



Bluechiip Limited

ABN 79 104 795 922

Appendix 4D

(ASX Listing Rule 4.2A.3)

For the six months ended 31 December 2019

Reporting period - 1 July 2019 to 31 December 2019
(Previous corresponding period - 1 July 2018 to 31 December 2018)

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

HALF YEAR ENDED 31 DECEMBER 2019

PREVIOUS CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The Appendix 4D should be read in conjunction with the half year financial report for the six-month period ended 31 December 2019.

	Change	%	Half Year 31 December 2019	Half Year 31 December 2018
Net revenue from ordinary activities	Down	37.24%	\$141,251	\$225,082
Net loss after tax attributable to members	Up	80.03%	(\$2,226,379)	(\$1,236,661)

Dividends

It is not proposed to pay a dividend (2018: Nil).

There are no franked dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the 6 months ended 31 December 2019 (2018: Nil).

Net Tangible Assets per security

As at 31 December 2019: 2.07 cents

As at 31 December 2018: 1.42 cents

COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Cash Position

Bluechiip's cash receipts are solid and we have made significant progress on our chip delivery. We are currently delivering tens of thousands of chips a month, progressing to 100,000 a month, then over 200,000 a month to deliver 3 to 5 million chips a year. We continue to invest in research & development on our chips, to improve both quality and efficiency of chip delivery. We experienced some delay in chip delivery towards the end of the calendar year, but our supply of chips is now strong to our existing customers including Labcon. We have 35 developer kids in the market place, and are well positioned to convert

these into clients. We continue to work hard on our quality processes – including ISO 9001. Our cash position is strong and we have a clear and significant runway.

Operating Results

The consolidated loss of the Group for the half year after providing for income tax amounted to \$2,226,379 (2018: loss of \$1,236,661).

The consolidated net loss of the Group increased by 80.03% from \$1,236,661 to \$2,226,379

Income

Revenue recognised from sales of the Group's products and licences received for the half year was \$141,251 (2018: \$225,082) whilst receipts from customers improved significantly by 317.05% from \$171,148 to \$713,775. Other income for the half year was \$1,038,363 (2018: \$438,049), representing an increase of 137.04%. This was mainly attributable to an increase in Research and Development (R&D) tax incentive receivable of \$970,000 for the 6 months period (2018: \$430,000) arising from the increased in R&D activities.

Expenses

Included in the half year result were total expenses for the period of \$3,405,993 (2018: \$1,899,792). The increase in expenses of 79.28% for the half year result was largely attributable to an increase in research and development expenses of \$1,185,696 to \$1,383,478 (2018: \$197,782) arising from increased R&D activity for improvement to the chips, and scalability of chip production and readers to address market feedback.

Auditors Review Report

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



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
Managing Director

25 February 2020



BLUECHIP LIMITED

ABN 79 104 795 922

**Half Year Financial Report
For the six-month period ended
31 December 2019**

Bluechiip Limited

ABN 79 104 795 922

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Bluechiip Limited

ABN 79 104 795 922

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

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

Principal place of business

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

Share registry

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

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

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Victoria 3000

Website

www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

For the half year ended 31 December 2019

Your directors submit their report for the half year ended 31 December 2019.

Directors

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

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Andrew Cox	Non-Executive Director

Principal Activities

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

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

Operating and Financial Review

Operating Results

The consolidated loss of the Group for the half year after providing for income tax amounted to \$2,226,379 (2018: loss of \$1,236,661).

The consolidated net loss of the Group increased by 80.03% from \$1,236,661 to \$2,226,379.

Income

Revenue recognised from sales of the Group's products and licences received for the half year was \$141,251 (2018: \$225,082) whilst receipts from customers improved significantly by 317.05% from \$171,148 to \$713,775. Other income for the half year was \$1,038,363 (2018: \$438,049), representing an increase of 137.04%. This was mainly attributable to an increase in Research and Development (R&D) tax incentive receivable of \$970,000 for the 6 months period (2018: \$430,000) arising from the increased in R&D activities.

