BLUECHIIP LIMITED

ABN 79 104 795 922

Annual Financial Report
For the Year Ended 30 June 2016

Bluechiip Limited
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Bluechiip Limited
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Corporate Information

Directors

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

Company Secretary
Mr Lee Mitchell

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Share registry
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Sydney NSW 2001
Phone: +612 9290 9600
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Bluechiip Limited shares are listed on the Australian Stock Exchange (ASX: BCT).

Bankers
National Australia Bank Limited
Melbourne, Victoria 3000

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Website
www.bluechiip.com

Bluechiip Limited

ABN 79 104 795 922

Directors' Report

30 June 2016

Your Directors submit their report for the year ended 30 June 2016.

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.

Names, qualifications, experience and special responsibilities

Iain M Kirkwood - Non-Executive Chairman
Qualifications: MA (Hons) Oxon, FCPA, MAICD

Appointed to the Board in November 2007, Mr Kirkwood serves as Chairman. He was appointed as Executive Chairman on 28 January 2014 and reverted to the role of Non-Executive Chairman on 1 July 2014. 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. He held a range of senior financial and general management positions in 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:

- Avexa Limited (Appointed 9 August 2010)
- MHM Metals Limited (Appointed 13 February 2013, Resigned 23 March 2015)
- Vision Eye Institute Limited (**VEI**) (VEI was removed from the official list of ASX on 15 December 2015) (Appointed 15 November 2004)

Mr Andrew McLellan - Managing Director and CEO
Qualifications: MBA, B Eng (Hons), GAICD

Appointed as Managing Director and CEO on 27 January 2015. Mr McLellan 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. Mr McLellan 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. Mr McLellan 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).

During the past three (3) years he has also served as a Director of Advanced Manufacturing Co-operative Research Center (AMCRC).

Directors (Cont'd)

Michael Ohanessian - Non-Executive Director
Qualifications: B Eng, MBA

Appointed to the Board on 15 December 2014. Mr Ohanessian is currently the CEO and Managing Director of Praemium Limited. Mr Ohanessian 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, Mr Ohanessian 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.

Mr Ohanessian 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.

During the past three (3) years he has also served as a Director of Praemium Limited (Appointed March 2012).

Matthew Morgan – former Non-Executive Director (resigned on 17 March 2016)
Qualifications: MBA, B Com, B App Sc, Kauffman Fellow

Company Secretary

Lee Mitchell
Qualifications: BA, LLM (Melb)

Lee is a partner at Convergence Legal, a full service commercial law firm based in Melbourne, Victoria. Prior to this he was a partner at Logie-Smith Lanyon. 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.

Bluechiip Limited

ABN 79 104 795 922

Directors' Report (continued)

30 June 2016

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 and performance rights of Bluechiip Limited were:

	Number of ordinary shares	Number of performance rights over ordinary shares
Iain Kirkwood	14,353,307	-
Andrew McLellan	548,000	1,500,000
Michael Ohanessian	2,037,427	-

Other than 1,500,000 performance rights (zero exercise price options) issued to the CEO, Andrew McLellan on 27 April 2015, there was no options granted to Directors. Further details of the performance rights and the terms are set out in 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 (2015:Nil). No recommendation for payment of dividends has been made.

Principal Activities

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

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

Operating and Financial Review

Operating Results

The consolidated loss of the Group for the financial year after providing for income tax amounted to $1,676,983 (2015: loss of $1,911,688).

Results of operations

The Company recognised net revenue totalling $155,718 (2015: $33,856) during the year contributed from licence income received and the sale of products.

Other income decreased from $700,935 to $682,911 mainly due to a lower interest income received during the year.

Loss before income tax decreased from $1,911,688 to $1,676,983 resulted from:

- the improvement in the gross profit mainly contributed by the licence income received during the year of $100,000; and

- lower operating expenses incurred of $2,490,030 (2015: $2,525,189) attributed mainly to:

  - Lower research and development expenses - $315,422 (2014: $634,868); and
  - Lower consultancy fees - $86,715 (2015:$182,483)

  due to the reduction in the use of external services, as these activities were brought in-house during the year.

Capital structure

During the financial year ended 30 June 2016, the following material movements in share capital occurred:

- In November 2015, 1,811,011 new ordinary fully paid shares were issued as part of the placement completed on 22 April 2015. The shares were the commitment by Mr Iain Kirkwood and Mr Michael Ohanessian in aggregate which were only issued subsequent to the shareholders' approval at the 2015 AGM.
- In December 2015, the Company completed a capital raising of $450,000 to sophisticated and professional investors via a placement comprising 11,250,000 new ordinary fully paid shares at an issue price of $0.04 per ordinary share. In addition, in February 2016, the Company also completed the Share Purchase Plan (**SPP**) which raised $240,000 from eligible existing Bluechiip's shareholders in Australia and New Zealand through the issuance of 8,421,066 ordinary fully paid shares in the Company at $0.0285 per ordinary share. A further $125,000 was received in March 2016 for the shortfall arising from the SPP at an issue price of $0.0285 per ordinary share via the issuance of 4,385,965 new ordinary fully paid shares.
- In May 2016, the Company completed a capital raising of $180,030 at an issue price of $0.0225 per share via a placement to sophisticated investors via a placement of 8,001,336 new ordinary fully paid shares.
- Capitalised share issue costs relating to the placements and SPP above totalled $47,007 and have been offset against the issued capital.

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

On 15 August 2016, the Company announced that it intends to raise up to $1.51 million via a Non Renounceable Rights Issue on the basis of one (1) new ordinary share offered for every three (3) existing ordinary shares held on record date of 22 August 2016 at a subscription price of $0.022 per share (**Rights Issue**). The Rights Issue is offered to eligible shareholders being persons who are registered holders of Bluechiip ordinary shares and have a registered address in Australia or New Zealand. The Rights Issue was opened for subscription on 25 August 2016 and closed on 16 September 2016. $1.5 million was raised from the Rights Issue.

On 1 September 2016, the Company entered into a R&D Tax Prepayment Loan Facility Agreement with R&D Capital Partners Pty Ltd for a loan facility of $150,000 secured by R&D tax incentive 2016/2017 (R&D Tax Prepayment Loan). The R&D Tax Prepayment Loan was fully drawn down on 5 September 2016. An interest rate of 15% per annum is calculated and payable monthly on the drawn down amount of the Loan Facility.

On 15 September 2016, the Company entered into a non-exclusive Licence and Supply Agreement (**Licence Agreement**) and Master Services Agreement (**Master Services Agreement**) with Planet Innovation. The Licence Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology in the field of systems and devices for the handling, storage or monitoring of medical biological products or samples. Bluechiip is to sell its technology products including tags, readers and software to Planet Innovation and Planet Innovation is to commit minimum annual development expenditure alternatively to minimum annual purchasing obligations. The Master Services Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology whilst retain all rights in its core technology and intellectual property.

Except for the above, there were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in future financial periods.

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 Consolidated Financial Statements.

