

ASX Announcement :

**Managing Director, Andrew McLellan:  
Cash receipts from initial orders, new  
patent and developer kit sales**



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**Open Briefing interview with MD Andrew McLellan**

**In this Open Briefing®, Andrew discusses:**

- Cash receipts from initial orders and deliveries of own product range
- Expectation for increasing revenues based on existing orders and growing enquiry pipeline
- New patent award
- Developer kit sales and OEM negotiations

**Record of interview:**

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**Andrew, Bluechiip's 4C for the December quarter 2021 shows initial cash receipts from the sale of the company's own product range to both local and overseas customers. Can you tell us more about these orders and customers?**

**MD**

We were delighted to launch our own Bluechiip branded product range in the quarter after receiving European, CE IVD certification, and in the US registration with the FDA.

The complete Advanced Sample Management solution includes a range of Bluechiip enabled products, consumables, readers and software for the global biorepository market that we are selling to our end customers. We only launched this range in November last year, so it is very pleasing to have already shipped three orders with more expected. The three initial sales were to an existing customer in Australia and two customers in Europe.

We now also have orders in hand out of North America and other parts of the world. Payment for these new orders will show up in the current and subsequent quarters.

So, we're making significant progress: initial orders have already been shipped and cash received; new orders received from the USA and other countries; we have a growing pipeline of enquiries; and next month I will be visiting customers in Europe and the USA for the first time in two years.

We expect demand and client engagement to accelerate further subject to the Omicron waves subsiding around the world. For now, especially in North America, COVID is still slowing things for us with some customer facilities locked down and visits being restricted, but we are still seeing a lot of traction based off that market launch from November and we expect more as the Omicron waves subside.

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**Based on the orders and pipeline you've just discussed, should we expect to see Bluechiip's revenues to build in the coming quarters?**

**MD**

Yes, you should expect to see revenues build in the coming quarters. There will be some lumpiness but there are a number of factors that give us confidence.

Over the coming quarters, we will be performing some development activities with Fujifilm Irvine Scientific and we also expect to deliver into some of the customer orders I mentioned in the previous question.

There may well be timing challenges, e.g. the ability for us to engage with some of the end customer base, but with the orders in hand, a growing pipeline of enquiries and next month with my first client European and USA visit in two years we are quite excited.

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**Bluechiip's 4C says that work has already commenced under the two year Licence and Development agreement you signed with FUJIFILM Irvine Scientific in October last year. Can you remind us of the key terms of this agreement and the timelines or milestones investors should be looking for in the coming quarters?**

**MD**

The terms of the agreement with Fujifilm Irvine Scientific are that it's a development and license agreement, under which we are developing and adapting Bluechiip's core technology to suit FujiFilm Irvine Scientific's IVF market including our readers, our software, and our consumables.

Under the terms of that two year agreement we have already commenced those development activities and envisage this resulting in us executing a supplier agreement for the long term supply of those products into the market. FUJIFILM are undertaking the project to get a product. At the end of the day, they anticipate that they'll be taking that product to market, and we're working with them very closely on that project.

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**On the cash front, you began the quarter with \$4.9m in the bank and ended with \$4.0m, with \$0.9m of cash consumed by operating activities. What the cash flow doesn't show is that BCT also received US\$0.75m of stock under the Labcon settlement and that you expect to receive around \$1m from R&D tax incentives in the current quarter. Looking forward, is the December quarter**

**cash burn of \$0.9m indicative of what we should expect in the coming quarters and how will BCT's use of the stock returned from Labcon impact BCT's cash flows?**

**MD**

The cash burn did decrease slightly and we expect that to continue as our revenue line grows.

If we look in more detail, on the expenditure side our run rate per quarter is currently around the \$1m mark, give or take a little. On the cash inflow side we're now receiving payments from the sale of our own products and from the development activities that we're doing with partners including Fujifilm Irvine Scientific. That combined for a slightly lower cash burn in the December quarter and we expect that net cash burn to decline into the future, give or take some timing issues, on the expectation of rising revenues.

We have several million chips on the shelf which will be going into our new range of products. This will help keep our product cost low for some time. We also have readers which we can repurpose into the systems our customers are buying.

This stock of chips and readers includes the US\$0.75m of product now received back under the Labcon settlement. You are right that this receipt doesn't show up in our cash flow statement but as noted above it will be reflected in lower product costs in the coming quarters as we meet customer orders.

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**A certificate of Overseas Advanced Findings was received from the Australian Government covering July 2020 to June 2023. Can you tell us what this means and how it relates to BCT's R&D tax refunds?**

**MD**

Our R&D tax refund is made up of two components. One is an Australian component and one is an international component.

Under the rules of the program you need to apply for approval for the overseas component of your spend. The way it works is that you apply for the prior/current year and then two forward years. So the approval of that R&D Overseas Advanced Findings gives us some comfort as to the R&D tax refunds that we'll be seeing for the next two years.

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**A new Australian patent was granted to BCT during the December quarter covering temperature-controlled sample collection and transport. Can you elaborate on the patent and the market it addresses?**

**MD**

It's an interesting patent which covers some of the handling space between when people take a sample out of the freezer and then take it to use. Using Bluechiip's patented technology, our customers are able to track the temperature of a box of samples as it moves around a facility. This is a similar application to the Box Tracker, for which we won the ISBER award last year. There are some nuances and intricacies to it and it is quite a powerful tool.

This is an Australian patent and adds to the 30 granted patents that we already have at the moment. It also establishes a new family of patents for us. We had six families of patents in the past and now we

have a 7th. It is important to note that it is a new patent family for a fairly critical stage in the sample handling process, where samples are being handled by hand, and that's really what it's applied to.

Using this Australian patent we will now go into an international phase, where we will continue progressing the filing of that family of patents in North America, the European markets, and other markets around the world.

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#### **How do Australian patents relate to and convert into international patents?**

**MD**

A typical process is to file a patent in Australia, that gives us a priority date being the date on which we actually put the first application in. In terms of the patent we were just granted, the application date was 30 June 2017.

As we apply for the international patent it's essentially the same process, perhaps with some slight variations depending on the market. The international patent gives us the power to protect our intellectual property in multi-jurisdictions, from the application point at which we initially filed, which as I said was 30 June 2017. The protection is for a 20 year period.

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#### **On the OEM front what is the status of your current negotiations with potential partners and the sales of developer kits? Has interest from the market continued to re-accelerate as covid related lockdowns ended in the December quarter or did Omicron put a short-term bump in the road?**

**MD**

We've recently received purchase orders for evaluation and trial kits from 2 OEM's, 1 in the last quarter and also 1 in January this year.

We have seen interest from OEMs re-accelerate as we're able to get out and visit customers. Omicron is causing some issues however those discussions are ongoing and we're executing on them. As I also noted earlier, we now have our own product range and significant stocks of chips and readers which can be incorporated into customer orders.

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Andrew, you have announced the retirement of Lee Mitchell as company secretary.

**MD**

On behalf of the Board I would like to thank Lee for his dedication and hard work in supporting the directors and business over the last 10 years. He made a significant contribution over this period and Bluechiip has benefitted from his experience and sound counsel.

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