Bluechiip Limited

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Directors' Report (continued)
For the half year ended 31 December 2019

Operating and Financial Review (continued)

Expenses

Included in the half year result were total expenses for the period of \$3,405,993 (2018: \$1,899,792). The increase in expenses of 79.28% for the half year result was largely attributable to an increase in research and development expenses of \$1,185,696 to \$1,383,478 (2018: \$197,782) arising from increased R&D activity for improvement to the chips, and scalability of chip production and readers to address market feedback.

Dividends

No dividends were paid or declared since the start of the financial year (2018: Nil).

Events during the Half Year

In October 2019, Bluechiip successfully completed a placement of 31,171,669 new ordinary shares at an issue price of \$0.15 per ordinary share which raised \$4.676 million before share issue costs.

Subsequently, in November 2019 the Company completed its capital raise via Share Purchase Plan (SPP) and successfully raised \$4.495 million before costs through the issuance of 29,964,947 new ordinary shares in Bluechiip at an issue price of \$0.15 per ordinary share in Bluechiip.

Events after Balance Date

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

Basis of Preparation

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

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

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Directors' Report (continued)
For the half year ended 31 December 2019

Auditor independence declaration

The directors received the declaration set out on page 22 of this report from the auditor of Bluechiip Limited.

Signed in accordance with a resolution of the directors.



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 25 February 2019

Bluechiip Limited

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Condensed consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	8,705,165	3,849,113
Trade and other receivables	8	1,080,846	1,864,946
Other current assets	9	711,138	67,276
Inventory		827,639	585,360
TOTAL CURRENT ASSETS		11,324,788	6,366,695
NON-CURRENT ASSETS			
Term Deposit	7	2,028,162	27,755
Plant and equipment		66,510	125,817
TOTAL NON-CURRENT ASSETS		2,094,672	153,572
TOTAL ASSETS		13,419,460	6,520,267
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	940,632	732,827
Employee entitlements		100,476	100,476
TOTAL CURRENT LIABILITIES		1,041,108	833,303
NON-CURRENT LIABILITIES			
Employee entitlements		88,931	88,931
TOTAL NON-CURRENT LIABILITIES		88,931	88,931
TOTAL LIABILITIES		1,130,039	922,234
NET ASSETS		12,289,421	5,598,033
EQUITY			
Issued capital	11	42,406,319	33,441,167
Reserves	12	4,924,879	4,972,264
Accumulated losses		(35,041,777)	(32,815,398)
TOTAL EQUITY		12,289,421	5,598,033

Bluechiip Limited

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Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue from operating activities	3	141,251	225,082
Cost of Sales		(104,707)	(87,915)
Gross Profit		36,544	137,167
Other income	4	1,038,363	438,049
Employee benefits expense		(963,402)	(919,640)
Business development		(231,770)	(192,214)
Depreciation and amortisation		(63,024)	(8,979)
Research and Development		(1,383,478)	(197,782)
Patent costs		(24,649)	(16,657)
Travel and accommodation		(47,538)	(36,898)
Occupancy costs		(34,028)	(33,709)
Legal and professional fees		(147,852)	(135,596)
Share based payment expense - options		(66,159)	(37,475)
Finance costs		-	(29,589)
Other expenses	5	(339,386)	(203,338)
Loss before income tax		(2,226,379)	(1,236,661)
Income tax		-	-
Net loss after income tax		(2,226,379)	(1,236,661)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(2,226,379)	(1,236,661)
Earnings/(loss) per share			
Basic losses per share (cents)	6	(0.41)	(0.26)
Diluted losses per share (cents)	6	(0.41)	(0.26)

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Condensed consolidated Statement of Changes in Equity

For the Half Year Ended 31
December 2019

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2019		33,441,167	4,972,264	(32,815,398)	5,598,033
Transactions with owners in their capacity as owners					
Shares issued during the period	11	9,170,500	-	-	9,170,500
Transaction costs on shares issued	11	(318,892)	-	-	(318,892)
Performance rights exercised	12	113,544	(113,544)	-	-
Share based payments	12	-	66,159	-	66,159
		8,965,152	(47,385)	-	8,917,767
Comprehensive income					
Loss for the period		-	-	(2,226,379)	(2,226,379)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(2,226,379)	(2,226,379)
At 31 December 2019		42,406,319	4,924,879	(35,041,777)	12,289,421

