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Managing Director, Andrew McLellan:

Bluechip and Labcon reach settlement, OEM negotiations, and New product range

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

Open Briefing interview with MD Andrew McLellan

In this Open Briefing®, Andrew discusses:

- Labcon settlement
- Direct to market product range, Bluechiip Branded, Bluechiip Enabled Consumables Line
- OEM negotiation

Record of interview:

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BCT has announced a settlement with Labcon that includes BCT receiving cash; the return of BCT products; and a new supply agreement with Labcon. Can you give us the key details of this including how the new supply agreement will work and also some background as to when the dispute arose?

MD

We're very pleased to have resolved our dispute with Labcon. The details of the resolution are available in the statement we released on June 24, 2021, but are as follows:

Labcon has agreed to provide Bluechiip with $1,600,000 USD, comprising an $850,000 USD cash payment and return of $750,000 USD worth of Bluechiip delta tags and products previously sold to and paid for by Labcon. These will be incorporated or repurposed into the newest generation of Bluechiip Products including Bluechiip's new range of Bluechiip Enabled

consumables. In addition, Labcon and Bluechiip have entered a new Supply Agreement for the new Bluechiip Enabled consumables, readers, and software. Bluechiip will provide a credit of up to $1,350,000 USD on sales under this new supply arrangement.

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The return of product includes Bluechiip chips. Can you explain what this includes and what repurposing is?

MD

As noted in Bluechiip's June 24, 2021 statement, Labcon is returning $750,000 USD worth of Bluechiip delta tags and products previously sold to and paid for by Labcon. These will be incorporated or repurposed into the newest generation of Bluechiip Products including Bluechiip's new range of Bluechiip Enabled consumables.

We are creating own range of Bluechiip Branded and Bluechiip Enabled Cryovials for the global biobanking market, amongst others. We will sell directly in North America and ANZ, and through distributors across the world. This approach is also an important part of our relationship with multiple OEM partners into the future, in which we will take more control of the Bluechiip enabling process across multiple consumable types used in Life Sciences.

The product returned also includes some readers which have previously been sold which will also be reconfigured to be compatible with the new consumables that we're bringing to market.

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BCT is now producing its own line of consumables into which you will be able to incorporate the chips that Labcon is returning. Can you remind us of the market these products address and how BCT distributes and sells them?

MD

The consumables are Bluechiip-branded, Bluechiip enabled cryovials in a range of sizes from 1ml to 5ml across several formats. These consumables are used in the global biopreservation market – better known as the biobanking market – where biological samples are preserved and transported at temperatures from -80°C down to as low as liquid nitrogen, cryogenic, which is -196°C. These are highly valuable samples, including blood, plasma, sperm, DNA, RNA and even plant materials.

Well over 300 million samples are put into storage each year and that is growing dramatically. One example most of us are now aware of is mRNA vaccines which are transported at -80°C.

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These are very harsh conditions. Bluechiip's technology works in these environments, while other technologies such as RFID or bar codes have serious drawbacks in terms of efficiency, safety and security.

In terms of going to market, we have distribution partners around the world and we are continuing to build that network of partners as we launch our new product range.

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Bluechiip recently won a prestigious award from ISBER. Can you tell us what this was for and how it is benefitting your marketing?

MD

It's a prestigious award and very timely.

The award is from the International Society of Bio and Environmental Repositories "ISBER", an international body with thousands of members around the world. As mentioned previously this is our primary target market for new consumables, so it's a significant award for us and has already started to lift our profile.

ISBER announcement can be found at https://www.isber.org/news/566916/
or on Bluechiip's website @ Bluechiip's BoxTracker™ Wins ISBER 2021 Outstanding New Product Award – Bluechiip

The award was for our Bluechiip CryoBoxTracker which plugs into our handheld reader and enables users to track the temperature of a box full of samples as the box is moved around the facility. These boxes are typically moved around on dry ice or in liquid nitrogen carts. Medpace, a clinical research organisation in North America, has been using this product and prepared a poster of its trial, which is available online @ ISBER 2019 Medpace-1-1.pdf (bluechiip.com).

Subsequent to Bluechiip receiving the award the level of interest in the marketplace has increased dramatically. We are getting a lot of enquiries which has positioned us well for when we release our new consumables line into the market towards the latter half of this year.

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Can you give us more detail regarding the orders and the timeline for volume production?

MD

On the back of our activity in the market and with a recent boost from the ISBER award we have seen increasing interest. There is strong level of enquiries and already some orders for our new consumables range. Orders have come from existing customers in Europe and North America. This month we received a purchase order from an Australian organisation for a Bluechiip system to be installed over the next six months.

So we have some customers eagerly awaiting our new consumable range to come on board and we are progressing well to release into the market in the latter half of this year as we finalise configuring production tooling to be able to do that at scale.

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As previously discussed, your negotiation of terms with a "key OEM" are continuing. Can you provide an update?

MD

We are continuing to engage with a number of OEMs to convert our developer kits and trials into OEM partnerships. We believe having our own consumables range will aid this conversion process. The recent ISBER award has also seen increased activity from both existing OEMs, with which we are in discussions, and also new ones.

More specifically we are progressing well towards an agreement with a significant OEM. When you are looking at multi-year investments of organisations the agreements can take some time. We will inform the market when we have a definitive agreement in place.

Authorised for release by the Board of Bluechiip Limited

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