The audit opinion prepared by the independent auditor EY is not subject to any dispute or qualification, but is subject to an emphasis of matter paragraph regarding continuation of the Group as a going concern.

Likely Developments and Expected Results

The year ahead will focus on pursuing the existing pipeline of Original Equipment Manufacturers (**OEM**) partners to translate into sales and pursuing further market and product opportunities which benefit from Bluechiip's unique technology. Bluechiip will continue with its strategy to work with OEM partners to integrate Bluechiip technology in OEM products. This is complemented by the launch of the Bluechiip Developer Kit released for OEM partner development. Bluechiip will also collaborate with OEM partners with the expected release of multi vial reader technology in the near future to address the demand for the portable and high volume biobanking sector.

Funds generated and raised will be used for working capital requirements with a clear focus on sales, marketing and business development activities, including collaborative research and development activities with OEM players.

The Company's strategies above take into account the expected operating and market conditions. Bluechiip is exposed to a range of financial, market and operational risks and predicting future operating and market conditions is inherently uncertain. The material risks that could affect the Company's financial prospects noted above may include the Company not being able to source sufficient funding for its commercialisation program, not being able to adequately protect its knowhow, expertise and trade secrets, difficulty in manufacturing its products at a commercially attractive price or competitors may develop products that are more effective or prove to be more readily acceptable by customers than those developed by the Company.

The Company has in place risk management and internal control systems to manage material risks.

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 this report was signed, there were no unexercised options over ordinary shares or shares issued on the exercise of options or rights.

As at the date of this report was signed, there were 1,500,000 unexercised performance rights (zero exercise price options) over ordinary shares. Further details of the performance rights and the 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. However it is intended that the Company will indemnify the Directors and Company Secretary against any liability incurred while discharging their duties and obligations – subject to Part 20.2 of 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 against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The total amount of Directors & Officers Liability insurance contract premiums paid was $18,334 (2015: $19,412).

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, 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 Ernst & Young during or since the financial year.

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 & Nomination committee meetings[(i)]**		**Audit committee meetings**	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Number of meetings held	12	-	-	-	2	-
I Kirkwood	12	12	-	-	2	2
A McLellan	12	12	-	-	-	-
M Morgan (resigned on 17 March 2016)	7	7	-	-	2	2
M Ohanessian	12	12	-	-	2	2

(i) During the year, Remuneration and Nomination committee matters were dealt with in meetings of Directors – but with executive personnel absent.

Committee membership

As at the date of this report, the Company had an Audit committee and a Remuneration and Nomination committee of the Board.

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

Audit	Remuneration and Nomination
Iain Kirkwood (Chairman) (Appointed Chairman 18 March 2016)	Mr Michael Ohanessian (Chairman)
Michael Ohanessian	Iain Kirkwood
Matthew Morgan (former Chairman) (Resigned 17 March 2016)	Matthew Morgan (Resigned 17 March 2016)

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

During the year, EY provided non-audit services relating to Bluechiip's R&D tax off-set financing transaction. Fees for these services were $10,750 (2015: $7,500). 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.

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Auditor's Independence Declaration to the Directors of Bluechiip Limited

As lead auditor for the audit of Bluechiip Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

David J Petersen
Partner
Melbourne
23 September 2016

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 and includes all the executives in the Company. For the purposes of this report, the term "executive" includes the interim CEO/CSO and senior executives but does not include the non-executive Directors or the secretary of the Company.

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

Mr Iain Kirkwood	Non-Executive Chairman
Mr Andrew McLellan	CEO/Managing Director
Mr Michael Ohanessian	Non-Executive Director
Mr Matthew Morgan	Non-Executive Director – resigned 17 March 2016

There have been no changes to KMP after the reporting date and before the date of this report.

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 three 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 at http://www.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. During the year, some Remuneration and Nomination Committee matters were dealt with in meetings of Directors, but with executive personnel absent.

Bluechiip's remuneration strategy is designed to attract, motivate and retain employees and NEDs 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.

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 (continued)

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, but does from time to time engage remuneration consultants where considered necessary.

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 per cent 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.

Performance linked Compensation (continued)

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 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 equal to 25% of the CEO's base remuneration package.

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

An amount of $24,107 (2015: 4,227) has been recognised in the 2016 financial year by way of share based payment expense. This is in respect of performance rights (unvested) issued for performance incentives achieved based on KPIs set for the 2016 financial year.

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, Mr 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 $275,000 including superannuation;
- Short-term Incentive of a cash being up to 25% of annual base salary payable on the achievement of agreed performance targets;

Chief Executive Officer (continued)

- Long-term Incentive being the grant of 1,500,000 performance rights each entitling Mr McLellan to acquire one fully paid share in the Company for a nil exercise price (**Performance Rights**). Vesting of the Performance Rights are subject to achievement of performance conditions relating to TSR and agreed financial targets over the measurement period (27 January 2015 to 27 January 2018)

	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.

- All other KMP are or were employed under contracts with the following common terms and conditions:
  - combination of twelve (12) months fixed terms and/or no fixed term and no termination payment prescribed;
  - terminable by either party on the giving of one (1) month notice in writing; and
  - the Company may terminate any contract for cause as defined.

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 performance measures,

The Company uses a combination of absolute total shareholder return (**TSR**) and commercial targets (**CS Targets**) as the performance measure for the LTI plan. The details of the performance measures are as follow:

Performance Measure	**Rules**
TSR performance targets	The TSR hurdle in relation to the TSR Rights is based on the TSR of Bluechiip securities measured over the Performance periods. Performance has regard to the starting share price of $0.08 per share as at 27 January 2015 and the 30 day Volume Weighted Average Price (**VWAP**) as at 30 June 2017 for TSR-1 and 30 June 2018 for TSR-2.
CS performance targets	The CS hurdle is based on Bluechiip achieving commercial sales and royalty income targets over the Performance periods.

A total of 1,500,000 Performance Rights were granted subsequent to shareholders approval to Mr McLellan. The Performance Rights have been issued in two tranches of 750,000 (i.e. a total of 1,500,000 Performance Rights).

Variable Compensation – Long-term Incentive (LTI) (continued)

Tranche 1 Performance Rights

Grant Date: 27 April 2015

Vesting Date: 27 January 2017 (subject to achievement of Performance Targets)

Performance Period: 27 January 2015 to 27 January 2017

Expiry Date: 27 April 2020

Performance Targets:

50% of the Tranche 1 Performance Rights will vest based on achievement of CS Targets.

