



The answer to tracking things – bluechiip them!

It is surprising how often logistics becomes a key challenge. Whether it is getting food from growers in one country to consumers in another, assembling international components for cars or just getting the right garments into a shop.

How much harder must it be to ensure that blood, tissue or other biological samples can always be precisely identified? Especially as their correct identification is absolutely critical and they may be required urgently after long-term frozen storage among millions of other such samples.

We are familiar with the 'information explosion' but some of us can be awestruck by the exponential growth of medical data and specimens – for drug development and testing, in disease outbreaks, from biopsies, cells from DNA tests, genome analysis, or for IVF and cord blood storage.

This material is mostly kept in big freezers, in sealed vials and bags at -196 degrees Celsius. It is playing key roles in a wide array of medical breakthroughs.

"Billions of dollars worth of research into autism, diabetes, and other devastating disorders hinges on scientists' ability to tap industrial quantities of cells and tissue." (1)

These samples are tracked by labels (which can fall off or be tampered with) or by barcodes (which can't be read through frost). New radio-frequency identification ('RFID') technologies can't survive the low temperatures.

Bluechiip Limited makes tiny and secure tags that can be moulded into the containers that store bio-specimens. These tags work at -196°C (liquid nitrogen temperature) and can be read whilst the sample remains in the freezer environment, avoiding any compromising of samples by taking them from freezers to determine their origin.

Research since 2003 is patented and owned by Bluechiip. It uses wireless tracking and has a waiver to use US restricted frequencies. Its tags and reading apparatus are now under positive review by at a number of major potential users.

Well over one billion bio-specimens are stored around the world, growing at 100-200 million samples annually. Clinical trials and bio-banking have already stumbled over logistics failures so expensive that the cost of a 'bluechiip' is cheap indeed, while yet offering major potential for BCT shares.

Action: Speculative Accumulate

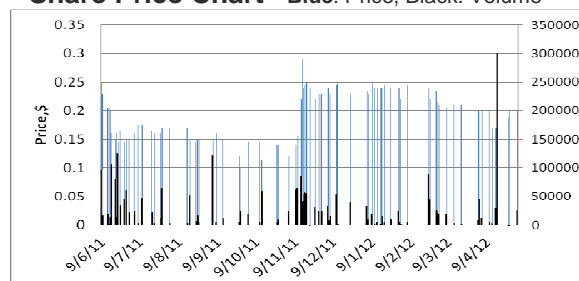
Website: www.bluechiip.com

ASX code:	BCT
Closing Price, 8 May 2012:	\$ 0.20
Quoted Market Capitalisation:	\$ 12.3 million
52 Week High:	\$ 0.30
52 Week Low:	\$ 0.10
Sector:	Technology, Hardware & Equipment
Quoted Shares on Issue:	61.44 million
Total Shares on Issue:	86.14 million
Potential fully diluted shares	116.06 million
Cash at 31 March 2012	\$ 1.117 million
First Listed (IPO at 25 cents) :	9 June 2011

Summary of Fundamentals

Year-end June	FY10A	1H11E	FY11A	1H12A
NPAT, \$m	-3.16	-2.05	-3.62	-1.46
EPS, ¢	-5.4	-3.25	-5.5	-1.85
Grant, Interest, Tax Concessions, \$m	0.38	0.25	0.29	0.77
Net Operating Cash Flow, \$m	-0.83	-0.50	-1.60	-0.52

Share Price Chart - Blue: Price, Black: Volume



Directors

Chairman (Non-Executive)	Iain Kirkwood
MD & CEO	Brett Schwarz
Non-Executive	Joe Bains

(1) Libraries of Flesh: The Sorry State of Human Tissue Storage, Steve Silberman.
www.wired.com/magazine/2010/05/ff_biobanks/all/1



Bluechiip sets a new benchmark in tracking technology ...



... it eliminates tracking errors.



