitoring Apparatus for Temperature-Controlled Sample Collection and Transport	AU2017287017		Australia (20 December 2018)

Title	Publication Number	Patents Granted	Expiry Date (filing date if not granted)
Family 8: A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items			
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	JP2019-510703		Japan (20 February 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	US 16/328,807		USA (27 February 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	CN 201780066433.9		China (25 April 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	EP 17844689.4		Europe (20 March 2019)
A Device, System and Method for Temperature Limit Indication and Detection of Temperature-Sensitive Items	AU 2017320346		Australia (29 March 2019)
Family 9: Wearable Tag Reader for Temperature-Controlled Environments			
Wearable Tag Reader for Temperature-Controlled Environments	PCT/AU2019/05066		PCT Application (30 January 2019)

Directors Report

Directors

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

Iain M Kirkwood – Non-Executive Chairman

Qualifications: MA (Hons) Oxon, FCPA

Appointed to the Board in November 2007, Iain serves as Chairman. He is an experienced private consultant, investor and non-executive Director.

He has considerable practical and operational experience gained from a successful financial career spanning

35 years in a range of industries including auditing, resources, manufacturing and latterly healthcare in Australia, Britain and the USA. He started his career at Arthur Andersen & Co in London. During his career, he has held a range of senior financial and general management positions, including Woodside Petroleum

Limited, Santos Limited, Pilkington plc, F.H. Faulding & Co Limited and Clinuvel Pharmaceuticals Limited.

During the past three (3) years he has also served as a Director of the following other ASX listed companies:

- Simonds Group Limited (Appointed 20 September 2017)
- Novita Healthcare Limited (formerly Avexa Limited) (Appointed 9 August 2010, Resigned 30 October 2017)

Andrew McLellan – Managing Director and CEO

Qualifications: MBA, B Eng (Hons), GAICD

Appointed as Managing Director and CEO on 27 January 2015. Andrew has vast experience in innovation and commercialisation combined with significant technical and operational experience. Prior to joining Bluechiip, he was the CEO of Advanced Manufacturing Co-operative Research Centre (AMCRC) which he now serves as a non-executive Director. Andrew focused on bringing together industry and research to develop and commercialise ground breaking innovations. He has held a range of senior positions including Director at Leica Microsystems Pty Ltd (previously Vision BioSystems Pty Ltd, a division of the former publicly listed Vision Systems Limited), Vice President of Marketing and Business Development North America and Director of Product Management at Vision BioSystems Pty Ltd. Andrew holds a Bachelor of Engineering Degree (Hons) and an MBA (Strategy) from Monash University (Melbourne). In addition, he is also a graduate of the Australian Institute of Company Directors (GAICD).

Michael Ohanessian – Non-Executive Director

Qualifications: B Eng, MBA

Appointed to the Board on 15 December 2014. Michael is currently the CEO of Praemium Limited. Michael has considerable executive experience gained from technology-related businesses with a mixture of operational, strategic and leadership capabilities. Following a ten-year career at Mobil Oil, Michael joined the Boston Consulting Group where he consulted to clients in a wide range of industries which include banking, airlines, mining, packaging, sports, oil and gas, retailing and biotechnology.

Michael later moved on to be the CEO of Vision BioSystems, a division of the former publicly listed Vision Systems Limited, where he transformed the business over seven years from a small unprofitable contract manufacturer into a vertically integrated, profitable and growing medical diagnostics business with distribution to over 60 countries. More recently he has served as Chief Executive of Genetic Technologies Limited and has been involved in investment management and corporate advice with Lion Capital prior to joining Praemium Limited, a company listed on the ASX, as its CEO on 9 August 2011.

Andrew Cox – Non-Executive Director

Qualifications: MBA, B Commerce (MELB), ICA

Appointed to the Board on 26 July 2017. Andrew is a finance professional with experience in emerging and international markets. Andrew was a co-founder and former chairman of private equity-funded media/technology business Inlink (sold to ASX-listed oOh! Media Ltd in 2015), and is a co-founder of Rezex Timber Pty Ltd and iPro Pty Ltd.

Andrew began his career with KPMG in Melbourne before moving to China and Hong Kong, where he spent seven years with SG Warburg, the Australian Trade Commission and Ernst & Young. He is a member of the Translation and Commercialisation Committee of the Murdoch Children's Research Institute and is fluent in Mandarin Chinese. Andrew holds a Bachelor of Commerce from the University of Melbourne and an MBA from the International Institute for Management Development (Lausanne, Switzerland). He is also a member of the Australian Institute of Chartered Accountants (ICA) and is a graduate of the Australian Institute of Company Directors.

Company Secretary

Lee Mitchell

Qualifications: BA, LLM (Melb)

Lee is a director at Nicholson Ryan, a boutique law firm based in Melbourne, Victoria. He is a qualified solicitor practising principally in corporate and commercial law advising on corporate and securities regulation, equity capital raisings, formulation and implementation of mergers and acquisitions, corporate governance and company secretarial matters.

He joined Bluechiip Limited as Company Secretary in September 2010.

Directors Report

Interests in the Shares and Performance Rights of The Company and Related Bodies Corporate

As at the date of this report, the interests of the Directors in the shares (direct and indirect) and performance rights of Bluechiip Limited were:

	Number of Ordinary Shares	Number of Performance Rights Over Ordinary Shares
Iain Kirkwood	27,097,732	-
Andrew McLellan	5,649,999	*6,283,105
Michael Ohanessian	9,181,069	-
Andrew Cox	-	-

* Further details of the performance rights and terms are set out on the Variable Compensation – Long-term Incentive section of the remuneration report.

Dividends

No dividends were paid or declared since the start of the financial year (2018: Nil). No recommendation for payment of dividends has been made.

Principal Activities

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

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

Operating and Financial Review

Operating Results

The consolidated loss of the Group for the financial year after providing for income tax amounted to $3,257,996 (2018: loss of $2,492,491).

Results of Operations

The Company recognised net revenue totalling $1,025,052 (2018: $561,544) during the financial year from licence income received and the sale of products.

Other income increased from $1,023,152 to $1,350,037 mainly due to the increase in R&D tax incentive income receivable during the year in line with the increased R&D activities.

These increases have been off-set by the increase in operating expenses incurred of $5,145,156 (2018: $3,753,550) to arrive at a loss before income tax of $3,257,996 (2018: $2,492,491) as a result of amongst others, the following:

- increased external research and development (R&D) expenses - $1,486,820 (2018: $875,146) as a result of the increased R&D activities during the year;
- increased business development expenses - $468,599 (2018: $236,719) as a result of increased marketing and business development activities with primary focus in the US market. Activities also include trade shows carried out in the USA and European Union;
- higher share-based payment expenses - $188,448 (2018: $124,137) from the additional performance rights issued to employees during the year; and
- higher employee benefits expenses - $1,754,842 (2018: $1,439,055) primarily as a result of recognition of a full year salary for additional employees employed during previous financial year.

Capital Structure

In September 2018 the Company successfully raised $7.45 million before costs through the completion of the following:

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

There has not been any material movement in the Company's share capital since the completion of the 2018 Placement and 2018 SPP. As at the date of this report, the Company has 527,162,235 fully paid ordinary shares on issue.

Significant Change in the State of Affairs

Other than as detailed in this financial report, there has been no significant change in the state of affairs of the Company.

Events After Balance Date

There were no 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.

Basis of Preparation

The 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 2 to the Financial Statements.

Likely Developments and Expected Results

Building off prior years' foundation, the year ahead will continue focus on supporting our existing Original Equipment Manufacturers (OEM) partners with delivery to existing and new orders for chips, readers, software and engineering support services while also pursuing existing and new pipeline opportunities to translate into sales. Bluechiip will continue with its strategy of working with OEM partners to integrate Bluechiip technology in OEM products complemented by the progression of the Bluechiip Multi- Vial Reader and Hand Held Reader into scale manufacture and product registrations across the globe to address the need for temperature tracking devices and solutions for the high volume biobanking sector. This is expected to lead to the demand for the Company's technology and products. Bluechiip is expected to roll out the implementation of quality systems in pursuit of ISO certification.

The Company will continue to pursue sales, marketing and business development activities, including collaborative research and development activities with OEM players while also working with end users through distribution channels.

