

## **BLUECHIIP LIMITED**

### **JUNE 2018 QUARTERLY CASH FLOW REPORT**

Bluechiip Limited (**Bluechiip** or the **Company**) (**ASX: BCT**) today released its quarterly cash flow report for the period ended 30 June 2018.

#### **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2018**

##### **Highlights during the quarter**

- Highest ever sales revenue of \$232,384 and sales receipts of \$185,862 for the quarter;
- Recorded total sales revenue of \$561,544 and sales receipts of \$511,650 for the year compared to \$237,773 and \$262,190 respectively in prior year;
- Receipt of income from the delivery of over 140,000 Bluechips to Labcon North America (**Labcon**), a USA-based licenced Original Equipment Manufacturing (**OEM**) partner;
- Research & Development (**R&D**) Advance of \$600,000 secured by the provision of R&D Tax Incentive 2017/2018 was obtained and fully drawn-down; and
- Cash balance at 30 June 2018 \$1.20M, from \$1.58M at 31 March 2018

Bluechiip provides the following updates on the Company's activities during the quarter ended 30 June 2018.

##### **Business Progress Update**

Bluechiip has recently completed building the first batch of advanced-prototype multi vial readers (**MVRs**) able to read a box of 100 samples at once, with its manufacturing partner, Planet Innovation. They were exhibited at the recent International Society for Biological and Environmental Repositories (ISBER) conference in Dallas and at the International Society for Stem Cell Research (ISSCR) conference held in Melbourne. The MVRs received very positive interest; units have already been shipped to customers and early adopter sites.

The MVR is important to meet the cryogenic industry's need to handle high volumes of samples which translates into derivative demand for our chips. In this quarter, the Company has shipped over 140,000 chips to its customers.

##### **Commentary on the Cash Flow Report**

Bluechiip recorded sales revenue of \$232,384 and sales receipts of \$185,862 for the quarter, delivering both the highest quarterly sales revenue and sales receipts since its listing on the ASX. This has resulted in final aggregated four (4) quarters sales revenue of \$561,544 and sales receipts of \$511,650 compared

31 July 2018

to corresponding quarters in previous financial year of \$237,773 and \$262,190 respectively. This represents a respective increase of 136% and 95%.

Net operating cash outflow for the June 2018 quarter was \$936,423, compared to net operating cash inflow of \$13,074 for the March 2018 quarter. This was mainly attributable to the increase in R&D activities during the quarter and consequently the corresponding increase in employee numbers. In the prior quarter, the net operating cash inflow position benefited from the receipt of \$775,504 received for the R&D Tax Incentive 2016/2017.

During the quarter, investing activities were related to the purchase of equipment to enhance the company's research and development activities in relation to its chips.

The financing activities for the quarter primarily reflect the Company obtaining and fully drawing-down an R&D Advance of \$600,000, which is secured against R&D Tax Incentives receivable for the 2017/2018 financial year which is expected to be at least \$1m.

### Outlook

The Company remains focused on the following:

- Fulfilling the purchase orders received from customers and the receipt of subsequent cash inflows arising from them;
- Ongoing delivery of chips as part of the fulfilment of the \$1m sales order received from our partner, Labcon. This has allowed Labcon to commence the manufacturing of Bluechiip enabled consumables;
- Scaling its production of chips with the aim of achieving economies of scale and bringing down the production cost of chips;
- Advancing negotiations for the licensing of Bluechiip's technology and securing new licence agreements with other OEM partners in addition to the existing licence agreement with Labcon for the delivery of Bluechiip technology and support services;
- Expand the use of Bluechiip technology in China through further sales of our developer kits through our mainland China-based distributor;
- Build a sales system that utilises Bluechiip's continually expanding OEM pipeline in the USA, Europe and APAC markets;
- Research and development to meet our current and potential OEM partners' requirements, arising from the sales of developer kits to them in prior quarters. The developer kits enable potential OEM partners to integrate Bluechiip's technology into their own products; and
- Progress work on registering further patents to add to our existing 25 confirmed patents.