For the Half Year Ended 31
December 2018

	Note	Ordinary Shares \$	Employee Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2018		26,316,085	4,871,034	(29,557,402)	1,629,717
Transactions with owners in their capacity as owners					
Shares issued during the period	11	7,452,404	-	-	7,452,404
Transaction costs on shares issued	11	(414,540)	-	-	(414,540)
Performance rights exercised	12	87,218	(87,218)	-	-
Share based payments	12	-	37,475	-	37,475
		7,125,082	(49,743)	-	7,075,339
Comprehensive income					
Loss for the period		-	-	(1,236,661)	(1,236,661)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(1,236,661)	(1,236,661)
At 31 December 2018		33,441,167	4,821,291	(30,794,063)	7,468,395

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Condensed consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2019

	December 2019 \$	December 2018 \$
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	713,775	171,148
Payments to suppliers and employees	(3,936,369)	(2,095,500)
Interest income received	6,892	7,773
Interest paid	-	(29,589)
R&D tax incentive received	1,233,065	-
Net cash flows used in operating activities	<u>(1,982,637)</u>	<u>(1,946,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of a term deposit	(2,000,000)	-
Purchase of property, plant and equipment	(4,089)	(23,150)
Net cash flows used in investing activities	<u>(2,004,089)</u>	<u>(23,150)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	9,170,500	7,452,404
Transaction costs on share issue	(327,722)	(412,656)
Repayment of borrowings	-	(600,000)
Net cash flows from financing activities	<u>8,842,778</u>	<u>6,439,748</u>
Net increase in cash held	4,856,052	4,470,430
Cash and cash equivalents at beginning of period	3,849,113	1,172,047
Cash and cash equivalents at end of period	<u><u>8,705,165</u></u>	<u><u>5,642,477</u></u>

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Notes to the Condensed Consolidated Financial Statements For the Half Year Ended 31 December 2019

Note 1 Basis of preparation and Accounting Policies

Statement of Compliance

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of Preparation

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

The Group has adopted all of the new and revised standards issued by the Australian Accounting Standards Board and amendments that are relevant to its operations and effective for the half year:

Revenue Recognition

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

Licence Income

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

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.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Basis of Preparation (continued)

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 Group has applied all of the new and revised accounting standards and interpretations issued by the AASB that are relevant to its operations for the half year. These are noted below.

AASB 16 Leases

The Group has adopted the new lease accounting standard AASB 16 Lease from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to:

- Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value;
- Recognise amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

The Group applied the practical expedient in assessing its premises lease which is less than 12 months. The Group holds no other leases and therefore the adoption of AASB 16 had no impact on the half-year accounts.

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment from 1 July 2019. The adoption of Interpretation 23 does not have a material impact on the financial statements of the Group.

At the date of authorisation of the financial report, 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.

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

The Directors of the Group do not anticipate that the adoption of these amendments will have a material impact in future periods on the financial statements of the Group.

Standard/Amendment	Effective for Annual Reporting	Expected to be initially applied in the financial year
ASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021
ASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021
AASB 2018-1 Annual Improvements 2015-2017 Cycle	1 January 2020	30 June 2021

Going Concern

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

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

Note 2 Operating segments

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

Bluechip Limited

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Note 3 Revenue from operating activities

	31 December 2019 \$	31 December 2018 \$
Gross revenue from sale of products	169,252	225,890
Trade discounts	(28,001)	(808)
Net revenue from sale of products	141,251	225,082

Note 4 Other Income

Other income		
- Interest income	35,431	8,049
- R&D tax incentive	1,002,932	430,000
Total other income	1,038,363	438,049

Note 5 Other Expenses

Expense information:

Share registry, administration and secretarial	84,639	48,878
Packaging and delivery	37,120	21,790
Insurance	25,040	23,381
Advertising and branding	19,108	45,704
Telecommunication	8,187	7,154
Computer expenses	37,654	22,793
Quality Management System	23,568	-
Contract staff	57,169	-
Other	46,901	33,638
Total Other Expenses	339,386	203,338