The Company will continue to work through its business development team in the USA on the expansion of its OEM pipeline in the USA, Europe and APAC markets and to convert OEM partner opportunities.

The Company expects to continue research and development of solutions to meet OEM partners' requirements as well as continued expansion on underlying core intellectual property.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Options

Unissued Shares

As at the date of this report, there were no unexercised options (2018: Nil) over ordinary shares or shares issued on the exercise of options or performance rights except as detailed in the following paragraphs.

As at the date of this report, there were 15,077,475 (2018: 12,162,000) unexercised performance rights (zero exercise price options) over ordinary shares, of which 1,000,000 performance rights have been vested but remain unexercised. Further details of the performance rights and their terms are set out in the Variable Compensation - Long-term Incentive section of the remuneration report.

Indemnification of Directors and Officers

The Company has not granted any indemnity to any current or former Directors or officers against any liability other than as provided in the Company's constitution and in standard deeds of insurance and indemnity entered into with each of the directors under which the Company indemnifies each officer against any liability to a party other than the Company or a related body corporate, but only to the extent that the liability arises out of conduct in good faith together with legal costs to the extent permitted by the Corporations Act.

During the financial year, the Company has paid premiums in respect of a contract insuring the Directors of the Company (as named above) and all Executive Officers of the Company The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The total amount of Directors & Officers Liability insurance contract premiums paid was $40,020 (2018: $33,750).

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Deloitte Touche Tohmatsu, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Deloitte Touche Tohmatsu during or since the financial year.

Directors Report

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Director's Meetings		Remuneration and Nomination Committee Meeting		Audit Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
I Kirkwood	9	9	1	1	2	2
A McLellan	9	9	-	-	-	-
M Ohanessian	9	9	1	1	2	2
Andrew Cox	9	9	1	1	2	2
Blair Healy – Retired 26 November 2018	4	4	1	1	1	1

Committee Membership

As at the date of this report, the Board had the following committees: Audit Committee and a Remuneration and Nomination Committee of the Board.

Members acting on the committees of the Board during the year are:

Audit	Remuneration and Nomination
Andrew Cox (Chairman)	Michael Ohanessian Appointed as Chairman – 26 November 2018
Iain Kirkwood	Blair Healy (former Chairman) Retired 26 November 2018
Michael Ohanessian	Iain Kirkwood
Blair Healy – Retired 26 November 2018	Andrew Cox

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest one dollar under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

Auditor Independence Declaration

The Directors received the declaration set out on the following page from the auditor of Bluechiip Limited.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 27 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature, value and scope of the non-audit services are considered not to have compromised auditor independence.

Remuneration Report

Compensation of Executives

This report outlines the compensation arrangements in place for Directors and senior executives of the Company being the Key Management Personnel (KMP) of the Company – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director whether executive or otherwise.

All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Individual KMP Disclosures

Details of KMP of the Company are set out below:

Directors

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board is responsible for making recommendations to the Board on the remuneration arrangements for Non-Executive Directors (NEDs) and executives. The Board approves the remuneration arrangements for executives having regard to the recommendations made by the Remuneration and Nomination Committee including any Short-term Incentive (STI) or Long-term Incentive (LTI) arrangements. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

The Remuneration and Nomination Committee comprises all NEDs, each of which is considered independent.

The Remuneration and Nomination Committee meets periodically as part of the Directors' meetings during the year. Executives are not present at meetings of the Committee except by invitation.

The Remuneration and Nomination Committee has not engaged any external remuneration advisers during the financial year.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is located a **bluechiip.com/about-us/corporate-governance/**

Principles of Compensation and Strategy

The Remuneration & Nomination Committee of the Board assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team and aligning the interests of the executives with those of the shareholders.

Bluechiip's remuneration strategy is designed to attract, motivate and retain employees and executives by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company. To this end, key objectives of the Company's reward framework are to ensure that remuneration practices are aligned to the Company's business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders. Where relevant, the remuneration framework incorporates at risk components through STI and LTI arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to Directors and senior executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person's duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash or share options based on the achievement of specific goals related to the performance of the individual and the Company (as determined by the Directors). Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Remuneration Report

Components of total compensation are 'at risk' (variable compensation) and dependent on meeting pre-determined performance benchmarks including Key Performance Indicators (KPIs). The inclusion of appropriate challenging performance hurdles in relation to variable compensation is designed to align employee performance with the creation of shareholder value and wealth. KPIs are agreed and set each year for KMP with the specific objective of influencing both short and long-term performance and the generation of shareholder wealth.

Variable or performance-linked compensation comprises cash bonus and/or share-based payments.

Fixed Compensation

Fixed compensation consists of a base salary and employer superannuation contributions. Fixed compensation levels are set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed compensation is reviewed at least annually by the Remuneration and Nomination Committee and the process consists of a review of the Company's performance, relevant comparative compensation in the market and, where appropriate, external advice on policies and practices. Employees receive their fixed compensation in cash. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company's size the Company generally undertakes its own review of these matters, which it does on an ongoing basis.

KPIs are individually tailored by the Board, based on recommendations and input from the Remuneration & Nomination Committee in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

Performance Linked Compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to (i) performance against individual KPI's and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors, both financial and non-financial. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors. The purpose of these payments is to reward employees for their contribution to the Company.

Employment contracts for staff other than the CEO provide for variable compensation of up to 10% of their total fixed compensation package (although higher variable compensation payments may be made at the Board's discretion).

The Remuneration & Nomination Committee makes a recommendation annually to the Board in respect of incentive compensation for employees and executives. The Board at its sole discretion determines the total amount of variable compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

The CEO has the discretion to recommend the offer of rights or options to acquire ordinary shares or the direct issue of shares to any member of staff in recognition of exemplary performance. Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as a long-term incentive. Any issue of rights or options proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. The Board considers that the performance linked compensation structure is operating effectively.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.

Variable Compensation – Short-term Incentive (STI)

The Company does not operate a formal STI program other than in respect of the CEO. The CEO is eligible to receive a cash bonus subject to the attainment of defined KPIs. The STI is based on the achievement of financial and non-financial objectives. The actual STI payment awarded to the CEO will depend on the extent to which specific targets set at the beginning of the year are met but potentially could be an amount of up to 30% of the CEO's base remuneration package. Financial performance targets include net sales target and EBITDA. Non- financial performance targets include individual objectives which are aligned to the Group's strategy. The Company has predetermined financial performance benchmarks which must be met in order to trigger payments under the STI plan and these are varied on a yearly basis in line with annual budgeting process.

A summary of the measures and weightings are set out below.

An amount of $188,448 (2018: $124,137) has been recognised in the 2019 financial year by way of share based payment expense. This is in respect of performance rights (unvested) issued.

Service Contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

Chief Executive Officer

The CEO, Andrew McLellan, is employed under an ongoing employment contract which can be terminated with notice by either party.

The key terms of the contract are as follows:

- Annual base Salary of $300,000 including superannuation;
- Short-term cash Incentive being up to 30% of Andrew McLellan's annual base salary, payable on the achievement of agreed annual performance targets;
- Treatment of entitlements upon termination of employment are as follows:

	Notice Period	Payment in Lieu of Notice	Treatment of Short-term incentives	Treatment of Long-term Incentives
Termination by Company (death, disablement, redundancy etc)	3 months	3 months	Any STI payments are at Board discretion	At the discretion of the Board
Termination for Cause	None	None	Any STI payments are at Board discretion	Unvested awards forfeited Vested and unexercised awards forfeited
Resignation by Employee	3 months	None	Any STI payments are at Board discretion	Unvested awards forfeited.

Variable Compensation – Long-term Incentive (LTI)

The Remuneration and Nomination Committee also reviews and approves the issue of share-based payments to staff and KMP as a means of providing a LTI for performance and loyalty.

LTI awards to executives are made under the executive Performance Rights Plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of up to three years subject to meeting relative TSR performance measures, Further details of the Company's LTI Plan in issue are as follow:

2019

Following receipt of shareholder approval in November 2018, 2,283,105 performance rights (zero exercise price options) were issued to the CEO on 1 July 2018 (Performance Rights Plan 2018) on the terms specified below. No other performance rights or options were issued to Directors or KMP in the financial year ended 30 June 2019 however a further 4,890,370 performance rights were issued to other employees of the Company.