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For more information, please contact:

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### About Bluechiip Limited

Bluechiip has developed a wireless tracking solution for the healthcare and life science, security, defence and manufacturing industries which represents a generational change from current methods such as labels (hand-written and pre-printed), barcodes (linear and 2D) and microelectronic integrated circuit (IC)-based RFID (Radio Frequency Identification).

The unique tag is based on MEMS technology and contains no electronics. The tag can either be embedded or manufactured into a storage product, such as vials or bags. Easy identification, along with any associated information from the tag such as temperature can be detected by a reader, which can also sense the temperature of the tagged items. The traditional identification technologies have significant limitations. Whereas a barcode requires a visible tag or line-of-sight optical scan, bluechiip® technology does not. Unlike labels, barcodes and RFID, the bluechiip® technology can sense the temperature of each item a tag is attached to, or embedded in.

The bluechiip® technology has initial applications in the healthcare industry particularly those businesses which require cryogenic storage facilities (biobanks and biorepositories). bluechiip® offers the only technology that enables accurate and reliable tracking of products including stem cells, cord blood, and other biospecimens. In addition to functioning in extreme temperatures, the bluechiip® tracking solution can survive autoclaving, gamma irradiation sterilization, humidification, centrifuging, cryogenic storage and frosting.

The bluechiip® technology has other healthcare applications in pathology, clinical trials and forensics. Several other key markets outside of healthcare include cold-chain logistics/supply chain, security/defence, industrial/manufacturing and aerospace/aviation. Further information is available at [www.bluechiip.com](http://www.bluechiip.com)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

BLUECHIIP LIMITED

**ABN**

79 104 795 922

**Quarter ended ("current quarter")**

30 JUN 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	186	511
1.2 Payments for		
(a) research and development	(256)	(934)
(b) product manufacturing and operating costs	(177)	(480)
(c) advertising and marketing	(77)	(226)
(d) leased assets	-	-
(e) staff costs (inclusive internal R&D)	(472)	(1,479)
(f) administration and corporate costs	(175)	(689)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	22
1.5 Interest and other costs of finance paid	-	(54)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	776
1.8 Other (provide details if material)	28	78
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(936)</b>	<b>(2,475)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(38)	(46)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(38)</b>	<b>(46)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,788
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(58)
3.5 Proceeds from borrowings	600	600
3.6 Repayment of borrowings	-	(600)
3.7 Transaction costs related to loans and borrowings	(8)	(10)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>592</b>	<b>2,720</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,581	1,000
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(936)	(2,475)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(38)	(46)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	592	2,720

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,199</b>	<b>1,199</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,172	554
5.2	Call deposits	27	1,027
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,199</b>	<b>1,581</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
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46
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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
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<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	600	600
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	65	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Item 8.1 R&D Tax Prepayment Loan from R&D Capital Partners Pty Ltd for a loan facility of \$600,000 fully drawn down. The facility is secured by R&D tax incentive 2017/2018 expected to be received. An interest rate of 15% per annum is calculated and payable monthly on the amount drawn down.
Item 8.3 Relates to credit card facilities.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	336
9.2 Product manufacturing and operating costs	305
9.3 Advertising and marketing	69
9.4 Leased assets	-
9.5 Staff costs (inclusive internal R&D)	405
9.6 Administration and corporate costs	171
9.7 Other (provide details if material)	38
<b>9.8 Total estimated cash outflows</b>	<b>1,324</b>

<b>Item 9.8</b> In addition to the cash available at end of the quarter, the total estimated cash outflows is expected to be supported by cash receipt from sales revenue and potentially R&D tax incentive 2017/2018 receivable.
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<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	None	None
10.2 Place of incorporation or registration	Not applicable	Not applicable
10.3 Consideration for acquisition or disposal	Not applicable	Not applicable
10.4 Total net assets	Not applicable	Not applicable
10.5 Nature of business	Not applicable	Not applicable

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director)

Date: 31 July 2018

Print name: Andrew McLellan

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.