

BLUECHIIP LIMITED

MARCH 2020 QUARTERLY CASH FLOW REPORT

Bluechiip Limited (**Bluechiip** or the **Company**) (**ASX: BCT**) today released its quarterly cash flow report for the quarter ended 31 March 2020.

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2020

Corporate and Business highlights

- The Company is financially well positioned with cash of \$8.9m as at 31 March 2020, with no borrowings.
- Bluechiip is responding with measures to mitigate the impacts of COVID-19 while also exploring opportunities to strongly position the business when the operating environment returns to some degree of normalcy.
- Cash receipts and expenses slowed during the quarter, especially in March.
- We are seeing early signs of emergence from suppliers and customers, while negotiations with potential new Original Equipment Manufacturers (OEMs) continue to progress, albeit more slowly in the current environment.
- Operationally, the Company has taken the opportunity to reallocate resources to previously identified research and development (R&D), which is also tax effective, while managing cash through reduced sales and marketing and employment overheads.
- Implementation of Quality Systems to meet ISO 9001 compliance is on track.

Additional information

The Company recorded net sales revenue of \$68K in the March 2020 quarter, which included the monthly scheduled delivery of chips to OEM partner Labcon in January and February, with deliveries in March suspended by the COVID-19 pandemic. Sales receipts of \$66K were recorded for the quarter ended 31 March 2020, mainly from the sales of chips, readers, software and services in the December quarter.

Sales deliveries during the quarter were impacted by the COVID-19 pandemic, with contracted orders temporarily put on hold as many customers' operations were disrupted, mainly in North America and Europe.

R&D costs remained the largest cash outflow during the March 2020 quarter, including spend focused on ongoing improvements to the chip performance and efficiency. Net operating cash outflow for the quarter increased to \$1,838K from \$1,072K in the previous quarter, primarily due to the increased R&D activities. The prior quarter's net operating cashflow reflected the receipt of approved R&D Tax Incentive 2018/2019 of \$1.233m.

Outlook

The Company is responding to the impact of COVID-19 pandemic by progressively reviewing and implementing a number of measures including:

- Resizing the cost base, while preserving our valued talent pool, including reduced expenses relating to sales and marketing activities and operating on a four-day work week;
- Cutting all non-essential operating expenses and re-negotiating with current suppliers on supply terms to conserve cash;
- Applying for relevant initiatives and support programmes announced by both Federal and State governments;
- 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 up to and over 5-10 million chips a year;
- 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;
- 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;
- Progressing negotiations with potential OEM partners;
- Working on further patent applications to add to Bluechiip's existing 9 patent families comprising 25 granted patents;
- Ongoing implementation of Quality Systems to meet ISO 9001 compliance.

END.

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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

Appendix 4C

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

Name of entity

BLUECHIIP LIMITED

ABN

79 104 795 922

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	66	779
1.2 Payments for		
(a) research and development	(949)	(2,404)
(b) product manufacturing and operating costs	(239)	(1,180)
(c) advertising and marketing	(69)	(210)
(d) leased assets	-	-
(e) staff costs	(470)	(1,398)
(f) administration and corporate costs	(234)	(768)
1.3 Dividends received (see note 3)		
1.4 Interest received	67	75
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,233
1.8 Other (provide details if material)	(10)	52
1.9 Net cash from / (used in) operating activities	(1,838)	(3,821)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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	-	(4)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,171
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	-	(328)
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	-	8,843
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,733	3,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,838)	(3,821)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,843
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,895	8,895

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	6,895	8,705
5.2	Call deposits	2,000	2,028
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)	8,895	10,733

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
-
-

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	14
7.4 Total financing facilities	80	-

7.5 **Unused financing facilities available at quarter end** 66

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 8.3

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)	(1,838)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,895
8.3 Unused finance facilities available at quarter end (Item 7.5)	66
8.4 Total available funding (Item 8.2 + Item 8.3)	8,961
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.88

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.

28 APRIL 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.