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ASX Announcement

For immediate release

Thursday 29 October 2020

BLUECHIIP LIMITED
SEPTEMBER 2020 QUARTERLY ACTIVITY REPORT AND APPENDIX 4C

Bluechiip Limited (**Bluechiip** or the **Company**) (**ASX: BCT**) today released its quarterly cash flow report for the quarter ended 30 September 2020.

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

Corporate and Business highlights

- Progressed negotiations with potential OEMs including in the IVF market, Cell Therapy and target Biobanking space which have seen market building interest for the Company's products and solutions;
- Focused on building a direct to market portfolio of products for the Biobanking market especially in North America with end customer engagement including delivery of a Bluechip system in China during the quarter;
- The Company is financially well positioned with cash and cash equivalents of $6.6m as at 30 September 2020, with no borrowings;
- Since the lawsuit filed against Labcon on 29 July 2020, Bluechiip has been working with its legal counsel in the US pursuing its full rights and remedies under the rescinded Agreement and has rejected a counterclaim by Labcon. Both parties have agreed to pursue private mediation to seek a resolution;
- The Company continues to receive financial support from Federal Government incentives through Cashflow Boost and JobKeeper Payment. Also benefited from the Victorian Business Support Fund – Expansion program intended to support businesses through renewed COVID-19 restrictions;
- Company continues to progress delivery of product despite challenges with marketing progress and activities hampered by the impact of the global coronavirus (**COVID-19**) pandemic; and
- Company successfully completed its Implementation and received certification of ISO 9001 Quality Systems compliance.

Additional information

Sales during the September 20 quarter continue to be adversely affected by the global COVID-19 pandemic, nonetheless, the Company successfully delivered sales of $24K in developer kits. This together with prior quarters sales delivered a sales receipts of $47K for the quarter ended 30 September 2020.

Cash outflow during June and September 2020 quarter has predominantly focused on ongoing improvements to the chip performance and efficiency. R&D and staff cost continue to be amongst the major cash outflow items - $748K and $536K respectively, both activities for which the company expects to receive a refund of 43.5% in the form of R&D Tax Incentive from the Australian Government. The

current quarter outflows have been mitigated by customers receipts and government grants of $214K. Overall, net operating cash outflow for the quarter increased from $962K in previous quarter to $1,281K.

Outlook

The Company continues to respond to market conditions by progressively reviewing several measures implemented including:

- Executing on potential opportunities in the US including evaluation systems into customer sites;
- Progressing negotiations with potential OEMs including in the IVF market, Cell Therapy and target Biobanking space which have seen market interest for the Company's products and solutions;
- Lodging the registration of 2019/2020 R&D Tax Incentive refund with anticipated receipt in excess of $1m from the Australian Government;
- Focusing R&D activities on improving the quality, performance, and scalability of chips. This is expected to attain higher quality and yield with the aim of achieving economies of scale and lowering production costs as the Company approaches full volume production;
- Reallocating the technical sales team resources to R&D activities with the aim of further improving our products; for example, improving our multi vial readers functionality by addressing market feedback to meet current and potential OEM partners' requirements arising from the sales of developer kits in previous quarters. The developer kits enable potential OEM partners to integrate Bluechiip's technology into their own products;
- While the Company anticipates that it will continue with more R&D activities over the coming quarters, it intends to carefully manage its existing cash reserves in line with overall strategy;
- Reducing, temporarily, the scale of production in response to the slowdown in sales activity, while continuing to build stocks with the expectation that when markets normalise, Bluechiip is well positioned for a return to growth; and
- Working on further patent applications to add to Bluechiip's existing 9 patent families comprising 25 granted patents.

ENDS.

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Release authorised by Mr Andrew McLellan, CEO and Managing Director.

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. The bluechiip® tag is based on MEMS technology and contains no electronics. In addition to functioning in extreme temperatures, the bluechiip® tag can survive autoclaving, gamma irradiation sterilization, humidification, centrifuging, cryogenic storage and frosting.

The bluechiip® tag can either be embedded or manufactured into storage products such as vials or bags. The bluechiip® reader can easily track and record the identity and temperature of the tag and associated samples.

bluechiip® technology represents a generational change from current methods. Labels (hand-written and pre-printed) and barcodes (linear and 2D) require a line-of-sight-optical scan which is interfered by frost and microelectronic integrated circuit (IC)-based RFID (Radio Frequency Identification), do not survive and operate in extreme conditions unlike bluechiip® technology.

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.

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

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
BLUECHIIP LIMITED	
ABN	**Quarter ended ("current quarter")**
79 104 795 922	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	47	47
1.2	Payments for		
	(a) research and development	(748)	(748)
	(b) product manufacturing and operating costs	(124)	(124)
	(c) advertising and marketing	(18)	(18)
	(d) leased assets	-	-
	(e) staff costs	(536)	(536)
	(f) administration and corporate costs	(219)	(219)
1.3	Dividends received (see note 3)		
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	214	214
1.8	Other *(include Federal Government's Job Keeper Payment, Cashflow Boost and Victoria State Government Economic Survival Package)*	96	96
1.9	**Net cash from / (used in) operating activities**	**(1,281)**	**(1,281)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,930	7,930
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,281)	(1,281)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**6,649**	**6,649**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	4,649	5,930
5.2	Call deposits	2,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,649**	**7,930**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	37
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	80	12
7.4	**Total financing facilities**	80	-

7.5	**Unused financing facilities available at quarter end**	68

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Item 7.3
Relates to credit card facilities.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,281)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,649
8.3	Unused finance facilities available at quarter end (Item 7.5)	68
8.4	Total available funding (Item 8.2 + Item 8.3)	6,717
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	5.24

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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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.

29 OCTOBER 2020

Date: .....

THE BOARD OF BLUECHIIP LIMITED

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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