

19 April 2016



Dear Fellow Shareholder,

As you are aware, our new Managing Director & CEO, Andrew McLellan, has been in place for just over a year. In the 2015 Annual Report introducing Andrew, we said his arrival provided the opportunity for 'fresh eyes' on Bluechiip's unique technology, its commercialisation strategy and execution, and that we expected 2016 to be the year where we gain traction in the significant biobanking market. Six months on, it is a good time to provide you with an update on the Company and its prospects.

In that 2015 Annual Report, Andrew explained in considerable detail his strategic review of the Company, its products and the adjustments to Bluechiip's commercialisation strategy. The strategy at the time was to embed our patented MEMS chip into Bluechiip vials to be sold into the biobanking market. This was proving difficult because we could not match either the large range of available vials or the efficiencies of scale of the large medical supply companies. With Andrew's depth of experience and long background in commercialising technology, he understood that this strategy, going head to head with multinationals, was not optimal and that the core technology, the chip itself, was the real value proposition for the Company. The task then was to identify what was required to make the chip easy to adopt by our target markets. After careful consideration of market feedback, he determined that there were three core components that would provide the foundation for success:

- ☐ The patented MEMS chip, in a delivery system that can be attached to any third-party proprietary vial or container;
- ☐ Adaptable reading configurations including the mobile handheld (chip) reader;
- ☐ Software database with ability to integrate with third party software

The team got to work under this new mandate and have made incredible progress:

- ☐ The MEMS chip is now available in a "button" casing. This means the button can be affixed to any third party vial (or container and bag for a variety of uses);
- ☐ In addition to the existing desktop reader ('Matchbox'), our team worked with Planet Innovation, winner of the BRW No.1 Most Innovative Company award in 2015, to design a sleek handheld reader

that can also read barcodes for multi-purpose applications. Launched into biobanks in October 2015, this reader has attracted considerable interest. Responding to market feedback, we have also developed a prototype multi-vial reader for high-volume labs. There is already considerable demand for the multi-vial reader and we expect to have this available for end customer application mid-year;

- The software database is easy to use, has wireless capability, integrates with third-party software and keeps a chain of custody data record in one location.

Most importantly, this new commercialisation strategy resonates strongly with our target market, most particularly where the number of high-value samples is increasing and the cost of failure high. We are beginning to see take up, witnessed last month by the receipt of the first revenue from an OEM client in the Assisted Reproductive Technology (ART) and In-Vitro Fertilisation (IVF) market, and our OEM pipeline has swelled to well over 15 companies.

We are engaged in government co-funded projects to make Bluechiips adaptable and suitable for various formats and we continue to respond to market feedback and customer needs.

On behalf of the Board, I want to thank Andrew and the team for their hard work and the substantial progress they have made. I personally am very optimistic for the future of Bluechiip.

**Yours sincerely,**



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**Iain Kirkwood**  
**Chairman**  
**Bluechiip Ltd**