

ASX Announcement : 8 December 2016

CEO Interview



Open Briefing interview with MD/CEO Andrew McLellan

Bluechiip Limited
1 Dalmore Drive
Caribbean Business Park
Scoresby VIC 3179 AUSTRALIA

In this Open Briefing®, Andrew discusses:

- Pipeline growth and accelerating conversion
 - Geographic and product market update
 - Genea Biomedx and Planet Innovation progress
 - Over temperature chip
-

1. Andrew, can you update us on Bluechiip's (BCT's) pipeline of potential partners and the conversion rate into sales of test kits and OEM sales?

MD Andrew McLellan:

We've had excellent growth in the size and quality of our pipeline in the last several months and are converting at an accelerating rate.

When we spoke in September we had 15 partner opportunities. This has doubled in the last 3 months to over 30 partner opportunities that have progressed beyond the first phase, which is the signing of a non-disclosure agreement.

Conversion to revenue is also accelerating. In the last 6 months we have sold 9 developer and starter kits to partners in a number of target markets. We also now have two partners progressed to become full OEM partners. This is a tangible endorsement by our customers of both the OEM strategy we introduced last year and of our patented, unique technology.

2. Where have the growth in the pipeline and sales of starter and development kits come from and how indicative is it of the potential end markets for BCT's existing technology?

MD Andrew McLellan:

The accelerating growth has come across a broad geographic base and in each of our target markets. Geographically, we have sold developer and starter kits into North America, Europe and Asia.

Over the last six months we have:

- Made a repeat sale of developer kits into the Chinese CDC;
- Sold 2 developer kits into SIAD in Europe;
- Sold to an OEM partner providing solutions into the general biobank marketplace;
- Sold into an Automatic ID and Data-Capture company in North America, who are traditionally bar code suppliers;
- Sold to a very large North American consumables manufacturer.

Each of these OEM partners has the potential to lead to multi-millions of dollars in annual sales.

3. Earlier this year you announced development of an over temperature chip and registration of IP for that. What stage of development is this chip at?

MD Andrew McLellan:

BCT currently has 24 confirmed patents and the technology to identify and measure the temperature of each individual sample it touches. BCT is the only company in the world that has the technology to deliver that in cryogenic storage conditions.

The addition of the over temperature chip is very exciting. Mid-last year we had feedback from a very large blood bag manufacturer that had said they would be willing to pay ten times what they pay for our existing chip for a chip that detects if a sample's temperature deviates above its limit, or goes "over temperature". We immediately saw the potential in this technology. We launched a project with the University of Melbourne Centre for Neural Engineering, co-funded by the Australian Governments Research Connections Grant, and jointly created the core technology over the next 9 months. We registered a provisional patent application in Australia in August, and in mid-November we announced to the ASX that we had been approved joint Government funding for the 2nd stage of that project, continuing to work with University of Melbourne to turn the initial concept into proof of prototype and working prototype.

While it is still early days, we are making good progress. The end market potential is huge, well into the billions of dollars. Market applications include not only biological sample storage, but also food industry transport cold-chain logistics. For example, if you ship frozen seafood you want to know if it's been over temperature anywhere in the logistics chain.

4. Genea Biomedx and Planet Innovation were your first two OEM customers, can you update us on the status of those two contracts?

MD Andrew McLellan:

Genea Biomedx, our first OEM partner, signed on a year ago and are now incorporating BCT's product into their Assisted Reproductive Technologies (ART) and IVF products. We expect sales to begin this financial year.

Genea Biomedx IVF products are distributed globally through Merck Serona, and in July we displayed our technology European Society of Human Reproductive Embryology (ESHRE) trade show in Helsinki with Genea Biomedx as part of the Merck Serono stand.

Planet Innovation (PI) are based in Melbourne, have 160 employees, and have been selected by Business Review Weekly as Australia's most innovative company for the last 3 years. They are the manufacturer for Genea Biomedx's IVF products, and work with a number of world-class medical device companies globally with whom we are now actively pursuing partnerships.

PI also took equity in BCT during the last capital raise. Their involvement as both an OEM partner and investor in Bluechiip highlights that they see the value of our product and the opportunities that we offer to the marketplace.

5. How should investors think of BCT's revenue model and how sales translate into cash flow and earnings?

MD Andrew McLellan:

BCT's revenue model incorporates three phases in the life-cycle of the client:

- The **short-term** model is to build the pipeline and sell developer kits. Our pipeline has doubled in the past three months and sales are accelerating.
- In the **medium term**, as these partnerships progress, we sell licences and receive fees.
- Over the **long term** we sell equipment (readers) and consumables (chips), the "razor/blade" model. Our OEM partnership with Genea Biomedx will mature to this stage this financial year.

As you can see, each partnership opportunity leads to small early stage revenues and ultimately to sale of products in multiple units with significant gross margins. Each of the OEM agreements we have in the pipeline has the potential to deliver millions of dollars in sales annually.

Thank you Andrew.

For more information about Bluechiip, visit <http://www.bluechiip.com/> or Andrew McLellan on +61 457 823 470.

For previous Open Briefings by Bluechiip or to receive future Open Briefings by email, visit openbriefing.com

DISCLAIMER: Ramsgate Advisors Ltd and Orient Capital Pty Ltd have taken all reasonable care in publishing the information contained in this Open Briefing®; furthermore, the entirety of this Open Briefing® has been approved for release to the market by the participating company. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Ramsgate Advisors Ltd and Orient Capital Pty Ltd are not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.