Bluechiip has developed an innovative wireless tracking solution with significantly enhanced technical capabilities. The Bluechiip technology is unique, and offers many benefits not attainable with existing tracking technologies such as labels, bar codes and radio frequency identification devices (RFID). Bluechiip's technology, now being launched locally and internationally, is a platform technology with applications across many healthcare sectors, in particular bio-banking (low-temperature storage centres of biological samples). Future large markets include supply chain logistics, security/defence, industrial, manufacturing and aerospace.

The **Bluechiip wireless tracking technology** represents a generational change from conventional tracking methods including labels, barcodes and electronic radio-frequency identification devices (RFID). The Bluechiip technology, based on MEMS (Micro Electro Mechanical systems) resonators, is a unique passive technology, using micromechanical identification signals, which can withstand extreme temperatures. The **Bluechiip reader** can also record the temperature of a **Bluechiip tag** attached to a sample. These capabilities are not currently available in any other tracking system.

Bluechiip technology:

- can operate across an extreme temperature range (-196°C to +200°C);
- does not require any on-tag energy source or chip intelligence;
- has wide environmental tolerance (including in a humidifier and centrifuge);
- can sense temperature;
- is secure and difficult to clone;
- is easily moulded into tubes, vials, bags or deployed as stand-alone tags;
- is immune to gamma radiation used in sterilisation; and
- is frost resistant and thus can always be read.

	Barcode	RFID	bluechiip
Low temp readability	X	X	✓
Temperature sensing	X	X	✓
Gamma radiation	✓	X	✓

Bluechiip's benefits

These features provide significant benefits to end-users. For example, the integrity of high value bio-specimens can be maintained throughout their lifecycle because the chip is embedded in the storage container, it can always be read and never needs to be removed from its cold storage environment. Cost savings are also gained through increased efficiency and reduced risk.

Validated in trials

The Bluechiip technology has undergone successful proof-of-concept and pilot trials with leading healthcare institutions in Australia. The technology has been trialled under a range of conditions without degradation and with positive results, including, for example:

- continuous cryogenic storage in liquid nitrogen (LN2) for 650+ days;
- thermal cycling (more than 200 cycles from storage in LN2 to room temperature);
- continuous reading – in excess of 1,000,000 times - from the portable reader outside the freezer;
- gamma irradiation to 500kGy (~12 times standard levels used);
- polypropylene encapsulation (plastic injection moulding); and
- field-testing at a leading Australian IVF clinic and a cancer unit within a major hospital.

Bluechiip has been continuing validation studies for applications and markets in Australia and the US, with results due in the near term that it expects to lead to revenues in the second half of calendar 2012, cash flow positive in calendar 2012 and possibly to profitability in FY2013-14.



Growing and large markets

The healthcare and life sciences industries produce and use millions of high value items around the world each day that are critical to patient care. Many of these items are labelled with a unique identification code, either alphanumeric or numeric. Bluechiip is targeting cold storage applications in these industries, deferring wider prospects.

Bluechiip offers the only technology that enables accurate and reliable tracking of high value biosamples and bio-specimens (including cord blood, stem cells, IVF samples and other human and animal tissues or biologic materials) in bio-banks, where samples are often stored in cryogenic (below -150°C) temperatures.

In the USA alone, there are thousands of cryogenic storage facilities in hospitals, pharmaceutical companies, universities and research laboratories. In 1999, it was estimated that there were in excess of 300 million tissue specimens from more than 178 million cases stored in cryogenic facilities in the USA alone, with specimens accumulating at a rate of more than 20 million specimens per year.

Cryogenic facilities are also growing globally, with Europe being a major focus.

Pipeline of opportunities

Bluechiip technology has applications in a number of commercial sectors. Initial development and testing has focussed on tubes and vials with integrated Bluechiip devices for the healthcare sector.

Expanded applications in healthcare alone are numerous and using bags, slides and cassettes with integrated Bluechiip tags which encompass pathology, blood products, clinical trials and diagnostics will provide further opportunities.

Bluechiip's longer-term strategy, once the initial healthcare applications have been successfully commercialised, is to develop the Bluechiip

technology for use in other environments where a tracking solution is required such as security, defence, cold chain logistics and aviation.