Remuneration Report

Performance Rights Plan 2018

The number of performance rights that will vest will be determined by the TSR performance relative to the movement in the ASX All Ordinaries Accumulation Index (AORD). During the financial year, a total of 2,283,105 performance rights were granted to Andrew McLellan and 4,890,370 performance rights were granted to employees and contractor of the Company. The performance rights have been issued in three tranches.

	Tranche 1	Tranche 2	Tranche 3
Grant Date	1 July 2018	1 July 2018	1 July 2018
No. of performance rights granted to CEO and capable of vesting	342,466	570,776	1,369,863
Vesting Date	30 August 2019	30 August 2020	30 August 2021
Measurement Period	1 July 2018 – 30 June 2019	1 July 2018 – 30 June 2020	1 July 2018 – 30 June 2021
Exercise price	Nil	Nil	Nil
Fair value per performance right	$0.0366	$0.0407	$0.0414
Performance Hurdle	Relative TSR is assessed each year over 3 years to the end of FY 2021, compared to the movement in the ASX Small Ordinaries Accumulation Index for the relevant Measurement Period. This is designed to focus executives on delivering sustainable long-term shareholder returns: **TSR Performance** – **Proportion to Vest** Achieving 100% of the index for the relevant Measurement Period – 50% Exceeding the index for the relevant Measurement Period – Balance vests proportionately on a straight-line basis up to 120% of the index performance for the Measurement Period		
Expiry Date	30 June 2021	31 December 2022	31 December 2023

Non-Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding $500,000 was last approved by shareholders at the Company's Annual General Meeting held on 10 November 2011 is to be divided between the Directors as agreed by the Board.

Non-Executive Directors do not receive performance related compensation and the structure of Non-Executive Director and senior management compensation is separate and distinct. Non-Executive Directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of Bluechiip Limited. These Board policies do not prescribe how compensation levels for Non-Executive Directors are modified from year to year.

Compensation levels are to be reviewed by the Board each year taking into account cost of living changes, changes to the scope of the roles of the Directors, and any changes required to meet the principles of the overall Board policies. The remuneration of Non-Executive Directors for the years ended 30 June 2019 and 30 June 2018 is detailed in the table below under 'Remuneration of Key Management Personnel'.

Directors' and Executive Officers' Compensation Tables

Details of the nature and amount of each major element of the compensation of each KMP including Directors of the Company are disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures and with the Corporations Act 2001 in the following tables.

No options or performance rights held by persons in the 'Remuneration of Key Management Personnel' table were exercised during the 2019 financial year other than 1,375,000 performance rights held by the CEO, Andrew McLellan which vested and were exercised during the financial year (2018: 1,375,000).

In the table, the fair value of the performance rights granted to executive officers has been calculated based on the value at the date of grant using a hybrid trinomial option pricing model which 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. The value as disclosed is the portion of the fair value of the performance rights allocated to this reporting year. Refer to the next sections of this report for full details of the performance rights valuations.

Loan

There were no loans to any Directors or KMPs during the financial year (2018: Nil).

Other Transactions and Balances With KMP

During the financial year, there was no other transactions nor balances outstanding at the end of the reporting period with its directors and KMP.

Remuneration of Key Management Personnel

2019

	Short-term Benefits			Post-Employment	Long-term Benefits	Share-based Payments				
	Salary and Fees $	Non-cash Benefits## $	Bonuses/ Incentives $	Superannuation Contributions $	Long Service Leave $	Shares $	Options Performance Rights $	Termination/ Resignation payment $	Total Compensation $	% of Remuneration Paid as Performance Based %
Directors										
Iain Kirkwood	70,000	-	-	-	-	-	-	-	70,000	-
Michael Ohanessian	40,000	-	-	-	-	-	-	-	40,000	-
Andrew Cox	36,530	-	-	3,470	-	-	-	-	40,000	-
Blair Healy[i]	15,221	-	-	1,446	-	-	-	-	16,667	-
Executive										
Andrew McLellan[*]	248,684	*30,785	**87,000	20,531	5,081	-	***67,076	-	459,157	33.6%
Total Director and Key Management Personnel Compensation	**410,435**	**30,785**	**87,000**	**25,447**	**5,081**	**-**	**67,076**	**-**	**625,824**	**24.6%**

i Retired 26 November 2018.

* This relates to monthly novated lease payment made on behalf of the CEO, Andrew McLellan.

** During the year, the Company made a bonus payment of $87,000 (inclusive Superannuation) fully paid in cash to the CEO, Andrew McLellan.

*** 9,783,105 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. During the year, an amount of $67,076 has been recognised as part of the share-based payment expense in respect of the performance rights.

Remuneration of Key Management Personnel

2018

	Short-term Benefits			Post-Employment	Long-term Benefits	Share-based Payments				
	Salary and Fees $	Non-cash Benefits## $	Bonuses/ Incentives $	Superannuation Contributions $	Long Service Leave $	Shares $	Options Performance Rights $	Termination/ Resignation payment $	Total Compensation $	% of Remuneration Paid as Performance Based %
Directors										
Non-executive										
Iain Kirkwood#	70,000	-	-	-	-	-	-	-	70,000	-
Michael Ohanessian#	40,000	-	-	-	-	-	-	-	40,000	-
Andrew Cox[i]	36,530	-	-	3,470	-	-	-	-	40,000	-
Blair Healy[ii]	33,486	-	-	3,181	-	-	-	-	36,667	-
Executive										
Andrew McLellan	253,660	##17,470	**62,785	24,834	9,747		***56,357	-	424,853	28.0%
Total Director and Key Management Personnel Compensation	**433,676**	**17,470**	**62,785**	**31,485**	**9,747**	**-**	**56,357**	**-**	**611,520**	**19.5%**

i Appointed 26 July 2017.

ii Appointed 23 August 2017.

Included in the salary and fees are Director's fee owing as at 30 June 2018 to Iain Kirkwood and Michael Ohanessian of $6,417 and $3,333 respectively. ## This relates to monthly novated lease payment made on behalf of the CEO, Andrew McLellan.

** During the year, the Company made a bonus payment of $62,785 fully paid in cash to the CEO, Andrew McLellan.

*** 7,500,000 performance rights (zero exercise price) were granted since 2015 to Andrew McLellan as part of his long-term incentive. An amount of $56,357 has been recognised in 2018 by way of share-based payment expense in respect of the performance rights.

Grants, Modifications and Exercise of Options and Performance Rights Over Equity Instruments Granted as Compensation

Shares Issued on Exercise of Options and Performance Rights

No options or performance rights held by persons in the following compensation tables were exercised during the 2019 and 2018 financial years other than 1,375,000 performance rights held by Andrew McLellan that vested and were exercised during the financial year (2018: 1,375,000).

Additional Disclosures Relating to Shares

The number of ordinary shares in Bluechiip Limited held by or controlled by each KMP of the Group during the financial year is as follows.

	Balance at 30 June 2018	Granted as Remuneration	Purchased/ (Sold) During the Year	On Exercise of Performance Rights	Net Change Other	Balance at 30 June 2019
I Kirkwood	27,097,732	-	-	-	-	27,097,732
A McLellan	4,274,999	-	-	1,375,000	1,375,000	5,649,999
M Ohanessian	8,672,595	-	508,474	-	508,474	9,181,069
A Cox	-	-	-	-	-	-
B Healy[i]	17,857,143	-	(10,796,577)	-	(10,796,577)	7,060,566
Total	**57,902,469**	**-**	**(10,288,103)**	**1,375,000**	**(8,913,103)**	**48,989,366**

i Retired 26 November 2018.