Note 6 Earnings per share

	31 December 2019 \$	31 December 2018 \$
Earnings used to calculate basic and dilutive EPS	(2,226,379)	(1,236,661)
	No.	No.
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the half year – number used in calculating basic EPS	543,415,761	468,691,548

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

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Note 7 Cash and Cash Equivalents & Term Deposit

	31 December 2019	30 June 2019
	\$	\$
Current assets – Cash and Cash Equivalents		
Cash at bank	8,705,165	1,849,113
Term Deposit (a)	-	2,000,000
	<u>8,705,165</u>	<u>3,849,113</u>
Non-current assets		
Term Deposit (b)	28,162	27,755
Term Deposit (c)	2,000,000	-
	<u>2,028,162</u>	<u>27,755</u>

- (a) Relates to a term deposit placed with a bank and designated as cash expected to be utilised within 12 months, therefore designated as a cash equivalents.
- (b) Term Deposit with a bank held as security for a credit card facility.
- (c) Relates to a term deposit placed with a bank and designated as cash expected to be utilised after 12 months.

Note 8 Current Assets – Trade and Other Receivables

	31 December 2019	30 June 2019
	\$	\$
Trade receivables	110,846	664,946
R&D tax off-set receivable	970,000	1,200,000
	<u>1,080,846</u>	<u>1,864,946</u>

Note 9 Other Current Assets

Prepayments	62,091	36,159
Other debtors	56,000	31,117
Advance Payment (a)	593,047	-
	<u>711,138</u>	<u>67,276</u>

- (a) This advance payment represents balance of payments made to the manufacturer for the purchase of raw materials to manufacture the Company's development and production of chips.

Note 10 Trade and Other Payables

	31 December 2019	30 June 2019
	\$	\$
Trade payables	831,665	631,860
Sundry payables and accrued expenses	101,268	93,268
Unearned Income	7,699	7,699
	<u>940,632</u>	<u>732,827</u>

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Note 11 Issued Capital	31 December 2019	30 June 2019
	\$	\$
Opening Balance at reporting period/financial year	33,441,167	26,316,085
Shares issued during the 6-month period (i):		
- Issue of ordinary shares pursuant to the 2018 Placement	-	5,500,000
- Issue of ordinary shares pursuant to the 2018 SPP	-	1,952,404
- Transaction cost for shares issued pursuant to the 2018 Placement and 2018 SPP	-	(414,540)
- Issue of ordinary shares pursuant to the 2019 Placement	4,675,750	-
- Issue of ordinary shares pursuant to the 2019 SPP	4,494,750	-
- Transaction cost for shares issued pursuant to the 2018 Placement and 2018 SPP	(318,892)	-
Performance Rights exercised during the period:		
- Issue of ordinary shares to the Managing Director pursuant to exercise of Performance Rights 2015 (June 2019: Tranche 2)	-	21,374
- Issue of ordinary shares to Managing Director and employees pursuant to exercise of Tranche 3 Performance Rights 2016 (June 2019: Tranche 2)	44,759	40,674
- Issue of ordinary shares to Managing Director pursuant to exercise of Tranche 1 Performance Rights 2017 (June 2019: -)	18,633	-
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 and 2 Performance Rights 2017 (June 2019: Tranche 1)	30,566	25,170
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 Performance Rights 2017 (June 2019: -)	19,586	-
Issued share capital during the period/financial year	<u>8,965,152</u>	<u>7,125,083</u>
Closing Balance at reporting period/financial year	<u>42,406,319</u>	<u>33,441,167</u>

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

- Placement 31,171,669 new ordinary shares issued at \$0.15 per ordinary share to sophisticated and professional investors with \$4.676 million proceeds fully received (2019 Placement);
- Share Purchase Plan to its existing shareholders with total proceeds of \$4.495 million raised comprising 29,964,947 new ordinary shares issued at \$0.15 per ordinary share (2019 SPP);
- 2,224,000 shares issued to Managing Director and employees pursuant to exercise of 2,224,000 Performance Rights 2016 Tranche 3;
- 1,000,000 shares issued to Managing Director and 990,000 shares issued to employees pursuant to exercise of 1,000,000 Performance Rights 2017 Tranche 1 and 990,000 Performance Rights 2017 Tranche 2 respectively; and
- 534,796 shares issued to employees pursuant to exercise of 534,796 Performance Rights 2018 Tranche 1