Intellectual property (IP) portfolio

The Bluechiip device (including manufacturing processes), the interrogator algorithms and hardware architecture form the core of the Bluechiip technology and competitive advantage.

Bluechiip's patent portfolio consists of 15 patents and patent applications (including five patents granted in the US and Europe (UK, Switzerland, Germany, France)). The patents relate to the passive memory device, its tagging and sterilization system, configuration and methods of interrogation.

The key point is that all IP used by Bluechiip in its products and business is owned by Bluechiip. It does not rely on any background IP owned or licensed by a third party and, to the knowledge of Bluechiip, no intellectual property used in Bluechiip products infringes the intellectual property rights of any third party.

Bluechiip's trade mark portfolio consists of two trademarks registered in Australia and two trademark applications pending in the USA.

Bluechiip will continue to take all reasonable commercial steps to protect its existing patents and other intellectual property and, as part of its IP strategy, where it is practical to do so, to identify and patent new opportunities and technologies.

Key international partnerships

Bluechiip has established significant partnerships with key international parties for the manufacture and distribution of the Bluechiip tags and associated products (see pages 5 and 9).

Experienced Board and management

Bluechiip has an experienced Board and management team with extensive commercial, technical and financial backgrounds (see page 4).

The above is drawn from Bluechiip's original prospectus dated 9 November 2010. It still applies today.

Bluechiip advises that no label, barcode, RFID or other techniques are known to have been advanced to a stage that impacts Bluechiip's commercial advantages in the above product and use areas.

Why Bluechiip? It is not an early stage R&D prospect. (It is not even a biotech!)

It is a **commercially led** company with development work apparently completed to exacting operating standards. This should be largely proven (or not) **within the next few months** by evaluation reports and potential orders from major users, which have been intimately involved in the evaluations.

If such orders are successfully won and executed, Bluechiip faces **a large market** in a **focussed niche** with a patented 'third generation' product and with low prospects of early response from existing competitors—which are outclassed in Bluechiip's initial cryogenic field. (Such competitors have plenty of other growth markets.) There is good **potential for substantial sales with large margins** compared with Bluechiip's market cap, yet small in effective 'insurance' and efficiency costs for the users.



Background to Bluechiip

Bluechiip Limited (formerly MEMS-ID Pty Ltd) was incorporated in May 2003 by co-founders Dr Ronald Zmood and Mr Brett Schwarz. Dr Zmood, formerly with RMIT, is the inventor of the Bluechiip technology and a world recognised leader in magnetic bearings, MEMS technology and control systems. The Bluechiip technology is protected by a portfolio of patents and patent applications and proprietary software applications that are wholly owned by Bluechiip.

Bluechiip has focused on commercialising its technology as rapidly as possible, by directing its efforts into the market sector with the most urgent needs for its advantages and by working closely with industry and opinion leaders in that sector, to align the initial products with their needs and specifications and to prove its value to them. These collaborations are moving towards a time of decision making over the coming months. It seems reasonable to think that early adopters of the technology, if satisfied with its use, are likely to be very 'sticky' users and also to prove of value in providing reference sites of distinction to support further market opportunities.

Bluechiip operates from 1 Dalmore Drive, Caribbean Business Park, Scoresby, Victoria 3179. Its website at www.bluechiip.com is particularly informative and recommended for study by potential investors.

Board and Management

Non Executive Chairman - Iain Kirkwood, MA (Hons) Oxon, FCPA, CA, MAICD Substantial investor / shareholder; over 35 years experience; Chairman/Director of three other ASX listed companies. Starting at Arthur Andersen, he held senior financial and general management roles at Woodside, Santos, Pilkington and Faulding before working as an advisor and nonexecutive director. Chairman of Bluechiip since November 2007.

MD & CEO - Brett Schwarz, BComm, CA Co-founder; over 20 years experience in chartered accounting with Arthur Andersen and Gaddie Metz Kahn (now GMK Partners) across auditing, capital raising, M&A, ISO accreditations, strategy & planning, and as a consultant and CFO before founding Zmood Innovations in 2001, a MEMS technology consultancy from which Bluechiip was spun-out in 2003. Brett has been CEO since August 2008, and has been instrumental in raising funds from private equity, government grants and tax concessions to commercialize Bluechiip's innovative tracking system.

