

ASX Announcement :

Managing Director, Andrew McLellan on
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Open Briefing interview with MD Andrew McLellan**In this Open Briefing®, Andrew discusses:**

- Recent \$7.5 million capital raise and the updated \$15.9 million over 3 yr Labcon agreement
- End customer activity and finalisation of product portfolio
- Recent 4C and cashflow forecast
- Partner and opportunity pipeline status

Record of interview:

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Andrew, you've just completed a successful capital raise which came shortly after you announced a large multiyear contract with Labcon. What's Bluechiips current cash balance and your focus over the coming 12 months?

MD

We now have over \$7m in the bank and a significant multi-year order book.

The 4C for the September quarter, released today, shows that we closed the September quarter with \$7.2m cash in the bank including the proceeds received from the shareholder placement plan subsequent to the end of the quarter and the \$5.5m placement. We have used some of this capital to pay down the \$600k advance on the R&D Refund which we expect to receive over \$1m from Aus Industry. So from a cash point of view we are in a position Bluechiip has not been in the past and this allows us to focus on delivering on our partners orders and other opportunities.

With the updated agreement with Labcon, one of our OEM partners, the 2 year orders (\$5.8m) and 3rd year minimums (\$10.1m) equate to over \$15.9m. With this our focus over the coming 12 months is very much on meeting our existing OEM partners needs, scaling our operations to meet the increasing demand and servicing our pipeline of potential OEM partners.

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Can you give us feedback from Labcon's end customer sales of Bluechiip enabled products and traction they are getting in the market?

MD

We are seeing increased end user activity. Over the last month we have installed several systems into early adopter sites with key opinion leader both in the US and Europe, with positive initial feedback from these users. We are progressing to expand this base.

Labcon is also in the process of finalising their products, including registering their Coldpoint Bluechiip enabled range and cryogenic boxes to enable full launch of product. Labcon sales training and engagement has been very positive.

I should also highlight that we are seeing an increase in OEM interest both including in partnership with Labcon and in adjacent applications in the life science market.

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You have mentioned end customer trials. Can you tell us how these can drive additional sales to those captured via your OEM strategy and the status of any significant end customer trials currently under way?

MD

End customer trials are very important and yes as mentioned we have commenced a number in multiple regions. They are the basis for preparing marketing and sales collateral and we are targeting key opinion leaders which the broader market will follow. From these trials we anticipate the preparation of posters and papers clearly demonstrating Bluechiips core technology differentiation and that this will also support a broader rollout with Labcon.

As end use increases over time we anticipate the end customers will start demanding their existing suppliers (our target OEM's) to adopt Bluechiip technology which will allow us to more rapidly enter adjacent markets.

We are already seeing the impacts of this in the form of additional enquiries and as we continue to roll out our technology we are working with our existing and target OEM's to deliver these solutions.

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Sales receipts for the September quarter suggest that the rate of deliveries for Labcon slowed in the Sept quarter. Was this planned and what rate should we expect in the coming quarters?

MD

This certainly was planned. Towards the end of the calendar year and especially into calendar 2019 there will be a substantial ramp in volumes to meet the FY19 \$US1.1m commitment from Labcon.

Labcon is putting in place the processes for scaled manufacture and progressing registration of the Bluechiip enabled range. We at Bluechiip are also in the process of registering and scaling the reader and software range, with both the Multi Vial Reader and Handheld readers moving into production at Planet Innovation.

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In the 4C you are forecasting a cash outflow of \$2.1m for the December quarter, which is almost double your level of costs from the September quarter. What are the key items driving this and what should we expect on the revenue front?

MD/Managing Director

The \$2.1m cash outflow includes a repayment of the \$600k loan from R&D capital partners. More than offsetting this we expect to receive an R&D Tax refund of over \$1m.

On the operating cost side, we are planning an increase in the R&D spend to move to registration of our product range and round of prototypes to help in product registrations with our partners.

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Will the current cash balance of just over \$7m, combined with your current order book take Bluechiip through to profitability?

MD

The significant orders in hand and the cash at bank provide a platform to move to profitability and good runway into the future.

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What is the status of the pipeline in terms of developer kits sold and other potential OEMs currently engaged?

MD

As it stands we have 30 developer kits, readers and evaluation agreements ongoing. These include our existing partners, Labcon, Planet Innovation and Genea Biomedx and a range of suppliers target OEM in the initial life science target market, including automation companies, Pharmaceuticals groups, cell therapy manufactures and clinical trial companies to name a few.

With orders in hand, rising chip deliveries, a growing pipeline and a good cash position to support significant runway, Bluechiip is now in a great position.

It is an exciting time.

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Thank you.

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