Additional disclosures relating to options and shares

The number of performance rights over ordinary shares in Bluechiip Limited held by each KMP during the financial year is as follows:

	Balance at 1 July 2018	Granted as Remuneration	Net Change Other	Performance Rights Exercised	Performance Rights Expired	Balance at 30 June 2019	Vested at 30 June 2019		
							Vesting Date	Exercisable	Non Exercisable
I Kirkwood	-	-	-	-	-	-	-	-	-
A McLellan	5,750,000	2,283,105	-	(1,375,000)	(375,000)	6,283,105	-	-	-
Performance Rights Plan 2015									
Tranche 1	-	-	-	-	-	-	27 Jan 17	-	-
Tranche 2	750,000	-	-	(375,000)	(375,000)	-	27 Jan 18	-	-
Performance Rights Plan 2016									
Tranche 1	-	-	-	-	-	-	30 Aug 17	-	-
Tranche 2	1,000,000	-	-	(1,000,000)	-	-	30 Aug 18	-	-
Tranche 3	1,000,000	-	-	-	-	1,000,000	30 Aug 19	-	-
Performance Rights Plan 2017									
Tranche 1	1,000,000	-	-	-	-	1,000,000	30 Aug 18	1,000,000	-
Tranche 2	1,000,000	-	-	-	-	1,000,000	30 Aug 19	-	-
Tranche 3	1,000,000	-	-	-	-	1,000,000	30 Aug 20	-	-
Performance Rights Plan 2018									
Tranche 1	-	342,466	-	-	-	342,466	30 Aug 19	-	-
Tranche 2	-	570,776	-	-	-	570,776	30 Aug 20	-	-
Tranche 3	-	1,369,863	-	-	-	1,369,863	30 Aug 21	-	-
M Ohanessian	-	-	-	-	-	-	-		-
A Cox[i]	-	-	-	-	-	-	-	-	-
B Healy[ii]	-	-	-	-	-	-	-	-	-
Total	**5,750,000**	**2,283,105**	**-**	**(1,375,000)**	**(375,000)**	**6,283,105**	**-**	**1,000,000**	**-**

(i) Retired 26 November 2018.

Additional disclosures relating to options and shares

The number of performance rights over ordinary shares in Bluechiip Limited held by each KMP during the financial year is as follows:

	Balance at 1 July 2017	Granted as Remuneration	Net Change Other	Performance Rights Exercised	Performance Rights Expired	Balance at 30 June 2018	Vested at 30 June 2018		
							Vesting Date	Exercisable	Non Exercisable
I Kirkwood	-	-	-	-	-	-	-	-	-
A McLellan	4,125,000	3,000,000	-	(1,375,000)	-	5,750,000	-	-	-
Performance Rights Plan 2015									
Tranche 1	375,000	-	-	(375,000)	-	-	27 Jan 17	-	-
Tranche 2	750,000	-	-	-	-	750,000	27 Jan 18	-	-
Performance Rights Plan 2016									
Tranche 1	1,000,000	-	-	(1,000,000)	-	-	30 Aug 17	-	-
Tranche 2	1,000,000	-	-	-	-	1,000,000	30 Aug 18	-	-
Tranche 3	1,000,000	-	-	-	-	1,000,000	30 Aug 19	-	-
Performance Rights Plan 2017									
Tranche 1	-	1,000,000	-	-	-	1,000,000	30 Aug 18	-	-
Tranche 2	-	1,000,000	-	-	-	1,000,000	30 Aug 19	-	-
Tranche 3	-	1,000,000	-	-	-	1,000,000	30 Aug 20	-	-
M Ohanessian	-	-	-	-	-	-	-	-	-
A Cox[i]	-	-	-	-	-	-	-	-	-
B Healy[ii]	-	-	-	-	-	-	-	-	-
Total	**4,125,000**	**3,000,000**	**-**	**(1,375,000)**	**-**	**(5,750,000)**	**-**	**-**	**-**

(i) Appointed 26 July 2017.

(ii) Appointed 23 August 2017.

Consequences of the Company's Performance on Shareholder Wealth

The following table summarises the Company's performance in the current financial year and the previous four years since the Company was listed in June 2011.

	30 June 2015 $	30 June 2016 $	30 June 2017 $	30 June 2018 $	30 June 2019 $
Measures					
Closing share price at 30 June	0.05	0.022	0.028	0.054	0.078
Basic Earnings Per Share (cents)	(1.3)	(0.9)	(0.7)	(0.6)	(0.7)
Dividends	None	None	None	None	None
Loss before income tax	**1,911,688**	**1,676,983**	**2,018,633**	**2,492,491**	**3,257,996**

In considering the Company's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical progress on the Company's products and, where applicable, relationship building with technical institutions, projects introduced, internal innovation etc. The Board has some but not absolute regard to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Company's assets and building the business to establish self-sustaining revenue streams. For this reason, adverse movements in the share price do not necessarily reflect the performance of the CEO and that of other employees.

Signed in accordance with a resolution of the Board of Directors.

Iain Kirkwood
Chairman

27 August 2019

Corporate Governance

The board of Directors of Bluechiip Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Bluechiip Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

An overview of the Company's corporate governance structures and practices is published on the Company's website at **www.bluechiip.com/investor/corporate-governance-policies.**

The 2018/2019 Corporate Governance Statement is dated as at 27 August 2019 and reflects the corporate governance practices in place throughout the reporting period. The Corporate Governance Statement was approved by the Board on 27 August 2019 and can be viewed at **www.bluechiip.com/investor/corporate-governance-policies**.

Auditor Independence Declaration

Deloitte.

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27 August 2019

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Board Members

Bluechiip Limited

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

As lead audit partner for the audit of the financial statements of Bluechiip Limited for the financial year ended 30 June 2019, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants

Bluechiip Limited
Consolidated Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Current Assets			
Cash and cash equivalents	11	3,849,113	1,172,047
Trade and other receivables	12	1,864,946	1,115,669
Other current assets	13	67,276	147,583
Inventory	14	585,360	446,349
Total Current Assets		**6,366,695**	**2,881,648**
Non-Current Assets			
Term deposit	11	27,755	27,195
Property, plant and equipment	15	125,817	124,224
Total Non-Current Assets		**153,572**	**151,419**
Total Assets		**6,520,267**	**3,033,067**
Current Liabilities			
Trade and other payables	16	732,827	643,845
Interest-bearing loans and borrowings	17	-	600,000
Employee benefits	18	100,476	79,896
Total Current Liabilities		**833,303**	**1,323,741**
Non-Current Liabilities			
Employee benefits	18	88,931	79,609
Total Non-Current Liabilities		**88,931**	**79,609**
Total Liabilities		**922,234**	**1,403,350**
Net Assets		**5,598,033**	**1,629,717**
Equity			
Issued capital	19	33,441,167	26,316,085
Reserves		4,972,264	4,871,034
Accumulated losses		(32,815,398)	(29,557,402)
Total Equity		**5,598,033**	**1,629,717**

The accompanying notes form part of these financial statements

Bluechiip Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 30 June 2019

	Note	2019 $	2018 $
Revenue from operating activities	6	1,025,052	561,544
Cost of sales		(487,929)	(323,636)
Other income	7	1,350,037	1,023,152
Employee benefits expense		(1,754,842)	(1,439,055)
Superannuation		(139,492)	(115,869)
Share-based payment expense	23	(188,448)	(124,137)
Advertising and branding		(65,869)	(110,979)
Business development		(468,599)	(236,719)
Depreciation costs	8 (b)	(33,621)	(19,185)
Research and Development		(1,486,820)	(875,146)
Patent costs		(117,828)	(78,568)
Consultancy fees		(20,897)	(31,314)
Travel and accommodation		(76,681)	(76,914)
Occupancy costs		(67,669)	(65,945)
Legal and professional fees		(277,719)	(273,152)
Finance costs	8 (a)	(29,589)	(59,393)
Other expenses	8 (c)	(417,082)	(247,175)
Loss Before Income Tax		**(3,257,996)**	**(2,492,491)**
Income tax	9	-	-
Net Loss After Income Tax		**(3,257,996)**	**(2,492,491)**
Other comprehensive income		-	
Total Comprehensive Loss for The Year		**(3,257,996)**	**(2,492,491)**
Earnings Per Share			
Basic losses per share (cents)	10	(0.66)	(0.64)
Diluted losses per share (cents)	10	(0.66)	(0.64)

The accompanying notes form part of these financial statements

Bluechiip Limited
Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Ordinary Shares $	Employee Equity Benefits Reserve $	Accumulated Losses $	Total $
At 1 July 2018		26,316,085	4,871,034	(29,557,402)	1,629,717
Transactions with owners in their capacity as owners					
Shares issued during the year	19(a)	7,539,622	(87,218)	-	7,452,404
Transaction costs on share issue	19(a)	(414,540)	-	-	(414,540)
Share-based payment expense		-	188,448	-	188,448
		7,125,082	**101,230**	**-**	**7,226,312**
Comprehensive income					
Loss for the year		-	-	(3,257,996)	(3,257,996)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		**-**	**-**	**(3,257,996)**	**(3,257,996)**
At 30 June 2019		**33,441,167**	**4,972,264**	**(32,815,398)**	**5,598,033**