Non Executive Director - Joe Baine, BSc Pharmacology & Biochemistry, Post Graduate Diploma Business Management Over 20 years in pharmaceuticals, in commercialisation, marketing and sales, in partnership, government & licensing negotiations: Pharmacia & Upjohn and Merck Sharp & Dohme, Marketing Director for Bayer Australia, GM of Gilead Sciences Australia, NZ & Asia. Now, CEO of Immuron. He has been involved with Bluechiip since mid-2008.

Chief Technical Officer (CTO) - Dr Jason Chaffey, BSc, PhD Actively involved in MEMS technology for over a decade (Advance Sensors Laboratory and Microengineering Section at DSTO, Advanced Engineering Centre for Manufacture at RMIT) in technology transfer, design, development & commercialising microtechnology devices, with a number of patents. Member of the Institute of Physics and Chair of the Australian Delegation for the Micromachine Summit. With Bluechiip since mid-2006, on chip development then as CTO.

Product Engineering Manager - Dr Ian Johnston, BEng, PhD, electronics & microelectronics, UK Specialised in deep reactive ion etching (DRIE) of silicon at Surface Technology Systems, led R&D developing plasma sources at non-standard frequencies and processes for high aspect ratio trench etching of GaAs. At Innovative Micro Technology (IMT), Santa Barbara, CA, he oversaw the development of dry etch processes and as Product Manager ran over twenty projects on RF switches, phase shifters, optotelecommunication mirror arrays and ocular drug delivery. He has consulted with MEMS companies on processing and plasma etching. A consultant since December 2009, he joined Bluechiip based in UK in June 2010.

Senior Advisor Business Development – Lisa Miranda Us-based international expert and key-opinion-leader in biobanking, over 20 years experience in the industry; consultant to Bluechiip since November 2010.

The board and management team is unusual for a small technology company in having a very commercial focus and experience, while at the same time having specifically experienced technical and development managers covering the bases in technology and trialling and with well recognised relationships with the user industry.

Manufacture and assembly has already been organised on a global basis with a focus on supplying the US market. Subcontract manufacture of the various parts and assembly of the chip and the reader has been set up. STMicroelectronics is handling chip/tag fabrication in Italy and reader hardware is being manufactured in Malaysia. While the Head Office and Research Centre remains in Melbourne, Product Development for the tag is handled by a UK/European office in London run by Dr Ian Johnston and Business Development is led by Lisa Miranda in the Massachusetts office in the USA - the primary market focus.



Strategic Manufacturing, Development and Commercial Partnerships

Bluechiip has been securing agreements with **global commercial and strategic partners** for development and distribution - aiming for bluechiip to become 'best practice' in the target cryogenic healthcare storage area.

- Chip/tag manufacture - Bluechiip engaged Geneva-based STMicroelectronics (NYSE: STM) for this role.
- Vials/tubes - Bluechiip is in discussion with leading vial and tube manufacturers including Corning (as announced in November 2011) and others
- Bags - Bluechiip is in discussions with major bag manufacturers
- Equipment - in discussion with major suppliers of -80°C mechanical and -196°C / LN2 freezers & accessories (racks)
- Reader hardware – Bluechiip has completed the process of selecting a contract manufacturer (page 9)
- Software – has been and will continue to be handled in-house.

One of the storage facilities of Fisher BioServices (www.fisherbioservices.com), the world's largest biorepository, managing 170-200 million samples growing at 20-25 million per annum.



Today's environment is all about ethical accountability, risk management, regulation, financial viability and quality assurance to customers

The company's strategy is to get bluechiip® to end-users/customers such as:

- Biobanks
- Clinical research organizations (CROs) – clinical trials
- Cord blood, stem cell, cell lines
- IVF and cell therapy facilities
- Pharmaceutical and biotech companies

... by working with global distribution and channel partners already supplying end-users/customers, e.g.:

- Suppliers of lab consumables (vials, etc) and their own distributors
- Suppliers of lab equipment (mechanical/LN2 freezers) and their own distributors
- Software providers
- System integrators
- Service providers.

Three key agreements have been secured with major US organizations as a path to sales and commercial partnerships, while relationships have been and are being extended with numerous other interested parties:

#1 – ATCC (American Type Culture Collection)

- A world-leading biological materials resource and standards organization
- A Collaborative Evaluation and Pilot Agreement was announced on 8 November 2011
- A Pilot trial has recently been performed. For background on ATCC, see www.atcc.org

#2 - An undisclosed but leading biorepository and biobanking services provider

- A Collaborative Evaluation and Pilot Agreement was executed in September 2011
- A pilot trial has recently been performed.

#3 – Corning Incorporated (NYSE: GLW) / Corning Life Sciences

- A major consumables supplier
- A Collaborative Evaluation and Pilot Agreement was announced on 11 November 2011
- Corning Life Sciences has been involved in the ATCC pilot trial recently performed.



Intellectual Property (IP) (15 patents currently)

The Bluechiip device (including manufacturing processes), the interrogator algorithms and hardware architecture form the core of the Bluechiip technology platform and competitive advantage. All IP used by Bluechiip in its products and business is owned by Bluechiip, which does not rely on any background or other IP from any other source.

Bluechiip's patent portfolio consists of fifteen (15) patents and patent applications, including five (5) patents granted in the US and Europe (UK, Germany, France, Switzerland). These relate to the passive memory device, its tagging and sterilization system, configuration and methods of interrogation. Those patents which have been granted and/or are pending/published are listed below:

Title	Country	Number	Status
Memory Devices	USA	US 7,434,737	Granted
MEMS Memory Devices	UK	1618513	Granted
	Germany	1618513	Granted
	France	1618513	Granted
	Switzerland	1618513	Granted
Tagging Methods and Apparatus	USA	12/153,778	Pending
Tagging Methods and Apparatus	Europe	08156766.1	Pending
Ring-up/ring-down interrogation of RFID tags	USA	US 13/121,989	Pending
Ring-up/ring-down interrogation of RFID tags	Europe	EP 09817094.7	Pending
Multi data memory device	USA	US 13/000,586	Pending
Multi data memory device	Europe	EP 2297736	Pending
Sample storage and monitoring system	PCT	PCT/AU2010/001645	Pending
Temperature sensing and heating device	Australia	20119002278	Pending

Bluechiip has established Freedom to Operate. It intends and expects to progress its patent applications from Provisional to PCT to National phase over the coming year and aims to continue to file new patent applications for further protection.

Bluechiip has four trademarks, of word and logo, registered in Australia as well as in the USA:

Title	Country	Number	Status
Trade Mark BLUECHIIP	Australia	1261726	Registered
Trade Mark BLUECHIIP (device)	Australia	1261727	Registered
Trade Mark BLUECHIIP	USA	77/683,347	Registered
Trade Mark BLUECHIIP (device)	USA	77/683,371	Registered

Share Capital and Options on Issue

Shares and Options on Issue - per ASX Appendix 3B notice, 12 March 2012					
	Quoted ordinary fully paid shares	61,444,757			
	Ordinary fully paid restricted shares		Escrow Date		
		24,498,181	9-Jun-2013		
		200,000			
	Restricted total	24,698,181		Proceeds	
	Total shares on issue	86,142,938		If Converted	
Exercise at:	Earlier Options Issued:				
20 cents	Options 31 Aug 2012	1,600,000			\$320,000
20 cents	Options 20 Sep 2012	1,186,672			\$237,334
20 cents	Options 31 Aug 2013	5,600,000	Escrow Date		\$1,120,000
20 cents	Options 31 Aug 2013, Restricted	16,000,000	9-Jun-2013		\$3,200,000
	Total Existing & Employee Options	24,386,672			\$4,877,334
	Recent Option Issues:				
30 cents	Options 31 Dec 2012	2,986,750			\$597,350
20 cents	Options 30 Jan 2013	788,333			\$157,667
20 cents	Options 1 March 2013	1,755,000			\$351,000
	Total Options on issue	29,916,755			\$5,983,351
	Total diluted share capital	116,059,693	shares & options on issue		
By:	31 Aug / 20 Sep 2012	31 Dec 2012	30 Jan 2013	1 Mar 2013	31 Aug 2013
Conversion Proceeds:	\$ 237,654	\$ 597,350	\$ 157,667	\$ 351,000	\$ 4,320,000
Cumulative:	\$ 237,654	\$ 835,004	\$ 992,671	\$1,343,671	\$ 5,663,671