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Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Note 11 Issued Capital (continued)

(a) Number of Ordinary Shares	31 December 2019 No.	30 June 2019 No.
At the beginning of the reporting period/financial year	527,162,235	397,033,377
Shares issued during the period:		
- Issue of ordinary shares pursuant to the 2018 Placement	-	93,220,339
- Issue of ordinary shares pursuant to the 2018 SPP	-	33,091,519
- Issue of ordinary shares pursuant to the 2019 Placement	31,171,669	-
- Issue of ordinary shares pursuant to the 2019 SPP	29,964,947	-
- Issue of ordinary shares to the Managing Director pursuant to exercise of Performance Rights 2015 (June 2019: Tranche 2)	-	375,000
- Issue of ordinary shares to the Managing Director and employees pursuant to exercise of Tranche 3 Performance Rights 2016 (June 2019: Tranche 2)	2,224,000	2,188,000
- Issue of ordinary shares to the Managing Director pursuant to exercise of Tranche 1 Performance Rights 2017 (June 2019: -)	1,000,000	-
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 and 2 Performance Rights 2017 (June 2019: Tranche 1)	990,000	1,254,000
- Issue of ordinary shares to employees pursuant to exercise of Tranche 1 Performance Rights 2017 (June 2019: -)	534,796	-
Total shares issued during the period/financial year	<u>65,885,412</u>	<u>130,128,858</u>
Total issued and fully paid ordinary shares	<u>593,047,647</u>	<u>527,162,235</u>

Bluechip Limited

ABN 79 104 795 922

Notes to the Condensed Consolidated Financial Statements (continued) For the Half Year Ended 31 December 2019

Note 11 Issued Capital (continued)

As at 31 December 2019, there were no options outstanding (30 June 2019: Nil).

As at 31 December 2019, there were 10,394,679 (30 June 2019: 15,143,475) performance rights on issue and remain outstanding.

Note 12 Employee Equity Benefits Reserve

	31 December 2019 \$	30 June 2019 \$
Opening balance	4,972,264	4,871,034
Share based expense	66,159	188,448
Performance Rights exercised:		
- 375,000 Tranche 2 Performance Rights 2015	-	(21,374)
- 2,224,000 Tranche 3 Performance Rights 2016	(44,759)	(40,674)
- 1,990,000 Tranche 1 and 2 Performance Rights 2017	(49,199)	(25,170)
- 534,796 Tranche 1 Performance Rights 2018	(19,586)	-
Performance Rights exercised during the period/financial year	<u>(113,544)</u>	<u>(87,218)</u>
Total Employee Equity Benefits Reserve	<u>4,924,879</u>	<u>4,972,264</u>

Note 13 Related Party Disclosures

Transactions with related parties

There were no transactions with related parties during the period.

Note 14 Commitments

There were no lease commitments as at 31 December 2019 (June 2019: Nil).

Note 15 Contingencies

The Company has no contingent liabilities or contingent assets as at 31 December 2019.

Note 17 Events After the Balance Sheet Date

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

Bluechiip Limited

ABN 79 104 795 922

Directors' Declaration

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

1. In the opinion of the Directors:
 - (a) The financial statements and notes of Bluechiip Limited for the half year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
 - ii. Complying with Accounting Standard AASB134 Interim Financial Reporting and the *Corporations Regulations 2001*
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made in accordance with a resolution of the directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the board,



Iain Kirkwood
Non-Executive Chairman



Andrew McLellan
CEO/Managing Director

Melbourne, 25 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bluechiip Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bluechiip Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants
Melbourne, 25 February 2020

25 February 2020

Board of Directors
Bluechiip Limited
1 Dalmore Drive
SCORESBY VIC 3179

Dear Board Members

Bluechiip Limited

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

As lead audit partner for the review of the financial report of Bluechiip Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants