

22nd October 2014
Australian Securities Exchange

**Chairman's Address to Shareholders at the Annual Meeting of Members held on
Wednesday 22nd October 2014**

Good morning ladies and gentlemen and welcome to the 2014 Annual General Meeting of shareholders of Cryosite Limited. My name is Andrew Kroger, Chairman of Cryosite. My first job this morning is to welcome you to this Annual General Meeting of Cryosite.

I would like to introduce my fellow directors and the executive management team, Christy Boyce (non-executive Director), Graeme Moore (executive Director) and Mark Marshall (CFO). Also in attendance is Bryan Dulhanty our company secretary.

This morning I will provide you with a review of the company's results for last year, highlighting the areas of most interest, and give you an insight into where the Board and management team believe the company is heading.

As you will be aware, the 2014 financial year saw several changes to the executive management team, with the retirement of the Managing Director and previous CFO, and the appointments of Mark Marshall (CFO) in November 2013 and Graeme Moore (acting CEO) in April 2014.

To facilitate the company's long term strategic direction, the following senior appointments were also made during 2014. Sarah Bowling (Head, Business Development), Dr Shane Johnston (Manager, Quality & Regulatory Affairs) and Dr Mike Sivell (Senior Scientist, Cellular Therapies R&D).

Now I would like to move onto a review of last year's key financial indicators:

SALES:

The total sales revenue for the year was \$9,171,014, an increase of 7.9% on last year's figure (\$8,497,803).

PROFIT:

The profit for the year after income tax was \$505,602. This compares with \$1,249,961 in 2013. The financial performance in the second half of the financial year reflected the company's decision to implement a long term business growth strategy involving new development activities in both the biological services and warehousing and distribution segments. This, together with one off termination payments and legal expenses associated with the evaluation of business development opportunities, contributed to the decrease in profit from operations in 2014. We are pleased to be able to advise that as a result of these investments we are beginning to see growth across all segments of the Group.

DIVIDEND:

A final unfranked dividend for the year ended 30 June 2013 of 1.0 cents per ordinary share was declared and paid during the financial year. An interim unfranked dividend of 0.5 cents per ordinary share in respect of the 2014 financial year was declared and paid during the financial year. The total dividends declared and paid were \$700,693 (2013: \$466,397). We will continue to assess our financial position and pay out dividends as the board feels is appropriate.

CASH:

Cash on hand at 30 June 2014 was \$6,252,193 (2013: \$5,777,097). Cash at 30 September was \$6,539,619.

CAPITAL MANAGMENT

Despite the long term business growth strategy outlined above, having considered the strong and growing cash balance of the Company and the cash generation of the Company's current business, the Directors consider that the Company has cash excess to its short term needs.

The directors are therefore proposing that a shareholders meeting be called to approve a capital return by way of an equal reduction of capital of \$0.05 cents per ordinary share. This will result in a total payout to shareholders of approximately \$2.5m.

An indicative timetable for this proposed capital return is as follows

- Shareholders meeting – 1st December 2014 to approve the return of capital
- Record date to determine entitlements to receive the capital return – 7.00pm (Sydney time) on 5th December 2014
- Payment date – 19th December 2014

The proposed capital return will not involve a cancellation of any shares.

Please note these dates are indicative only and are subject to change. In particular, the record date will be confirmed by subsequent announcement if shareholders in general meeting pass the resolution to approve the capital return.

CRYOSITE OPERATIONS

I would now like to briefly summarise the scope of Cryosite's services:

Cryosite provides a number of services that are aggregated into two market segments:

1. Biological Services, and
2. Warehousing and Distribution

Biological Services includes the private cord blood and tissue banking service, adult stem cell storage, bioarchive & biorepository services and contract GMP manufacturing service.

Distribution Services includes the clinical trials logistics service, commercial drug distribution and the other storage and distribution based services including the importation and distribution American Type Culture Collection products.

I would like to take some time now to focus on three particular areas of interest.

First, the introduction of Cord Tissue banking

2014 has seen increased competition and discounting within the cord banking sector, and Cryosite has needed to invest in additional sales and marketing capacity to maintain its 2013 sales. While these factors led to a reduction in cord blood operating profit relative to last year, we expect improved performance as a result of these investments in 2015.

To grow market share and profitability in cord blood operations, Cryosite invested in R&D and advanced GMP cell processing capability during 2014, and has successfully commercialised a method to cryopreserve and expand a patent protected source of mesenchymal stem cells (MCS's) from umbilical cord tissue.

MSC banking complements Cryosite's existing business model and is expected to add an important additional revenue stream to Cryosite's existing cord blood operations.

Secondly, consolidation of Contract GMP Manufacturing Services

In 2013, Cryosite entered into an agreement with a regenerative medicine company to develop methods to cryopreserve adipose derived stem cells for OE and other indications. Cryosite now provides routine contract manufacturing, storage and distribution services for this commercial product. In 2014, contract GMP manufacturing made a pleasing contribution to revenue and operating profit, and this is expected to be maintained during 2015.

And, thirdly, developments in specialised Clinical Trials and Commercial Drug Distribution services

Cryosite's expertise in cold, frozen and cryogenic storage and distribution has enabled it to successfully support clients' changing needs for management of biologic based drugs, and, importantly, to provide an expanded range of value added services, including complex protocol development and process qualification, which are particularly applicable to the global growth in cold chain biologic based drugs.

While the number of individual clinical trials under management has increased, it is the ability to meet clients' demands to support highly customised trials of increasing complexity that has enabled Clinical Trials operations to maintain their contribution to segment revenue in 2014.

Cryosite secured its first contract for distribution of a highly temperature sensitive commercial drug in 2013. Commercial distribution has now been successfully integrated into routine operations, making an important contribution to Clinical Trials results in 2014

BUSINESS GROWTH AND OUTLOOK

While traditional operations within the Biological and Warehousing & Distribution Service segments will be subject to an increasingly competitive business environment during 2015, both segments are expected to provide incremental organic growth due to the increasingly specialised value added service offerings Cryosite can deliver.

The past year has seen Cryosite identify and implement new business operations in both market segments.

The Biological Services segment now provides cord tissue MSC banking to parents, and specialised contract GMP manufacturing and associated consultancy services to therapeutic and regenerative medicine companies involved in the development and commercialisation of proprietary technologies.

The Warehousing and Distribution segment now provides specialised commercial drug distribution, and has commenced protocol development for cryogenic and GMO investigational products for a large international client.

These initiatives are expected to improve revenue and net operating profit in 2015 and further position the Company to maintain growth in the longer term.

Leveraging Cryosite's unique combination of Biorepository, Clinical Trials Logistics and TGA licensed stem cell manufacturing services to create specialised service offerings for existing as well as new clients, offers the promise of an exciting future for the Company. The initial successes reported in commercial drug distribution and contract GMP manufacturing, are early indicators of the Company's ability to adapt and succeed in both market segments.

SHAREHOLDER SUPPORT

The Board and Management are grateful for the continuing support and interest in the company by the shareholders. We remain confident that the company is well positioned to take advantage of both the growth in research and biotechnology activity in Australia, and the increased need for outsourcing of specialised bio logistics capabilities by organisations involved in clinical trials and commercial drug distribution in Australia and New Zealand.

Andrew Kroger
Chairman