Of the shares on issue, 61.71m or 71.7%, including all under escrow, are held by the Top 20 shareholders including founders, directors and major shareholders; Free float is some 61.4m shares or 71.3%. As shown in the table above, if the close to 30m options are exercised (27m at 20 cents and 3m at 30 cents), up to \$6m might be raised, maybe \$1m by January 2013 and the final \$4.3m by August 2013. Less than 10% of shares have been traded since listing.

March 2012 Quarterly Cash Flow Report

Net operating cash outflow for the quarter ended 31 March 2012 was \$936,000. Cash reserves at 31 March 2012 were \$1,117,000. In the quarter, Bluechiip raised \$1,526,000 through private placements. The higher than average operating cash outflow in the period was due to ramping up of activities towards commercial production and sales. Investment cashflow in the quarter was \$3,000 offset by a refund of a \$30,000 deposit on an order of equipment no longer required. The directors noted that a tax refund of some \$800,000 is expected from the 2011/2012 R&D tax credit program and \$193,000 in final repayment of the \$500,000 loan to the Chairman. The directors were satisfied that Bluechiip has adequate funding and its balance sheet was sound.

Ballpark Projections of Possible Future Cash Movements

We have used the recent cash flow reports of the company to project, in 'ballpark' figures, the possible trends in cash to June 2013. While the final quarter of FY2012 may be estimated approximately with confidence from the last quarterly report, even FY13 cash movements are somewhat speculative. Our ballpark estimates are shown below, with two figures of particular importance.

The first imponderable is **receipts from customers**. We have postulated this at \$2 million on a net basis - i.e. AFTER Bluechiip pays its subcontract manufacturers and other direct costs of manufacture, assembly and delivery. We do not know the cost or sales value of a bluechiip tag, nor those of the tag reader. We assume that a very large number of tags can be read by one tag reader and its associated bluechiip software, which would no doubt record all identification and tracking data for a large room full of biospecimens - or forward it wirelessly to the main computer data base of the customer institution.

Given the low costs of labels and bar codes and their obvious and significant disadvantages where a near certainty of lack of error could be of almost priceless benefit (apart from the operating efficiencies and prestige that could accompany a successful bluechiip installation), we see **little price competition** between those methods and bluechiip in high tech biosample storage logistics. The **cost of bluechiip equipment** is likely to be in the vicinity of similar RFID instrument costs, against which it will suffer initially from lack of manufacturing scale while gaining in its usage attributes, significantly as they are progressively proven. Thus to net customer receipts of say \$2m as postulated here would require orders of some \$10m (margins being still low at that early level of sales volume). We expect that such orders are not out of order for FY13, all being well with verification and buyer interest.

Staff costs are likely to increase somewhat for FY13, although we understand that key executives are in place and manufacture is essentially outsourced.

R&D costs will surely rise in FY13 (particularly development - matching bluechiip equipment to customers' specific needs and surmounting any hurdles remaining to meet required performance criteria - customisation, verification and enhancement).

We have assumed that the **R&D tax credit program** is able to continue at its current level; likewise GST refunds.

Investments in **physical assets** have been small to date. We have assumed some minor increase in this. There may also be additional R&D costs if and when Bluechiip accelerates its marketing activities. In any event, once large-scale manufacturing is to commence, we understand that an **equipment investment** of over \$1 million may be required but this may be taken up by the contract manufacturer. We have not allowed for that in the 'ballpark' projections, but note it as a potential cash outlay.