	Note	Ordinary Shares $	Employee Equity Benefits Reserve $	Accumulated Losses $	Total $
At 1 July 2017		22,856,944	4,805,107	(27,064,911)	597,140
Transactions with owners in their capacity as owners					
Shares issued during the year	19(a)	3,492,698	(58,210)	-	3,434,488
Transaction costs on share issue	19(a)	(33,557)	-	-	(33,557)
Share-based payment expense		-	124,137	-	124,137
		3,459,141	**65,927**	**-**	**3,525,068**
Comprehensive income					
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)**
At 30 June 2018		**26,316,085**	**4,871,034**	**(29,557,402)**	**1,629,717**

The accompanying notes form part of these financial statements

Bluechiip Limited
Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash Flows From Operating Activities			
Receipts from customers		441,660	511,650
Payments to suppliers and employees		(5,170,559)	(3,730,947)
Interest received		13,311	22,648
Interest paid		(29,589)	(54,740)
R&D tax concession received		977,032	775,504
Export Market Development Grant received		47,758	-
Net Cash Flows Used in Operating Activities	20	**(3,720,387)**	**(2,475,885)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(37,762)	(45,428)
Net cash flows used in investing activities		**(37,762)**	**(45,428)**
Cash Flow from Financing Activities			
Proceeds from issue of ordinary shares		7,452,404	2,788,019
Transaction costs on share issue		(417,189)	(57,963)
Transaction costs on borrowings		-	(9,463)
Proceeds from borrowings		-	600,000
Repayment of borrowings		(600,000)	(600,000)
Net cash flows from financing activities		**6,435,215**	**2,720,593**
Net increase in cash held		2,677,066	199,280
Cash and cash equivalents at beginning of financial year		1,172,047	972,767
Cash and Cash Equivalents at End of Financial Year	11	**3,849,113**	**1,172,047**

The accompanying notes form part of these financial statements

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The consolidated financial report of Bluechiip Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 27 August 2019.

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.

Going Concern

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

- sales revenue anticipated to be generated over the next twelve months;
- grants received from the Australian State and Federal governments, and from overseas sources which the Group continues to actively pursue;
- receipts from the Federal Government 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
- ability to secure a R&D advance facility from a lender

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

(b) Application of new and revise Australian Accounting Standards issued not yet effective

The Group has adopted all new and revised accounting standards issued by the AASB that are relevant to its operations and are effective for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position or disclosures of the Group as they did not result in any changes to the Group's existing accounting policies. The new and revised accounting standards are as follows:

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Amendment	Effective for Annual Reporting Periods Beginning on or After
AASB 16 Leases	1 January 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	30 June 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	30 June 2021
Interpretation 23 Uncertainty over Income Tax Treatments	30 June 2020
Amendments to References to the Conceptual Framework in IFRS Standards	30 June 2021

AASB 16 Leases

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

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

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

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

Application of new and revise Australian Accounting Standards issued, effective this financial reporting period

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

AASB 9 Financial Instruments and related amending Standards

The Group has adopted AASB 9 Financial Instruments from which replaces AASB 139 Financial Instruments: Recognition and Measurement effective 1 July 2018. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for calculating the provision for doubtful debts and new hedge accounting requirements. The impact on the Group from the adoption of AASB 9 did not have a material impact as discussed below. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has elected to use this transition approach with respect to initial application.

Credit losses on trade receivables

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

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

AASB 15 Revenue from Contracts with Customers and related amending Standards

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

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

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

Revenue Recognition

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

Notes to the Consolidated Financial Statements

Licence Income

Licence income is the fee income received from customers in consideration to grant the customer the rights and access to use the Bluechiip intellectual property technology Licence income is recognised at either a point in time or over time where the Group continues to retain the responsibility for the performance obligations associated with the licence and that the customer simultaneously receives and consumes the benefits from the Group.

Amounts collected for rights and access not yet provided are recorded as deferred revenue in the balance sheet.

Sale of Goods

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

Sale of Services

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

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

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Bluechiip Limited and its subsidiaries (the Group) (as outlined in Note 28) as at and for the year ended 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Foreign Currency Translation

i. Functional and presentation currency
Both the functional and presentation currency of Bluechiip Limited and its subsidiaries are Australian dollars ($).

ii. Transactions and balances
In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(e) Cash and Cash Equivalents (Ref Note 11)

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, or for those with longer maturities, deposits are classified as cash equivalents if they are expected to be utilised for short term commitments.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(f) Trade and Other Receivables (Ref Notes 12 and 13)

Financial Assets

Financial assets comprise ‘loans and receivables’. The classification depends on the business model for managing the financial asset and the contractual terms of the cash flows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method (except for any short-term receivables where the effect of discounts is immaterial), less any impairment.

Impairment of financial assets

The Group considers and recognises a loss allowance for expected credit losses on financial assets annually. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for loans and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- if becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

De-recognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(g) Inventories (Ref Note 14)

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(h) Non-current assets (Ref Note 15)

i. Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Notes to the Consolidated Financial Statements

Depreciation is calculated on a diminishing value method basis over the estimated useful life of the specific assets as follows:

Computer & Office Equipment	10% to 66.67%
Furniture, Fixtures and Fittings	10% to 20%
Technical Equipment and Tools	10% to 66.67%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year. Leased assets are depreciated on a reducing balance basis over the shorter of their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(j) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Bluechiip Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Research and Development Costs

Research and development costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. No development costs have been capitalised to date because the Group is unable to demonstrate that the products will be able to generate future economic benefits.

(l) Financial Liability (Ref Notes 16 and 17)

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities representing trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs

(n) Employee Benefits (Ref Note 18)

i. **Short-term Benefits**

Liabilities for wages and salaries, including non- monetary benefits and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Annual leave balances that are expected to be settled after 12 months are measured at present value. They are measured at the amounts expected to be paid when the liabilities are settled.

ii. **Long-term benefits**

The liability for long service leave and certain annual leave benefits are recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and years of service. Expected future payments are discounted at rates using market yield on high quality Corporate Bonds at the reporting date.

(o) Share-based Payment Transactions (Ref Note 23)

Equity-settled Transactions

The Group provides benefits to its employees and Directors (including key management personnel) in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity-settled transactions).

There is currently a Performance Rights Plan in place as part of the LTI, for the issue of share-based payments to staff and KMP as a reward for performance and loyalty. LTI awards to executives are made under the executive Performance Rights Plan and are delivered in the form of performance rights or zero exercise price options. The performance rights will vest over a period of up to three years subject to meeting performance measures, The Company uses a combination of absolute total shareholder return (TSR) and commercial targets as the performance measure for the LTI plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the performance rights granted to executive officers has been calculated based on the value at the date of grant using a hybrid trinomial option pricing model which 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.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group or Company receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of Bluechiip Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Profit or Loss and Other Comprehensive Income is the product of:

a. The grant date fair value of the award;

Notes to the Consolidated Financial Statements

b. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
c. The expired portion of the vesting period.

The charge to the Statement of Profit or Loss and Other Comprehensive Income for the year is the cumulative amount as calculated above less the amounts already charged in previous years. There is a corresponding entry to equity.

If a non-vesting condition is within the control of the Group, Company or employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 10).

(p) Contributed equity (Ref Note 19)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Revenue recognition (Ref Note 6)

i. Sales Revenue

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

Licence Income

Licence income is the fee income received from customers in consideration to grant the customer the rights and access to use the Bluechiip Intellectual property technology Licence income is recognised at either a point in time or over time where the Group continues to retain the responsibility for the performance obligations associated with the licence and that the customer simultaneously receives and consumes the benefits from the Group. Amounts collected for rights and access not yet provided are recorded as deferred revenue in the balance sheet.

Sale of Goods

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

Sale of Services

Sale of services is recognised at a point in time when the performance obligations of rendering the services has been fulfilled which continues to occur at the point of sale when the customers assumes the delivery of the goods with performed services

ii. Government Grants (Ref Note 7)

Government grants are recognised in the Statement of Profit or Loss and Other Comprehensive Income as other income when the grant is receivable. The R&D tax offset is brought to account only when the amount receivable has been quantified, based on eligible development spend and supported by appropriate claim documentation.

iii. Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

(r) Income Tax and Other Taxes (Ref Note 9)

No taxation has been provided for and no deferred tax assets have been recognised in view of losses incurred.