The balance of the Tranche 1 Performance Rights will vest based on the TSR of Bluechiip shares over the Performance Period having regard to a starting value of $0.08 per share as at 27 January 2015 (**TSR-1**). The vesting schedule is as follows:

Bluechiip TSR-1	Percentage of Performance Rights Vesting
Less than 150%	0%
150% or more but less than or equal to 250%	Vest progressively on a pro rata basis from 50% to 100%
Greater than 250%	100%

Tranche 2 Performance Rights

Grant Date: 27 April 2015

Vesting Date: 27 January 2018 (subject to achievement of Performance Targets)

Performance Period: 27 January 2015 to 27 January 2018

Expiry Date: 27 April 2020

Performance Targets:

50% of the Tranche 2 Performance Rights will vest based on achievement of CS Targets

The balance of the Tranche 2 Performance Rights will vest based on the TSR of Bluechiip shares over the Performance Period having regard to a starting value of $0.08 per share as at 27 January 2018 (**TSR-2**). The vesting schedule is as follows:

Bluechiip TSR-2	Percentage of Performance Rights Vesting
Less than 250%	0%
250% or more but less than or equal to 375%	Vest progressively on a pro rata basis from 50% to 100%
Greater than 375%	100%

2016:

No options were issued to Directors or KMP in the financial year ended 30 June 2016.

2015:

1,500,000 performance rights (zero exercise price options) were issued to the CEO on 27 April 2015 on the terms specified above. No other performance rights or options were issued to Directors or KMP in the financial year ended 30 June 2015.

Variable Compensation – Long-term Incentive (LTI) (continued)

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 the amount approved by shareholders is then divided between the Directors as agreed by the Board. An amount of $500,000 was approved at the Company's Annual General Meeting held on 10 November 2011.

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 2016 and 30 June 2015 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 following compensation tables were exercised during the 2015 and 2016 financial years.

In the following tables, 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 valuation model that takes into account the market performance hurdles and vesting period related to those performance rights. 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.

Other transactions and balances with KMP

In November 2015, 1,811,011 new ordinary fully paid shares were issued as part of the placement completed on 22 April 2015. The shares were the commitment by Mr Iain Kirkwood and Mr Michael Ohanessian in aggregate which were only issued subsequent to the shareholders' approval at the 2015 AGM.

Remuneration of Key Management Personnel

2016:

	Short-term Benefits			Post-Employment:	Long-term Benefits	Share-based Payments:		Termination/ Resignation payment		
	Salary and fees	Non-cash Benefits (##)	Bonuses/ Incentives	Superannuation Contributions	Long Service Leave	Shares	Options/ Performance Rights		Total Compensation	% of remuneration paid as performance based
	$	$	$	$	$	$	$	$	$	
Directors										
Non-executive										
Iain Kirkwood (#)	70,000	-	-	-	-	-	-	-	70,000	-
Michael Ohanessian (#)	40,000	-	-	-	-	-	-	-	40,000	-
Matthew Morgan(i)	24,795	-	-	-	-	-	-	-	24,795	-
Executive										
Andrew McLellan *	234,610	16,532	-	23,858	4,596	-	24,107	-	303,703	7.9%
Total Director and Key Management Personnel Compensation	369,405	16,532	-	23,858	4,596	-	24,107	-	438,498	5.5%

(i) Resigned 17 March 2016.
(#) Included in the salary and fees are Director's fee owing as at 30 June 2016 to Mr Iain Kirkwood and Mr Michael Ohanessian of $25,667 and $13,333 respectively.
(##)This relates to monthly novated lease payment made on behalf of Andrew McLellan.
* 1,500,000 performance rights (zero exercise price options) were granted to Andrew McLellan as part of the Long-term Incentive. An amount of $24,107 has been recognised in the 2015 by way of share based payment expense in respect of the Performance Rights. Further details of the Performance Rights and the terms are set out in the Variable Compensation - LTI section.

Remuneration of Key Management Personnel (continued)

2015:

	Short-term Benefits			Post-Employment:	Long-term Benefits	Share-based Payments:		Termination/ Resignation Payment		
	Salary and fees	Non-cash Benefits	Bonuses/ Incentives	Superannuation Contributions	Long Service Leave	Shares	Options/ Performance Rights		Total Compensation	% of remuneration paid as performance based
	$	$	$	$	$	$	$	$	$	
Directors										
Non-executive										
Iain Kirkwood	70,000	-	-	-	-	-	-	-	70,000	0.0%
Matthew Morgan	35,004	-	-	-	-	-	-	-	35,004	0.0%
Michael Ohanessian (i)	20,000	-	-	-	-	-	-	-	20,000	0.0%
Joe Baini (ii)	2,917	-	-	-	-	-	-	-	2,917	0.0%
Ron Finkel (ii)	2,917	-	-	-	-	-	-	-	2,917	0.0%
Executive										
Andrew McLellan (iii)#*	99,194	8,889	-	10,268	1,921	-	4,227	-	124,499	3.4%
Dr Jason Chaffey (iv) **	79,582	-	-	10,173	-	-	-	54,239	143,994	0.0%
Total Director and Key Management Personnel Compensation	309,614	8,889	-	20,441	1,921	-	4,227	54,239	399,331	1.1%

(i) Appointed 15 December 2014.
(ii) Resigned 1 August 2014.
(iii) Appointed 27 January 2015
(iv) Jason Chaffey resigned from Bluechiip as CEO and Managing Director on 14 November 2014.
This relates to monthly novated lease payment made on behalf of Andrew McLellan.
* 1,500,000 performance rights were granted to Andrew McLellan in 2015 as part of the Long-term Incentive. An amount of $4,227 has been recognised in 2015 by way of share based payment expense in respect of the Performance Rights. Further details of the Performance Rights and the terms are set out in the Variable Compensation - LTI section.
** Not included in the remuneration of Jason Chaffey is a fee paid to Lumicyn Pty Ltd, a company owned by Jason Chaffey for provision of advisory service to Bluechiip for a period from 19 November 2014 to 17 December 2014 after his resignation.

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Remuneration Report (audited) (continued)

30 June 2016

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

2016:

There were no other performance rights or options granted as compensation during the financial year to any other person in the Directors' and KMP's compensation table. There were no alterations and modifications to existing terms and conditions during the year ended 30 June 2016.

2015:

Other than 1,500,000 performance rights granted to Andrew McLellan, there were no options granted as compensation during the financial year 2015 to any other person in the Directors' and KMP's compensation table. Further details of the performance rights and the terms are set out in the Variable Compensation – Long-term Incentive section of the remuneration report. During the financial year 2015 no Performance Rights held by this person lapsed. There were no alterations or modifications to existing terms and conditions during the year ended 30 June 2015.

Shares Issued on Exercise of Options

Since the end of the financial year up to the date of this report no options have been exercised.

Additional disclosures relating to options and 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 1 July 2015	Granted as remuneration	Purchased during year	On exercise of options/ performance rights	Net change other	Balance at 30 June 2016
I Kirkwood (i)	9,344,127	-	5,009,180	-	-	14,353,307
A McLellan	348,000	-	200,000	-	-	548,000
M Ohanessian(ii)	-	-	2,037,427	-	-	2,037,427
M Morgan(iii)	250,000	-	-	-	(250,000)	-
Total	9,942,127	-	7,246,607	-	(250,000)	16,938,734

(i) Shares purchased during the year include 699,900 fully paid ordinary shares issued as part of the placement completed on 22 April 2015. The shares were the commitment by Mr Iain Kirkwood which were only issued subsequent to the shareholders' approval at the 2015 AGM.