Some extra **working capital** may be required as customers place initial production orders, which is expected during this quarter (initial proving orders) and in 1H13 when the directors hope and expect larger orders to be placed. The terms of sales are not likely to fully match the terms of payment to the subcontract manufacturers and we have allowed for some difference here and for logistics.

A more substantial **working capital** increase may be a necessary precursor to full-scale orders, and no doubt management will aim to make the two inter-dependent if possible and seek the needed funds from each or any of the buyer(s), from grants and shareholders, recognising the significant progressive inflows likely from exercise of options if progress is seen to be positive (see top of page and table page 6).



POSSIBLE FY12 & FY13 CASH BALLPARK	FY11, Act	Qtr 1, Act	Qtr 2, Act	Qtr 3, Act	Qtr 4, Est	FY12, Est	FY13, Est
Cash flows related to operating activities							
Receipts from customers						0	2,000
Payments for:							
(a) staff costs	-629	-251	-151	-241	-250	-893	-1,100
(b) research and development	-522	-327	-145	-278	-300	-1,050	-1,500
(c) other working capital	-901	-331	-173	-432	-450	-1,386	-2,100
Interest & similar items received	38	8	7	7	7	29	
Interest & costs of finance paid	-6	-1				-1	
Income taxes paid - -						0	
- GST refunds	119	50	32	7	20	109	100
- Income tax refund	243	674			800	1,474	800
- Government grants	14	92				92	
Net operating cash flows	-1,644	-86	-430	-937	-173	-1,626	-1,800
Payment for acquisition of:							
physical non-current assets	-21	-8	-49	27	-100	-130	-300
Loans to other entities		-500				-500	
Loans repaid by other entities (see Note)		193	144		163	500	
Net investing cash flows	-21	-315	95	-27	63	-184	-300
Total operating & investing cash flows	-1,665	-401	-335	-910	-110	-1,756	-2,100
Cash flows related to financing activities							
IPO raising costs paid post IPO	2,838	-217	-36			-253	
Proceeds from borrowings	312					0	
Repayment of borrowings	-184	-2				-2	
Other – Net share issue proceeds				1,526		1,526	2,100
Net financing cash flows	2,966	-219	-36	1,526	0	1,271	2,100
Net increase (decrease) in cash held	1,301	-620	-371	616	-110	-485	0
Cash, start of quarter/year to date	2	1,492	872	501	1,117	1,492	1,007
Cash at end of quarter / year	1,492	872	501	1,117	1,007	1,007	1,007

A Hypothetical Look at a Possible Future

The impact of these speculative estimates, shown above, suggests that a capital raising of some \$2.1 million (including any option exercises) could be required within FY13 to maintain the available cash in hand at around a million dollars. More could be needed if major orders require an added investment of over \$1 million as noted above, or if orders are slow to eventuate. Conversely, in the event of slowed development, expenditure would be likely cut by the commercially experienced board, despite their strategy of fast expansion to take advantage of their patent position and the obvious needs of the biobanking industry at this time.

As to the longer term, given the growth of biosamples at some 100-200 million per annum, if Bluechiip were to build to say 20% of the world market share (in the initial field of application) for locating and tracking such samples, we estimate that orders of \$25-50m p.a. could be in the ballpark, even though fewer orders for readers would be needed than tags for ongoing customers. If Bluechiip were to reach such a target within say five years we would expect gross margins to expand also, so that annual gross margins after subcontract costs could be in the order of \$6 to \$20 million. Expenditures may not be much above \$5-8m, implying possible pre-tax profits of \$1 to \$12 million. Given that the issued diluted capital might then be in the order of 120 to 150m shares, EPS might be in the range of 0.8 cents to 8 cents. With much wider markets then opening up for exploitation, successful proof of the bluechiip in practice looks likely to have a good chance of progressively raising the share price to a useful multiple of its 25 cent IPO and recent 20 cent rights and trading levels.

Further and Wider Prospects

Directors and management of Bluechiip have focused (we believe rightly) on generating income in the cryogenic healthcare field, and on particular niches of that in the first instance. We accept their argument that there are other important areas within healthcare that they will approach once commerciality is well proven, and outside healthcare there is a wide range of industry prospects in which Bluechiip should also have substantial potential. We have made no attempt to put figures on these wider opportunities, but have little doubt that they offer substantial growth prospects over and above the already significant earnings potential of their chosen niche.



Corporate and Investment Risks

Bluechiip has not had any sales revenues, profits or positive operating cash flow to date and its business must be regarded as higher risk than most ASX-listed companies. Any investment must be considered speculative.

Particular risks include:

Technical - the possibilities that the Bluechiip technology does not achieve full validation; that acceptance by initial potential users in the cryogenic healthcare sector is delayed or requires yet further testing; that examples of failure occur in extensive long-term operational use or circumstances, etc;

Acceptance - that potential major users, while they may be attracted to the technology, may yet consider the risks inherent in its early adoption too severe to place large scale orders;

Competition - competitors may improve their products and offset the comparative advantage of Bluechiip;

Obsolescence - that new developments in tracking, storage, or handling of biosamples may offset Bluechiip's advantage, or challenges be made to its patents and IP;

Financial or Management risks - may prevent or delay successful execution of the business plan.

News Flow

We have outlined Bluechiip's technology and its clear advantages, the substantial market sizes, both in the initial target zone and subsequent wider areas, the board and management, patent position, the company and its collaborations, the cash position and some possible changes likely over FY13. We see significant upside if all goes well. We draw readers' and potential investors' attention to the higher than normal risks of this early stage technology company. We expect significant news flow in the coming months, which should progressively show the progress of the company as it moves to the cusp of technological acceptance, sales and product delivery.

An example of such significant news flow is the release made by Bluechiip on 9 May 2012, as follows:

Bluechiip engages Plexus to manufacture commercial Matchbox™ reader hardware

Bluechiip Limited (ASX: BCT) – which has developed a unique asset-tracking solution initially for cryogenic sample tracking in the healthcare and life science industries – today announced it has engaged a top ten Electronic Manufacturing Services (EMS) provider, US-based Plexus Corp (listed on NASDAQ: PLXS), to manufacture its commercial-ready Matchbox™ reader hardware.

The engagement of Plexus complements the agreement signed in January 2011 with Geneva-based STMicroelectronics (NYSE: STM) which will manufacture Bluechiip's unique tracking tags.

The Matchbox™ reader, which comes pre-loaded with Bluechiip's proprietary Stream™ sample tracking software, reads the bluechiip® tags in sample storage containers such as tubes and vials, as well as the racks used to store these samples, which are normally stored in ultra-low temperature freezers and tanks in biobanking facilities down to -196°C.

Plexus supports a variety of market sectors including Networking/Communications, Medical, Industrial/Commercial and Defence/Security/ Aerospace. Plexus specialises in manufacturing complex, high-technology products for technology companies.

Bluechiip Managing Director, Brett Schwarz, said: "We are delighted to have met another milestone. The engagement of Plexus to manufacture the Matchbox™ reader hardware is a further validation of our unique asset tracking solution. We are thrilled to be partnering with a company which is held in such high regard worldwide. We are also pleased to now be in a position to start taking orders for the product."

About Plexus Corp:

Plexus delivers optimized Product Realization solutions through a unique Product Realization Value Stream service model. This customer-focused services model seamlessly integrates innovative product conceptualization, design, commercialization, manufacturing, fulfillment and sustaining services to deliver comprehensive end-to-end solutions for customers in the Americas, European and Asia-Pacific regions.

Plexus is the industry leader in servicing mid-to-low volume, higher complexity customer programs characterized by unique flexibility, technology, quality and regulatory requirements. Award-winning customer service is provided to over 130 branded product companies in the Networking/Communications, Medical, Industrial/Commercial and Defence/Security/Aerospace market sectors. See www.plexus.com.



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Risk

Bluechiip Limited has not reported sales revenues or profits to date and its business must be regarded as having higher risk than most ASX-listed companies. Any investment must be considered speculative.

Prepared by

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