Deferred tax assets are only brought to account where it is probable that future tax profits will be available against which deductible temporary differences can be utilised. In view of the Group just commenced generating revenues, deferred tax assets are not recognised in respect of the assessed and estimated tax losses to be carried forward on the basis that recoupment is not probable at 30 June 2019.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Trade receivables and other payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Earnings per share (Ref Note 10)

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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

(t) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(u) Comparative Figures

When required by Accounting Standards, comparative figures will be adjusted to conform to changes in presentation. No comparative adjustment has occurred in the current year.

Notes to the Consolidated Financial Statements

Note 3 Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and interest-bearing liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 $	2018 $
Financial Assets			
Cash and cash equivalents	11	3,849,113	1,172,047
Term deposit	11	27,755	27,195
Trade and other receivables	12	1,864,946	1,115,669
Total Financial Assets		**5,741,814**	**2,314,911**
Financial Liabilities			
Trade and other payables	16	732,827	643,845
Interest-bearing liabilities	17	-	600,000
Total Financial Liabilities		**732,827**	**1,243,845**

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. The Group is also exposed to a certain degree of foreign currency risk as some of its transactions with suppliers and customers are denominated in foreign currencies.

(a) Credit Risk

Credit risk is minimised through investing surplus funds in financial institutions that maintain a high credit rating. Credit risk is in relation to receivables held as at year end.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. There were no guarantees given at the balance date.

Trade and other receivables that are neither past due or impaired are of high credit quality. Aggregates of such amounts are as detailed at Note 12.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with the approved Board policy.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

		Less Than 6 Months		6 to 12 Months		1 Year to 5 years		Over 5 Years		Total Contractual Cash Flow	
	Notes	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Financial assets – Cash Flows Realisable											
Cash and cash equivalents	11	1,849,113	1,172,047	-	-	-	-	-	-	1,849,113	1,172,047
Term deposit	11	-	-	2,000,000	-	27,755	27,195	-	-	2,027,755	27,195
Trade and other receivables	12	1,864,946	1,115,669	-	-	-	-	-	-	1,864,946	1,115,669
Total		**3,714,059**	**2,287,716**	**2,000,000**	**-**	**27,755**	**27,195**	**-**	**-**	**5,741,814**	**2,314,911**
Financial Liabilities Due for Payment											
Trade and other payables	16	732,827	643,845	-	-	-	-	-	-	732,827	643,845
Interest-bearing liabilities	17	-	600,000	-	-		-	-	-	-	600,000
Total		**732,827**	**1,243,845**	**-**	**-**	**-**	**-**	**-**	**-**	**732,827**	**1,243,845**
Net inflow/(Outflow) on Financial Instruments		**2,981,232**	**1,043,871**	**2,000,000**	**-**	**27,755**	**27,195**	**-**	**-**	**5,008,987**	**1,071,066**

Notes to the Consolidated Financial Statements

(c) Market Risk

i. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Borrowings (see Note 17) are negotiated at fixed rates to assist in managing the risk and that in determining the interest rates, reference is made to bank lending or borrowing rates at the time the loan is entered into.

ii. Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year Ended 30 June 2019		
+1% in interest rates	38,769	-
-1% in interest rates	(38,769)	-
Year Ended 30 June 2018		
+1% in interest rates	11,992	-
-1% in interest rates	(11,992)	-

The above sensitivities calculation assumption is based on cash and cash equivalent and financial assets reported at balance date. Interest on borrowings are fixed.

Note 4 Significant Accounting judgements, Estimates and Assumptions

The preparation of the financial statements requires the Directors to evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Inventory

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 5 Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and 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 present time. Furthermore, the Group's business activities are not organised on the basis of differences in related products and services or differences in geographical areas of operations. Given the Group's stage of development, the Directors consider this to be appropriate.

Note 6 Revenue from Operating Activities

	2019 $	2018 $
Gross Revenue From Sale of Product and Licence income		
Sale of product - point in time	993,295	433,795
Licence income - over time	27,092	153,007
	1,020,387	**586,802**
Less Trade discount	4,665	(25,258)
Revenue From Operating Activities	**1,025,052**	**561,544**

Note 7 Other Income

	2019 $	2018 $
Other Revenue		
Interest income	42,833	22,648
R&D tax incentive/concession	1,176,070	1,000,504
Rebate received from a supplier	83,376	-
Export Market Development Grant	47,758	-
Total Other Income	**1,350,037**	**1,023,152**

Note 8 Expenses

	2019 $	2018 $
(a) Finance Costs		
Interest expense	29,589	50,030
Debt establishment fee (refer Note 17 for further detail)	-	9,363
Total Finance Costs	**29,589**	**59.393**
(b) Depreciation		
Depreciation of property, plant and equipment	33,621	19,185
	33,621	**19,185**
(c) Other Expenses		
Share registry, administration and secretarial	80,854	68,383
Insurance	53,212	44,402
Conference and seminar	612	2,754
Telecommunications	14,984	17,362
Membership and subscriptions	5,131	8,100
Others	262,289	106,174
Total Other Expenses	**417,082**	**247,175**

Note 9 Income Tax Expense

No taxation has been provided in view of the losses incurred for the year (2018: Nil). Tax losses for the 2019 financial year are $1,299,855 (2018: $998,568). The amount available of carried forward tax losses for offset against future taxable income is $13,779,156 (2018: $12,361,121). The deferred tax asset of $4,068,897 (2018: $3,684,761) associated with carried forward tax losses as well as deferred tax assets arising from temporary differences of $137,044 (2018: $147,874) have not been recorded on the basis that its recovery is not probable at this time. There are no deferred tax liabilities arising from temporary differences on assets.

The prima facie tax on the loss from ordinary activities is reconciled to the income tax credit shown in the Statement of Profit or Loss and Other Comprehensive Income as follows:

	2019 $	2018 $
Prima facie tax on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)		
Consolidated entity	(895,949)	(685,435)
	(895,949)	**(685,435)**
Add/(Deduct): Tax Effect of		
Non-deductible expenses	44,356	19,709
Research and development tax effect	465,692	371,890
Deferred tax assets arising not brought to account as at balance sheet date because realisation is not considered probable	385,901	293,836
Income Tax Credit Attributable to the Consolidated Entity	**-**	**-**

Notes to the Consolidated Financial Statements

Note 10 Earnings Per Share

	2019 $	2018 $
Earnings/(loss) used to calculate basic and dilutive EPS	**(3,257,996)**	**(2,492,491)**
For Basic and Diluted EPS Tax Effect of		
Weighted average number of ordinary shares outstanding during the year – No. used in calculating basic EPS	496,315,398	386,632,392

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

Note 11 Cash and Cash Equivalents and Term Deposit

	2019 $	2018 $
Current Assets – Cash and Cash Equivalents		
Cash at bank	1,849,113	1,172,047
Term Deposit[a]	2,000,000	-
	3,849,113	**1,172,047**
Non-current Assets		
Term Deposit[b]	**27,755**	**27,195**

a Relates to a term deposit placed with a bank and designated as cash as expected to be utilised within 12 months, therefore designated as a cash equivalents

b Relates to a term Deposit with a bank held as security for a credit card facility.

Note 12 Current Assets – Trade and Other Receivables

	2019 $	2018 $
Current Assets – Cash and Cash Equivalents		
Trade receivables	664,946	115,669
R&D tax off-set receivable	1,200,000	1,000,000
	1,864,946	**1,115,669**
The ageing analysis of trade receivables is[a]		
0-30 days	492,133	114,882
31-60 days	-	-
61-90 days (past due not impaired)	-	-
91+ days (past due not impaired)	172,813	787
Total Trade and Other Receivables	**664,946**	**115,669**

* Debts over 90 days are also individually assessed for impairment. The expected credit loss model under AASB 9 requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting period. As at the date of this report, the Group reviewed and assessed the trade receivables and deems these individually recoverable.