(ii) Shares purchased during the year include 1,111,111 fully paid ordinary shares issued as part of the placement completed on 22 April 2015. The shares were the commitment by Mr Michael Ohanessian which were only issued subsequent to the shareholders' approval at the 2015 AGM.

(iii) Resigned on 17 March 2016. The number of shares held on 17 March 2016 at the time of resignation was 250,000.

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Remuneration Report (audited) (continued)

30 June 2016

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:

							Vested at 30 June 2016		
	Balance at beginning of year 1 July 2015	**Granted as remuneration**	**Net change Other**	**Options Exercised**	**Options Expired #**	**Balance at end of year 30 June 2016**	**Total**	**Exercisable**	**Not exercisable**
30 June 2016									
I Kirkwood	-	-	-	-	-	-	-	-	-
A McLellan	1,500,000	-	-	-	-	1,500,000	-	-	-
M Ohanessian	-	-	-	-	-	-	-	-	-
M Morgan(i)	-	-	-	-	-	-	-	-	-
Total	1,500,000	-	-	-	-	1,500,000	-	-	-

(i) Resigned 17 March 2016.

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.

Measures	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Closing share price at 30 June	$0.26	$0.17	$0.04	$0.05	$0.022
Basic Earnings Per Share (cents)	(3.5)	(3.8)	(2.3)	(1.3)	(0.9)
Dividends	None	None	None	None	None
Loss before income tax	$2,869,685	$3,586,138	$2,555,961	$1,911,688	$1,676,983

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.

Mr Iain Kirkwood
Chairman

23 September 2016

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Corporate Governance

30 June 2016

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 http://www.bluechiip.com/about-us/corporate-governance/.

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Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	487,934	742,803
Trade and other receivables	12	725,764	682,989
Other current assets	13	173,553	178,874
Inventory	14	381,911	377,867
TOTAL CURRENT ASSETS		1,769,162	1,982,533
NON-CURRENT ASSETS			
Property, plant and equipment	15	88,149	109,684
TOTAL NON-CURRENT ASSETS		88,149	109,684
TOTAL ASSETS		1,857,311	2,092,217
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	234,057	344,628
Interest-bearing loans and borrowings	17	503,879	4,857
Employee entitlements	18	49,918	64,137
TOTAL CURRENT LIABILITIES		787,854	413,622
NON-CURRENT LIABILITIES			
Employee entitlements	18	23,628	9,408
TOTAL NON-CURRENT LIABILITIES		23,628	9,408
TOTAL LIABILITIES		811,482	423,030
NET ASSETS		1,045,829	1,669,187
EQUITY			
Issued capital	19	21,373,748	20,344,230
Reserves		4,718,359	4,694,252
Accumulated losses		(25,046,278)	(23,369,295)
TOTAL EQUITY		1,045,829	1,669,187

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Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Revenue from operating activities	6	155,718	33,856
Cost of sales		(25,581)	(121,290)
Other income	7	682,911	700,935
Employee benefits expense		(1,066,028)	(797,672)
Superannuation		(84,220)	(66,448)
Share based payment expense	20	(24,107)	(4,227)
Business development		(122,337)	(97,859)
Depreciation and amortisation	8 (b)	(24,534)	(33,511)
Research and Development		(315,422)	(634,868)
Patent costs		(66,031)	(27,460)
Consultancy fees		(86,715)	(182,483)
Travel and accommodation		(93,797)	(91,460)
Occupancy costs		(57,210)	(55,370)
Legal and professional fees		(257,847)	(235,577)
Finance costs	8 (a)	(41,138)	(48,281)
Other expenses	8 (c)	(250,645)	(249,973)
Loss before income tax		(1,676,983)	(1,911,688)
Income tax	9	-	-
Net loss after income tax		(1,676,983)	(1,911,688)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,676,983)	(1,911,688)
Earnings per share			
Basic earnings (loss) per share (cents)	10	(0.9)	(1.3)
Diluted earnings (loss) per share (cents)	10	(0.9)	(1.3)

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	Note	Ordinary Shares $	Employee Equity Benefits Reserve $	Accumulated Losses $	Total $
At 1 July 2015		20,344,230	4,694,252	(23,369,295)	1,669,187
Transactions with owners in their capacity as owners:					
- Shares issued during the year	19(a)	1,076,525	-	-	1,076,525
- Transaction costs on share issue	19(a)	(47,007)	-	-	(47,007)
- Share-based payment expense		-	24,107	-	24,107
		1,029,518	24,107	-	1,053,625
Comprehensive income:					
- Loss for the year		-	-	(1,676,983)	(1,676,983)
- Other comprehensive income		-	-	-	-
- Total comprehensive loss attributable to members of the entity		-	-	(1,676,983)	(1,676,983)
At 30 June 2016		21,373,748	4,718,359	(25,046,278)	1,045,829

	Note	Ordinary Shares $	Employee Equity Benefits Reserve $	Accumulated Losses $	Total $
At 1 July 2014		17,667,151	4,715,025	(21,457,607)	924,569
Transactions with owners in their capacity as owners:					
- Shares issued during the year	19(a)	2,852,470	(25,000)	-	2,827,470
- Transaction costs on share issue	19(a)	(175,391)	-	-	(175,391)
- Share-based payment expense		-	4,227	-	4,227
		2,677,079	(20,773)	-	2,656,306
Comprehensive income:					
Loss for the year		-	-	(1,911,688)	(1,911,688)
Other comprehensive income		-	-	-	-
Total comprehensive loss attributable to members of the entity		-	-	(1,911,688)	(1,911,688)
At 30 June 2015		20,344,230	4,694,252	(23,369,295)	1,669,187

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		107,207	56,044
Payments to suppliers and employees		(2,445,338)	(2,956,475)
Interest received		4,974	20,199
Interest paid		(11,665)	(14,617)
R&D tax concession received		680,336	625,047
Net cash flows used in operating activities	20	(1,664,486)	(2,269,802)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,999)	-
Net cash flows used in investing activities		(2,999)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		995,030	2,860,167
Transaction costs on share issue		(47,414)	(205,849)
Transaction costs on borrowings		(35,000)	-
Proceeds from borrowings		1,100,000	234,761
Repayment of borrowings		(600,000)	(486,158)
Net cash flows from financing activities		1,412,616	2,402,921
Net increase/ (decrease) in cash held		(254,869)	133,119
Cash and cash equivalents at beginning of financial year		742,803	609,684
Cash and cash equivalents at end of financial year	11	487,934	742,803

Note 1 Corporate Information

The consolidated financial report of Bluechiip Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 23 September 2016.

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 are described in the Directors' Report.

Note 2 Summary of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis and the Group is a for-profit entity.

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

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 that funds obtained or will be obtained from several sources including:

- the R&D Tax Prepayment Loan, which was fully drawn down on 5 September 2016. Further details of the R&D Tax Prepayment Loan (refer to Note 26 for further details);
- sales revenue is anticipated to be generated over the next twelve months;
- grants from the Australian state and federal governments, and from overseas sources which the Group continues to actively pursue;
- receipts from the Federal R&D Tax incentive programme on the basis that the Group continues to qualify for these receipts;
- up-front license fees, milestone payments, co-development or collaboration funding from third party joint ventures may be generated within the next twelve months; and
- raising further capital over the next twelve months (**Capital Raising**), including a Rights Issue announced on 15 August 2016 (refer to Note 26 for further details)

Other than the R&D Tax Prepayment Loan and Capital Raising, the Directors cannot be certain of the success or of the timing of these receipts, however, the Directors will continue to plan the Group's operations on the basis that the sources identified above are in progress and believe that its activities will allow the availability of sufficient funds together with the existing assets, for the Group to operate for a period of not less than twelve months from the date of this financial report.

Note 2 Summary of Significant Accounting Policies (continued)

Basis of Preparation (continued)

Going Concern (continued)

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

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

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

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

(a) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Group has adopted the following amended Australian Accounting Standards and AASB interpretations as at 1 July 2015. The adoption of these standards did not have a material impact on the annual consolidated financial statements of the Group.

Reference	Title	Application date of standard*	Application date for Group*
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various	**1 January 2015**	**1 July 2015**

Reference	Title	Application date of standard*	Application date for Group*
	other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting into AASB 9 Financial Instruments.*		
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	**1 July 2015**	**1 July 2015**

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

Note 2 Summary of Significant Accounting Policies (continued)

Basis of Preparation (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016 are outlined below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139 and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss using the fair value option. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.	1 January 2018	1 July 2018 The Company does not expect this to have a material impact.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 15	Revenue from Contracts with Customers	AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises 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 in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	1 July 2018 The Company has not yet assessed the potential impact of this change
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019 The Company does not expect this to have a material impact on the consolidated financial statement of the Group

Reference	Title	Summary	Application date of standard	Application date for Group
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled	1 January 2018	1 July 2018

Adoption of other standards and amendments that have been issued but are not yet effective is not expected to have a significant impact on the Group's financial report.

Note 2 Summary of Significant Accounting Policies (continued)

(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 2016.

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.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(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

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Note 2 Summary of Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents – refer 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.

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 – refer Note 12 and 13

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Other receivables relate largely to the R&D tax incentive.

Collectability of trade and other receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Amounts paid to manufacturer as advances are recorded as Other Current Assets on the Statement of Financial Position.

(g) Inventories – refer Note 14

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present locations and conditions are accounted for as follows:

Finished goods, raw materials and work in progress: Purchase costs on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Non-current assets – refer 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 Comprehensive Income as incurred.

Note 2 Summary of Significant Accounting Policies (continued)

(h) Non-current assets – refer Note 15 (continued)

(i) Property, Plant and Equipment (continued)

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 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.

(ii) Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of two and a half years and is amortised using the straight line method at 40% per annum.

(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 Comprehensive Income on a straight-line basis over the lease term.

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.

Note 2 Summary of Significant Accounting Policies (continued)

(j) Impairment of non-financial assets (continued)

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.

(l) Trade and other payables – refer Note 16

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid between 30 days and 60 days of recognition.

(m) Interest-bearing loans and borrowings – refer Note 17

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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 the reporting date.

Note 2 Summary of Significant Accounting Policies (continued)

(n) Provisions and Employee Benefits – refer Note 18

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 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.

Employee leave benefits

(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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(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 – refer Note 23

(i) 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).

Note 2 Summary of Significant Accounting Policies (continued)

(o) Share-based payment transactions – refer Note 23 (continued)

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 is determined by an external valuer using a Black-Scholes-Merton model to value the options over the shares, the Binomial Option Pricing Model to estimate the value of the options and Monte Carlo simulation based models to test the likelihood of attaining the performance hurdle.

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 Comprehensive Income is the product of:

(a) The grant date fair value of the award;
(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 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.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

Note 2 Summary of Significant Accounting Policies (continued)

(o) Share-based payment transactions — refer Note 23 (continued)

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 — refer 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 — refer Note 6

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of services and products to purchasers external to the Group. Sales revenue from services is recognised in the Statement of Comprehensive Income when the services are performed, generally on a billing entitlement basis, net of any discounts and matched against related cost incurred. Where fixed price contracts are used, revenue recognition is based on stage of completion. The stage of completion is measured by reference to the labour hours incurred to-date as a percentage of estimated total labour hours. Revenue from the sale of goods is recognised when significant risk and rewards of ownership and title have been transferred to the purchasers. When the Company invoices customers prior to revenue being earned, the gross amount is recorded as deferred revenue in the Statement of financial position and is recognised in the Statement of Comprehensive Income once the revenue recognition criteria is met.

Note 2 Summary of Significant Accounting Policies (continued)

(q) Revenue recognition — refer Notes 6 (continued)

License agreements are structured such that payments are receivable when certain milestones are achieved. In such instances license revenues are recognised when milestones are achieved to the satisfaction of both parties. In the absence of such milestone arrangements, license fees will be recognised over the term in line with the substance of the arrangement.

(ii) 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 — refer 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 going concern disclosures provided in Note 2 to this report that the Company has 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 2016.

Current tax assets and liabilities for the current year 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.

Note 2 Summary of Significant Accounting Policies (continued)

(r) Income tax and other taxes — refer Note 9 (continued)

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) Government grants — refer Note 7

Government grants are recognised in the Statement of Comprehensive Income as other income when the grant is received.

The R&D tax offset is brought to account only when the amount receivable has been quantified and is supported by appropriate claim documentation.

The proceeds received/receivable are reflected as other income in the Statement of Comprehensive Income.

(t) Earnings per share — refer 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 was anti-dilutive and as such, basic and diluted EPS are the same amount.

(u) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value. Subsequent to initial recognition these instruments are measured as set out below.

Note 2 Summary of Significant Accounting Policies (continued)

(u) Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;
(b) less principal repayments;
(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant year and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Note 2 Summary of Significant Accounting Policies (continued)

(u) Financial Instruments (continued)

Classification and subsequent measurement (continued)

Available-for-sale financial assets are included in non-current assets.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group has retrospectively applied an accounting policy or makes a retrospective restatement or reclassifies items in its financial statements, an additional Statement of Financial Position as at the beginning of the earliest comparative year will be disclosed.

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 139 as detailed in the accounting policies to these financial statements, are as follows:

		2016 $	2015 $
Financial Assets			
Cash and cash equivalents	11	487,934	742,803
Trade and other receivables	12	725,764	682,989
Total Financial Assets		1,213,698	1,425,792
Financial Liabilities			
Trade and other payables	16	234,057	344,628
Interest-bearing liabilities	17	503,879	4,857
Total Financial Liabilities		737,936	349,485

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 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 considered to be 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.

Note 3 Financial risk management objectives and policies (continued)

(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.

Note 3 Financial risk management objectives and policies (continued)

	Notes	Less than 6 months 2016 $	Less than 6 months 2015 $	6 to 12 months 2016 $	6 to 12 months 2015 $	1 year to 5 years 2016 $	1 year to 5 years 2015 $	Over 5 Years 2016 $	Over 5 Years 2015 $	Total Contractual Cash Flow 2016 $	Total Contractual Cash Flow 2015 $
Financial assets – cash flows realisable											
Cash and cash equivalents	11	487,934	742,803	-	-	-	-	-	-	487,934	742,803
Trade and other receivables	12	725,764	682,989	-	-	-	-	-	-	725,764	682,989
Total		1,213,698	1,425,792	-	-	-	-	-	-	1,213,698	1,425,792
Financial liabilities due for payment											
Trade and other payables	16	234,057	344,628	-	-	-	-	-	-	234,057	344,628
Interest-bearing liabilities	17	503,879	4,857	-	-	-	-	-	-	503,879	4,857
Total		737,936	349,485	-	-	-	-	-	-	737,936	349,485
Net inflow/(outflow) on financial instruments		475,762	1,076,307	-	-	-	-	-	-	475,762	1,076,307

Note 3 Financial risk management objectives and policies (continued)

(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 2016		
+1% in interest rates	4,879	
-1% in interest rates	(4,879)	
Year Ended 30 June 2015		
+1% in interest rates	7,428	
-1% in interest rates	(7,428)	

The above sensitivities calculation assumption is based on cash and cash equivalent 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.

Employee entitlements

In calculating the present value of future cash flows in respect of provision for long service leave, Directors have used their judgement in determining the probability of retention of the employees.

Note 4 Significant accounting judgements, estimates and assumptions (continued)

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The related assumptions are detailed in Note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would not have an impact on the carrying amounts of assets and liabilities within the next annual reporting year however can impact on the income statement and the employee equity benefits reserve.

Estimation of useful lives

The estimation of useful lives of assets has been based on historical experience for property, plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

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 Company's stage of development, the Directors consider this to be appropriate.

Note 6 Revenue from operating activities

	2016 $	2015 $
Gross revenue from sale of product & licence income	157,349	56,272
Less: Trade discount	(1,631)	(22,416)
Revenue from operating activities	155,718	33,856

Note 7 Other Income

	2016 $	2015 $
Other revenue		
- Interest income from bank	4,911	20,199
- R&D tax incentive / concession	674,600	680,736
- Insurance recoverable	3,400	-
Total other income	682,911	700,935

Bluechiip Limited

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Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

Note 8 Expenses

	2016 $	2015 $
(a) Finance costs		
Interest expense - external	18,138	18,881
Debt establishment fee (refer Note 17 for further detail)	23,000	29,400
Total finance costs	41,138	48,281
(b) Depreciation and amortisation		
Depreciation of property, plant and equipment	24,534	33,389
Amortisation of non-current assets	-	122
Total	24,535	33,511
(c) Other Expenses:		
Share registry, administration and secretarial	86,218	86,079
Insurance	37,130	42,913
Advertising and Branding	15,599	2,000
Conference and seminar	2,125	4,519
Telecommunications	18,705	23,619
Membership and subscriptions	8,355	6,538
Website development	-	2,176
Others	82,513	82,129
Total Other Expenses	250,645	249,973

Note 9 Income Tax Expense

No taxation has been provided in view of the losses incurred for the year (2015: Nil). Tax losses for the 2016 financial year are $916,145 (2015:$1,436,111). The amount available of carried forward tax losses for offset against future taxable income is $10,390,494 (2015:$9,473,018). These amounts are unconfirmed and not recouped. The deferred tax asset of $3,117,149 (2015: $2,841,906) associated with carried forward tax losses as well as deferred tax assets arising from temporary differences of $110,237 (2015:$141,713) 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.

Note 9 Income Tax Expense (continued)

On the basis that compliance with the continuity of ownership test and/or the same business test have not yet been determined and are required to be assessed at the time the losses are utilised rather than now, there remains uncertainty as to the availability of the carried forward tax losses to be offset against future taxable income.

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

	2016 $	2015 $
Prima facie tax on loss from ordinary activities before income tax at 30% (2015: 30%)		
- consolidated entity	(503,095)	(573,507)
	(503,095)	(573,507)
Add/(Deduct):		
Tax effect of:		
- non-deductible expenses	9,438	2,596
- research and development tax effect	247,602	249,603
- Deferred tax assets arising not brought to account as at balance sheet date because realisation is not considered probable	245,971	321,308
Income tax credit attributable to the consolidated entity	-	-

Note 10 Earnings per share

	2016	2015
Earnings/(loss) used to calculate basic and dilutive EPS	(1,676,983)	(1,911,688)
For basic and diluted EPS		
Weighted average number of ordinary shares outstanding during the year – No. used in calculating basic EPS	179,823,085	146,561,090

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

	2016 $	2015 $

Note 11 Current assets - Cash and Cash Equivalents

Cash at bank	487,934	742,803

Cash at Bank includes $25,798 (2015: 25,000) held in Term Deposit with a bank for a credit card facility obtained during the year.

Note 12 Current assets - Trade and Other Receivables

Trade receivables	50,764	2,253
R&D tax off-set receivable	675,000	680,736
	725,764	682,989

(a) The ageing analysis of receivables is		
0-30 days	706,370	682,138
31-60 days	17,141	-
61-90 days (past due not impaired)	-	851
91+ days (past due not impaired)	2,253	-
Total Trade and other receivables	725,764	682,989

Note 13 Other current assets

Prepayment	25,416	26,404
Deposit (a)	148,137	152,470
	173,553	178,874

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

	2016 $	2015 $

Note 14 Inventory

Raw materials	241,788	253,169
Finished goods	201,714	186,289
Provision of net realisable value - Finished Goods	(61,591)	(61,591)
Total inventory	381,911	377,867

The above raw materials consist of chips and tags. The finished goods consist of Bluechiip's commercial cryotags, Matchbox™ readers, cryovials and racks. During 2016, $14,143 (2015: $63,629) was recognised as an expense for inventories. This is recognised in Cost of sales.

Bluechiip Limited

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Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

Note 15 Non-current assets - Property, Plant and Equipment	2016 $	2015 $
Plant and equipment at cost	229,060	229,060
Accumulated depreciation	(156,567)	(138,828)
Total plant and equipment	72,493	90,232
Furniture fixture and fittings at cost	18,156	18,156
Accumulated depreciation	(11,069)	(10,096)
Total furniture, fixture and fittings	7,087	8,060
Computer equipment at cost	106,680	103,681
Accumulated depreciation	(98,111)	(92,289)
Total computer equipment	8,569	11,392
Capitalised software, at cost	56,368	56,368
Accumulated amortisation	(56,368)	(56,368)
Total capitalised software	-	-
Total property, plant and equipment	88,149	109,684

(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

	Plant and Equipment $	Furniture, Fixtures and Fittings $	Computer Equipment $	Capitalised Software $	Total $
Balance at 30 June 2016					
Balance at the beginning of year	90,232	8,060	11,392	-	109,684
Additions	-	-	2,999	-	2,999
Depreciation/amortisation expense	(17,739)	(973)	(5,822)	-	(24,534)
Carrying amount at the end of 30 June 2016	72,493	7,087	8,569	-	88,149

Consolidated

	Plant and Equipment $	Furniture, Fixtures and Fittings $	Computer Equipment $	Capitalised Software $	Total $
Balance at 30 June 2015					
Balance at the beginning of year	112,719	9,183	21,171	122	143,195
Additions	-	-	-	-	-
Depreciation/amortisation expense	(22,487)	(1,123)	(9,779)	(122)	(33,511)
Carrying amount at the end of 30 June 2015	90,232	8,060	11,392	-	109,684

	2016 $	2015 $
Note 16 Current liabilities – Trade and Other Payables		
Trade payables (b)	107,914	178,954
Sundry payables and accrued expenses (b)	126,143	165,674
	234,057	344,628

(a) Fair value
Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) No Directors' fees owing in trade payables as at 30 June 2016 (2015: $12,959). Sundry payables and accrued expenses as at 30 June 2016 includes Directors' fees accrued to two (2) Directors of $39,000 (2015: Nil).

Note 17 Interest-bearing loans and borrowings	2016 $	2015 $
CURRENT		
R&D Tax Prepayment Loan (a)	500,000	-
Directors & Officers premium funding	15,879	-
Finance lease (b)	-	4,857
Deferred borrowing costs (a)	(12,000)	-
Total Interest-bearing liabilities	503,879	4,857

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

(a) Relates to a facility agreement entered into by the Company with R&D Capital Partners Pty Ltd on 1 June 2016 for a loan facility of $500,000 ("Loan Facility"). The Loan Facility is secured by R&D tax incentive 2015/2016 expected to be received of $675,000 and was fully drawn down as at 30 June 2016. Establishment fee for the Loan Facility of $15,000 was incurred and fully paid. The establishment fee is to be amortised over 5 months period, being tenure of the loan. An interest rate of 15% per annum is calculated and payable monthly on the drawn down amount of the Loan Facility.

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

(c) On 25 August 2015, the Company entered into a Loan Agreement with Guerilla Nominees Pty Ltd for $600,000 which was drawn down in August and September 2015. The amounts drawn were fully repaid and terminated in November 2015 (**Termination**). Debt establishment fee of $20,000 was incurred and recognised over the term of the loan using effective interest method. As at 30 June 2016, the debt establishment fee was fully amortised. The debt establishment fee and interest at 10% per annum calculated on the drawn amount, totalled $11,425 were fully paid on Termination.

Note 18 Employee Entitlements

	2016 $	2015 $
CURRENT		
Annual Leave provision	49,918	49,918
Long Service Leave provision	-	14,219
	49,918	64,137
NON-CURRENT		
Long Service Leave provision	23,628	9,408
TOTAL PROVISIONS	73,546	73,545

Refer to Note 2(n) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

Note 19 Issued Capital

	2016 $	2015 $
201,377,647 (2015 : 167,508,269) Ordinary shares	22,854,432	21,777,907
Less: Capitalised share issue costs	(1,480,684)	(1,433,677)
Total	21,373,748	20,344,230
(a) Ordinary shares		
At the beginning of the reporting year	20,344,230	17,667,151
Issue of ordinary shares	1,076,525	2,852,470
Less: Capitalised share issue costs	(47,007)	(175,391)
Total	21,373,748	20,344,230

Shares issued during the year were in relation to the following:
- 1,811,011 shares issued ($81,495) as part of the placement completed on 22 April 2015 as committed by Mr Iain Kirkwood and Mr Michael Ohanessian in aggregate which was approved at the 2015 AGM
- The Private Placement to sophisticated and professional investors ($450,000) in December 2015 and Share Purchase Plan (**SPP**) in February 2016 ($240,000)
- 4,385,965 shares issued ($125,000) in March 2016 to meet the shortfall arising from the SPP issued in February 2016
- Placement to sophisticated investors ($180,030) in May 2016

Note 19 Issued Capital (continued)

(b) Number of Ordinary Shares	**2016 No.**	**2015 No.**
At the beginning of the reporting year	167,508,269	127,526,037
Shares issued during the year:		
- Issue of ordinary shares	33,869,378	38,991,212
- Shares issued to Chairman in lieu of cash for Director fees	-	500,000
Shares issued as part of termination/incentive/bonus payments to former CEOs of the Company	-	491,020
Total issued and fully paid ordinary shares	201,377,647	167,508,269

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 2016, there were no options outstanding (2015: Nil).

A total of 1,500,000 performance rights were granted in 2015 to Mr McLellan as part of the Variable Compensation – LTI which entitle Mr McLellan to acquire one fully paid share in the Company for a nil exercise price (Performance Rights) and approved by the shareholders at the 2015 AGM. Further details of the performance rights and the terms are set out in the Variable Compensation – Long-term Incentive section of the remuneration report.

(c) Capital Management

Management controls the capital of the Group in order to ensure that the Company can fund its operations and continue as a going concern. The Group's debt and capital includes share capital and financial liabilities, supported by financial assets. There are 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

	2016 $	2015 $
Net loss	(1,676,983)	(1,911,688)
Non-cash flows in loss		
- Amortisation	-	122
- Depreciation	24,534	33,389
- Share based payment expense	24,107	4,227
- Shares issued in FY 16 for proceeds received in FY 15	81,495	-
- Amortisation of borrowing costs	12,000	29,400
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(42,775)	(23,349)
- (Increase)/decrease in other assets	5,321	55,359
- (Increase)/decrease in inventory	(4,045)	(236,472)
- (Decrease)/increase in trade ,other payables and deferred revenue	(91,141)	(161,747)
- (Decrease)/increase in employee entitlements	-	(59,043)
	(1,664,486)	(2,269,802)

Note 21 Related Party Disclosures

(a) Key Management Personnel (KMP)

Details relating to KMP, including remuneration paid, shares issued and options issued under the ESAP and ESOP respectively, are included in Note 22 and the Remuneration Report.

(b) Transactions with related parties

Other than disclosed below, there were no other transactions with related parties during the year.

Shares and options issued to Directors and KMP of the Company are disclosed in the Remuneration Report.

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 follows (refer to table in Remuneration Report for further detail):

	2016 $	2015 $
Short-term employee benefits (#)	385,936	318,503
Post-employment benefits	23,858	20,441
Long-term employee benefits	4,596	1,921
Share-based payments	24,107	4,227
Termination payments	-	54,239
	438,497	399,331

The short-term employee benefits paid include Non-Executive Directors fees paid amounting to $134,794 (2015: $130,838).

Note 23 Share-based Payment Plans

(a) Employee Share Acquisition Plan

The Employee Share Acquisition Plan (ESAP) is designed as a plan to permit employees and Directors of Bluechiip Limited to participate, at the invitation of the Board, in the acquisition of shares on terms and conditions determined by the Board. All shares issued under the ESAP are issued at Nil cash consideration. There was no ESAP established during the year.

(b) Expenses arising from share-based payment transactions

The expense of shares issued under the ESAP has been determined by reference to the share price on grant date. Shares vest immediately under the terms of the ESAP.

The performance rights expense under the Performance Rights Plan has been determined based on the fair values of the performance rights granted to Directors and officers calculated at grant date using a Black-Scholes-Merton model to value the performance rights with market based performance hurdles, and a Binomial Option Pricing Model to value the performance rights without market based performance hurdles.

	2016 $	2015 $
Performance Rights Plan expense issued during the year	24,107	4,227

Note 23 Share-based Payment Plans (continued)

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 a Black-Scholes-Merton model to value the performance rights over the shares, the Binomial Option Pricing Model to estimate the value of the performance rights and Monte Carlo simulation based models to test the likelihood of attaining the performance hurdle. The following factors and assumptions have been used in determining the fair value on grant date. A zero dividend yield assumption has been adopted in every valuation.

2016

No options were issued to/or exercised by Directors or other KMP during the financial year ended 30 June 2016.

2015

Number and recipient of Performance Rights	Grant date	Expiry date	Fair value per Performance Right	Exercise price	Price of shares on value date	Risk free interest rate	Estimated volatility
1,500,000 to Andrew McLellan comprising:	27 April 2015	27 April 2020					
• Tranche 1 TSR: 375,000			$0.012	Nil	$0.057	1.926%	80%
• Tranche 2 TSR: 375,000			$0.014	Nil	$0.057	1.882%	80%
• CS Target 750,000			$0.057	Nil	$0.057	Not applicable	80%

The weighted average remaining contractual life for the Performance Rights as at 30 June 2016 was 1.25 years (2015: 2.25 years).

Other than the Performance Rights granted to the CEO, Andrew McLellan as set out above, no options were issued to Directors or other KMP during the financial year ended 30 June 2015.

Note 24 Commitments

	2016 $	2015 $

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for:

	2016 $	2015 $
Payable - minimum lease payments:		
- not later than 12 months	27,071	22,472
	27,071	22,472

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

(b) Finance Lease Commitments

The Company entered into a finance lease for the upgrade of IT infrastructure in FY13. There are no restrictions to the use placed upon the lessee by entering into the lease.

Payable - minimum lease payments:	2016 $	2015 $
- within 12 months	-	5,056
- later than 12 months but not later than five years	-	-
	-	5,056
Future finance charges	-	(199)
	-	4,857
Representing finance lease liabilities (refer Note 17 for further details)		
Current	-	4,857
Non-current	-	-
	-	4,857

(c) Contractual Commitments

Subsequent to 30 June 2016, the Company has purchase orders made in 2014 which remains unfulfilled totalling $259,121 (USD192,423) (2015: $347,402 or USD266,805) for the development and production of chips.

Note 25 Contingencies

The Company has no contingent liabilities or contingent assets as at 30 June 2016.

Note 26 Significant Events After the Balance Sheet Date

On 15 August 2016, the Company announced that it intends to raise up to $1.51 million via a Non Renounceable Rights Issue on the basis of one (1) new ordinary share offered for every three (3) existing ordinary shares held on record date of 22 August 2016 at a subscription price of $0.022 per share (**Rights Issue**). The Rights Issue is offered to eligible shareholders being persons who are registered holders of Bluechiip ordinary shares and have a registered address in Australia or New Zealand. The Rights Issue was opened for subscription on 25 August 2016 and expected to close on 16 September 2016. $1.5 million was raised from the Rights Issue.

On 1 September 2016, the Company entered into a R&D Tax Prepayment Loan Facility Agreement with R&D Capital Partners Pty Ltd for a loan facility of $150,000 secured by R&D tax incentive 2016/2017 (**R&D Tax Prepayment Loan**). The R&D Tax Prepayment Loan was fully drawn down on 5 September 2016. An interest rate of 15% per annum is calculated and payable monthly on the drawn down amount of the Loan Facility.

On 15 September 2016, the Company entered into a non-exclusive Licence and Supply Agreement (**Licence Agreement**) and Master Services Agreement (**Master Services Agreement**) with Planet Innovation. The Licence Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology in the field of systems and devices for the handling, storage or monitoring of medical biological products or samples. Bluechiip is to sell its technology products including tags, readers and software to Planet Innovation and Planet Innovation is to commit minimum annual development expenditure alternatively to minimum annual purchasing obligations. The Master Services Agreement grants a non-exclusive licence to Planet Innovation to develop products that integrate Bluechiip's technology whilst retain all rights in its core technology and intellectual property.

Except as disclosed in other sections to the report and the above, there were no other matters or circumstances that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of these operations or the state of affairs of the Group in future financial years.

Note 27 Auditor's Remuneration

The auditor of Bluechiip Limited is Ernst & Young.

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group	77,750	75,850
- Other services in relation to the entity and any entity in the consolidated group	10,750	7,500
	88,500	83,350

Note 28 Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2016	Percentage Owned (%)* 2015
Parent Entity:			
Bluechiip Limited	Australia		
Subsidiaries of parent entity:			
Bluechiip, Inc.(a)	United States	100%	100%
Bluechiip Holdings, Inc.(a)	United States	100%	100%

* Percentage of voting power is in proportion to ownership
(a) These companies (which are dormant) are in the process of dissolution as the Directors opine that the subsidiaries are not required at this moment.

Note 29 Parent entity information

	2016 $	2015 $
Information relating to Bluechiip Limited		
Current assets	1,769,162	1,982,533
Total assets	1,857,311	2,092,217
Current liabilities	787,854	413,622
Total liabilities	811,482	423,030
Issued capital	21,373,748	20,344,230
Reserves	4,718,359	4,694,252
Accumulated losses	(25,046,278)	(23,369,295)
Total shareholder's equity	1,045,829	1,669,187
Loss of the parent entity	(1,676,983)	(1,911,688)
Total comprehensive loss of the parent entity	(1,676,983)	(1,911,688)

Bluechiip Limited
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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 2016 are in accordance with the *Corporations Act 2001, including*:

      i. Giving a true and fair view of its financial position as at 30 June 2016 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 Company 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 2016.

On behalf of the Board.

Iain Kirkwood
Chairman

23 September 2016

Building a better working world

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Independent auditor's report to the members of Bluechiip Limited

Report on the financial report

We have audited the accompanying financial report of Bluechiip Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

a. the financial report of Bluechiip Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Significant uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report. Unless the entity can obtain further funding, as referred to in Note 2, there is significant uncertainty whether the entity will be able to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Bluechiip Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

David J Petersen
Partner
Melbourne
23 September 2016