Note 13 Other Current Assets

	2019 $	2018 $
Prepayment	36,159	30,933
Other debtors[a]	31,117	-
Deposit[b]	-	116,650
	67,276	**147,583**

a Include in other debtors is interest income receivable of $28,000 (2018: Nil) from a short-term deposit placed with a bank.

b The deposit in prior year represents the balance of a supplier payment for the purchase of raw materials to manufacture the Company's Matchbox™ readers, During the financial year, the deposit has been fully utilised as part settlement of the Matchbox readers purchased following the Termination and Release Agreement with the supplier.

Note 14 Inventory

	2019 $	2018 $
Raw materials	398,104	286,218
Finished goods	248,847	221,722
Provision of net realisable value - Finished Goods	(61,591)	(61,591)
Total Inventory	**585,360**	**446,349**

Note 15 Non-current Assets - Property, Plant and Equipment

	2019 $	2018 $
Technical equipment and tools at cost	321,427	290,574
Accumulated depreciation	(209,359)	(184,001)
Total technical equipment and tools	**112,068**	**106,573**
Furniture, fixtures and fittings at cost	18,876	18,876
Accumulated depreciation	(13,875)	(13,104)
Total Furniture, Fixtures and Fittings	**5,001**	**5,772**
Computer and office equipment at cost	123,424	119,064
Accumulated depreciation	(114,676)	(107,185)
Total Computer and Office Equipment	**8,748**	**11,879**
Total Property, Plant and Equipment	**125,817**	**124,224**

Notes to the Consolidated Financial Statements

(a) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated	Technical Equipment and Tools $	Furniture, Fixtures and Fittings $	Computer and Office Equipment $	Total $
Balance at 30 June 2019				
Balance at the beginning of year	106,573	5,772	11,879	124,224
Additions	30,854	-	4,360	35,214
Depreciation	**(25,359)**	**(771)**	**(7,491)**	**(33,621)**
Carrying Amount at End 30 June 2019	**112,068**	**5,001**	**8,748**	**125,817**

Consolidated	Technical Equipment and Tools $	Furniture, Fixtures and Fittings $	Computer and Office Equipment $	Total $
Balance at 30 June 2018				
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)**
Carrying Amount at End 30 June 2018	**106,573**	**5,772**	**11,879**	**124,224**

Note 16 Current Liabilities – Trade and Other Payables

	2019 $	2018 $
Trade payables (a)	631,860	546,832
Sundry payables and accrued expenses	93,268	62,222
Unearned income (b)	7,699	34,791
Total Current Liabilities	**732,827**	**643,845**

a The trade payables as at 30 June 2019 includes directors' fee owing of $9,750 (2018: $9,750).

b The unearned income relates to money received in advance from customers for licence income (2019:Nil; 2018:$27,092) and delivery of products not fulfilled at end of financial year (2019:$7,699; 2018:$7,699)

Note 17 Interest-bearing Loans and Borrowings

	2019 $	2018 $
Current		
R&D Tax Prepayment Loan[a]	-	600,000
Total Interest-bearing Liabilities	**-**	**600,000**

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 secured by R&D tax incentive 2017/2018 which was received during the current financial year. The R&D Advance Facility was fully settled during the current financial year.

Note 18 Employee Benefits

	2019 $	2018 $
Current Employee Benefits		
Annual Leave provision	**100,476**	**79,896**
Non Current Employee Benefits		
Long Service Leave provision	**88,931**	**79,609**
Total Provisions	**189,407**	**159,505**

Refer to Note 2(n) for the relevant accounting policy applied in the measurement of this provision.

Note 19 Issued Capital

	2019 $	2018 $
(a) Shares Value		
Ordinary Shares		
At the beginning of the reporting year	26,316,085	22,856,944
Issue of ordinary shares	7,539,622	3,492,698
Less: Capitalised share issue costs	(414,540)	(33,557)
	33,441,167	**26,316,085**

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

-93,220,339 shares issued ($5,500,000) pursuant to 2018 Placement

-33,091,519 shares ($1,952,404) issued pursuant to 2018 Share Purchase Plan

-375,000 shares issued to CEO, Andrew McLellan pursuant to exercise of CS Rights Tranche 2 Performance Rights 2015

-1,000,000 shares issued to CEO, Andrew McLellan pursuant to exercise of the Tranche 2 Performance Rights 2016

-1,188,000 shares issued to eligible employees pursuant to exercise of the Tranche 2 Performance Rights 2016

-1,254,000 shares issued to eligible employees pursuant to exercise of the Tranche 1 Performance Rights 2017

	2019 No.	2018 No.
(b) Number of Shares		
Ordinary Shares		
At the beginning of the reporting year	397,033,377	271,810,092
Shares issued during the year: Issue of ordinary shares	130,128,858	125,223,285
Total Issued and Fully Paid Ordinary Shares	**527,162,235**	**397,033,377**

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 2019, there were no options outstanding (2018: Nil).

A total 2,283,105 (2018:3,000,000) and 4,890,370 (2018:4,000,000) performance rights were granted in July 2018 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.

Notes to the Consolidated Financial Statements

(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.

Note 20 Cash Flow Statement Reconciliation

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

	2019 $	2018 $
Net loss	(3,257,996)	(2,492,491)
Non-cash Flows in Loss		
Depreciation	33,621	19,185
Share-based payment expense	188,448	124,137
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	(749,277)	(312,498)
(Increase)/decrease in other assets	80,307	(6,561)
(Increase)/decrease in inventory	(139,011)	(84,649)
(Decrease)/increase in trade, other payables and deferred revenue	93,619	217,794
(Decrease)/increase in employee benefits	29,902	59,198
	(3,720,387)	**(2,475,885)**

Note 21 Related Party Disclosures

(a) Key Management Personnel (KMP)

Details relating to KMP, including remuneration paid, shares issued and performance rights issued, are included in Note 22 and the Remuneration Report.

(b) Transactions With Related Parties

Other than shares and performance rights issued to Directors and KMP of the Company disclosed in the Remuneration Report, there were no other transactions with related parties during the year

Note 22 Key Management Personnel

Compensation for key management personnel

The total remuneration provided and /or paid to key management personnel of the Group during the year are as The total remuneration provided and /or paid to key management personnel of the Group during the year are as follows (refer to table in Remuneration Report for further detail):

	2019 $	2018 $
Short-term employee benefits#	528,220	513,931
Post-employment benefits	25,447	31,485
Long-term employee benefits	5,081	9,747
Share-based payments	67,076	56,357
	625,824	**611,520**

The short-term employee benefits paid include Non-Executive Directors fees paid amounting to $166,667 (2018: $190,000)

Note 23 Share-based Payment Plans

Expenses Arising From Share-based Payment Transactions

The performance rights expense under the Performance Rights Plan 2018 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.

	2019 $	2018 $
Performance Rights Plan Expense During the Year		
Performance Rights Plan 2015	-	5,795
Performance Rights Plan 2016	18,202	40,555
Performance Rights Plan 2017	46,666	77,787
Performance Rights Plan 2018	123,580	-
	188,448	**124,137**

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.

Notes to the Consolidated Financial Statements

2019

During the financial year, 7,173,475 performance rights were granted to the CEO, Andrew McLellan and employees of the Company:

Number and Recipient of Performance Rights	Grant Date	Vesting / Expiry date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Risk Free interest Rate	Estimated Volatility
2,283,105 to Andrew McLellan comprising							
Tranche 1 -342,466	1 July2018	30 Aug 2019/ 30 Jun 2020	$0.0366	Nil	$0.054	1.60%	90%
Tranche 2 -570,776	1 Jul 2018	30 Aug 2020/ 30 Jun 2021	$0.0407	Nil	$0.054	1.88%	90%
Tranche 3 -1,369,863	1 Jul 2018	30 Aug 2021/ 30 Jun 2022	$0.0414	Nil	$0.054	2.11%	90%
4,890,370 to employees comprising							
Tranche 1 -733,555	1 July2018	30 Aug 2019/ 30 Jun 2020	$0.0366	Nil	$0.054	1.60%	90%
Tranche 2 -1,222,593	1 Jul 2018	30 Aug 2020/ 30 Jun 2021	$0.0407	Nil	$0.054	1.88%	90%
Tranche 3 -2,934,222	1 Jul 2018	30 Aug 2021/ 30 Jun 2022	$0.0414	Nil	$0.054	2.11%	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 2019.

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 / Expiry date	Fair Value Per Performance Right	Exercise Price	Price of Shares on Grant Date	Risk Free interest Rate	Estimated Volatility
3,000,000 to Andrew McLellan comprising							
Tranche 1 -1,000,000	1 July 2017	30 Aug 2018/ 30 Jun 2020	$0.0186	Nil	$0.028	1.53%	90%
Tranche 2 -1,000,000	1 July 2017	30 Aug 2019/ 31 Dec 2021	$0.0207	Nil	$0.028	1.66%	90%
Tranche 3 -1,000,000	1 July 2017	30 Aug 2020/ 31 Dec 2022	$0.0245	Nil	$0.028	1.86%	90%
4,000,000 to employees comprising							
Tranche 1 -1,333,333	1 July 2017	30 Aug 2018/ 30 Jun 2020	$0.0189	Nil	$0.028	1.57%	90%
Tranche 2 -1,333,333	1 July 2017	30 Aug 2019/ 31 Dec 2021	$0.0218	Nil	$0.028	1.73%	90%
Tranche 3 -1,333,333	1 July 2017	30 Aug 2020/ 31 Dec 2022	$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.

Note 24 Commitments

	2019 $	2018 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for:		
Payable - minimum lease payments: not later than 12 months	-	36,050
	-	**36,050**

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

Note 25 Contingencies

The Company has no contingent liabilities or contingent assets as at 30 June 2019 (2018: Nil).

Note 26 Events After the Balance Sheet Date

There were no 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.

Note 27 Auditor's Remuneration

	2019 $	2018 $
The Auditor of Bluechiip Limited is Deloitte Touche Tohmatsu		
Audit or review of the financial report	65,500	60,000
Other audit review services	-	2,500
Tax compliance services	7,850	6,650
	73,350	**69,150**

Note 28 Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
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 currently under review

Notes to the Consolidated Financial Statements

Note 29 Parent Entity Information

	2019 $	2018 $
Information Relating to Bluechiip Limited		
Current assets	6,366,695	2,881,648
Total Assets	**6,520,267**	**3,033,067**
Current liabilities	833,303	1,323,741
Total Liabilities	**922,234**	**1,403,350**
Issued capital	33,441,167	26,316,085
Reserves	4,972,264	4,871,034
Accumulated losses	(32,815,398)	(29,557,402)
Total shareholder's equity	**5,598,033**	**1,629,717**
Loss of the Parent Entity	**(3,257,996)**	**(2,492,491)**
Total Comprehensive Loss of the Parent Entity	**(3,257,996)**	**(2,492,491)**

Directors' Declaration

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

1. In the opinion of the Directors:
   - a The financial statements and notes of Bluechiip Limited for the financial year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:
     - i. Giving a true and fair view of its financial position as at 30 June 2019 and performance for the period ended on that date
     - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
   - b The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a)
   - c There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable as disclosed in Note 2
2. This declaration has been made after receiving declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board.

Iain Kirkwood
Chairman

27 August 2019

Independent Auditors Report

Deloitte.

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Independent Auditor's Report to the members of Bluechiip Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bluechiip Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Net realisable value of inventory For the year ended 30 June 2019, the Group held total gross inventory of $647K and non-chip related inventory of $541K, as disclosed in Note 14. The Group has begun to commercialise its products. Sales of inventory however, particularly non-chip related, are not sold continually throughout the year and can sometimes remain on hand whilst the Group explores and negotiates new commercial partnerships. Inventories are held at the lower of cost and net realisable value. The determination of the net realisable value of non-chip related inventory on hand, is a matter of judgement which includes consideration around future forecasted sales of finished goods and/or future use of raw material components currently held by the Group.	Our procedures included, but were not limited to: • Obtaining an understanding of management's process for recording and managing inventory and particularly non-chip inventory; • Evaluating management's assessment of future sales projections of non-chip related inventory items; • Evaluating finished goods items, on a sample basis, to recent sales invoices to determine the net realisable value and determine date(s) last sold; • Inquiring with management to understand if there have been any changes in the use or sales patterns of current non-chip inventory items; • Assessing the adequacy of management's inventory net realisable provision based on inventory items currently being sold below cost price; and • Making enquiries of management, including those outside the finance function, with regard to usage of inventory on hand at year-end. We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditors Report

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 28 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Bluechiip Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 27 August 2019

Additional ASX Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 August 2019.

a. Distribution of equity securities

(i) Ordinary shares

527,162,235 (17 September 2018: 490,253,716) fully paid ordinary shares are held by 1,152 (17 September 2018: 914) individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Unlisted options

Nil (September 2018: Nil) options held by individual option holders.

The number of shareholders, by size of holding, in each class are

Investor Range	Shareholders	Number of Fully Paid Ordinary Shares	% of Issued Share Capital
1 - 1,000	57	8,436	0.00%
1,001 - 5,000	30	99,858	0.02%
5,001 - 10,000	138	1,129,796	0.21%
10,001 - 100,000	466	22,520,710	4.27%
100,001 and over	461	503,403,435	95.49%
	1,152	**527,162,235**	**100.00%**
Holding less than a marketable parcel	**77**	**62,046**	**0.01%**

b. Substantial shareholders

	Fully Paid Number	Fully Paid Percentage
Equitas Nominees Pty Limited	30,000,000	5.69
HSBC Custody Nominees (Australia) Limited	28,485,851	5.40
J P Morgan Nominees Australia Pty Limited	28,464,313	5.40
Edward St Consulting Pty Ltd; Iain Kirkwood	27,097,732	5.14
	114,047,896	**21.63**

c. Twenty largest holders of quoted equity securities

	Fully Paid Number	Fully Paid Percentage
EQUITAS NOMINEES PTY LIMITED <PB-600686 A/C>	30,000,000	5.69%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,485,851	5.40%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	28,464,313	5.40%
MUTUAL TRUST PTY LTD	21,064,454	4.00%
DR STEPHEN FREDERICK WOODFORD	18,000,000	3.41%
MR IAIN MACGREGOR CRAWFORD KIRKWOOD	15,024,949	2.85%
BNP PARIBAS NOMS PTY LTD <DRP>	14,129,475	2.68%
PLANET INNOVATION PTY LTD	13,636,363	2.59%
ROSHI BLUE PTY LTD <ROSHI BLUE SUPER FUND A/C>	9,176,470	1.74%
EDWARD ST CONSULTING PTY LTD <KIRKWOOD FAMILY S/FUND A/C>	8,320,037	1.58%
MR BRETT WILLIAM FISHER PATON & MRS VICKI ANNE PATON <BRETT PATON FAMILY SUPER A/C>	8,224,211	1.56%
PULITANO FAMILY SUPERANNUATION PTY LTD <PULITANO FAMILY SF A/C>	6,941,675	1.32%
ALLTOGETHER PTY LTD <ALLTOGETHER SUPER FUND A/C>	6,001,322	1.14%
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	5,920,389	1.12%
LIGHT KEEPER #2 PTY LTD <LEADING LIGHT UNIT A/C>	5,782,203	1.10%
JUST GREENERY PTY LTD <GREEN FAMILY SUPER FUND A/C>	5,601,695	1.06%
DR STEPHEN FREDERICK WOODFORD & DR PATRICIA ALISON WOODFORD <BELLADONNA SUPER FUND A/C>	5,460,601	1.04%
MR PHILLIP STANLEY HOLTEN	5,363,260	1.02%
TALENTO HOLDINGS PTY LTD	5,000,000	0.95%
GOUSSE HOLDINGS PTY LTD	5,000,000	0.95%
	245,597,268	**46.59%**

Corporate Information

Corporate Information

Directors

Mr Iain Kirkwood
Non-Executive Chairman

Mr Andrew McLellan
CEO/Managing Director

Mr Michael Ohanessian
Non-Executive Director

Mr Andrew Cox
Non-Executive Director

Company Secretary

Mr Lee Mitchell

Registered Office

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Caribbean Business Park
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Principal Place of Business

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Caribbean Business Park
Scoresby VIC 3179

Phone +613 9763 9763

Share Registry

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Phone +612 9698 5414 (international)
Fax +612 9279 0664

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

Bankers

National Australia Bank Limited
Melbourne VIC 3000

Auditors

Deloitte Touche Tohmatsu
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Melbourne, VIC 3001

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