

Notice of General Meeting

and Explanatory Statement

Cryosite Limited

ACN 090 919 476

Date: Monday, 1 December 2014

Time: 2.00pm (Sydney time)

Place: 13A Ferndell Street, South Granville, NSW 2142

24 October 2014

Dear Shareholder

Further to the Company's announcement of 22 October 2014, I have pleasure in enclosing a notice and explanatory materials for a general meeting of the Company to be held on Monday, 1 December 2014 at 2.00pm (Sydney time) at 13A Ferndell Street, South Granville, NSW 2142.

The meeting is to seek shareholder approval to reduce the Company's share capital by returning to each shareholder \$0.05 per ordinary share held as at the record date. The proposed capital reduction is proposed to be payable approximately two weeks after the record date set after shareholder approval is obtained.

The total return to eligible shareholders will be approximately \$2.5 million (assuming no outstanding options are exercised).

Your Board considers that the proposed capital reduction is appropriate in light of the Company's capital management strategy. As announced at the AGM on 22 October 2014, your Board notes that the Company has retained sufficient cash to extinguish all external debt and to meet working capital requirements.

A general outline of tax implications for Shareholders is set out in the accompanying materials. However, shareholders are encouraged to consult their accountant and/or tax advisor in relation to the specific tax implications for them of the proposed reduction of capital.

Further information in relation to the proposed capital reduction is set out in the enclosed Notice of Meeting and accompanying explanatory statement. No other matters of business will be considered at the meeting.

You are encouraged to attend and vote at the General Meeting. If you are unable to attend the meeting, a copy of your proxy form is enclosed. Please complete it by filling out your voting preference and lodging it in the specified manner by the specified date.

Thank you for your continued support. The Directors and management of Cryosite look forward to delivering ongoing sustainable value for all shareholders.

Yours sincerely

Andrew Kroger
Chairman

NOTICE OF GENERAL MEETING

Please see accompanying Explanatory Statement (which is included in and forms part of the notice of meeting) for information concerning the business of the meeting.

Notice is given that a General Meeting of Cryosite Limited (**Company** or **Cryosite**) will be held at 13A Ferndell Street, South Granville, NSW 2142 on **Monday, 1 December 2014** at **2.00pm**.

BUSINESS

The sole business of the meeting is to consider and, if thought fit, pass the following resolution:

That the following equal reduction of the share capital of the Company is approved for the purposes of sections 256B and 256C of the Corporations Act 2001 (Cth) and for all other purposes:

Subject to:

(a) *the number of the Company's shares as at 7pm (Melbourne time) on the record date set by the directors of the Company or their delegate (**Directors**) to determine entitlements of shareholders to participate in the reduction of capital (**Record Date**) not exceeding 47,159,563; and*

(b) *the Record Date occurring not later than 20 days after this resolution is passed, that the Company reduces its capital without:*

(c) *cancelling any shares or*

(d) *creating or increasing any unpaid amount on any shares,*

by \$0.05 for each share in the Company on issue as at the Record Date by paying, in the manner provided in the constitution of the Company for the payment of amounts payable in respect of shares in the Company (including dividends), \$0.05 in respect of each such share to the person registered as the holder of that share on the Record Date, such payment to be effected on a date:

(e) *not earlier than the day after the Record Date; and*

(f) *not later than the 20th day after the Record Date, as determined by the Directors.*

By order of the Board

Bryan Dulhunty
Company Secretary

24 October 2014

Voting

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Appointing a Proxy

- Shareholders who are unable to attend the general meeting and do not choose to use Direct Voting, are entitled to appoint a proxy to act at the meeting on their behalf, and to vote in accordance with their instructions on the proxy form.
- A proxy need not be a shareholder of Cryosite and may be an individual or body corporate. A body corporate appointed proxy may appoint a representative to exercise the powers that the body corporate may exercise as the shareholder's proxy.
- To appoint a Proxy, mark 'X' in Box B on the Voting/Proxy Form. A proxy may be an individual or a body corporate. Subject to the voting exclusions set out above, if no voting instructions are given, the proxy may vote as they see fit.
- The Chairman of the Meeting intends to vote all valid available and undirected proxies in favour of each item of business. The Chairman's intention as set out in the previous sentence is an expression of that intention as at the date of the notice of meeting. In exceptional circumstances, the Chairman's intention may change subsequently. If there is a change as to how the Chairman intends to vote undirected proxies, Cryosite will make an immediate announcement to ASX stating that fact and explaining the reasons for the change.
- If you are a shareholder entitled to cast two or more votes, you may appoint up to two proxies and specify the proportion of voting rights or the number of votes each proxy is appointed to exercise. If an appointment to two proxies does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

Sending us your Direct Vote or Proxy

- Completed Voting/Proxy Forms must be received by the Share Register, Link Market Services Pty Limited, at Locked Bag A14, Sydney South, NSW, 1235 or by fax to +61 2 9287 0309 by 2.00pm on Saturday, 29 November 2014. A replied paid envelope is provided.
- If you wish to submit your direct vote or your appointment of proxy and voting instructions electronically, visit the share registry website, www.linkmarketservices.com.au. You will need your security holder Reference Number (**SRN**) or Holder Identification number (**HIN**) which is shown on the Voting/Proxy Form.
- If your direct vote or appointment of a proxy is signed by an attorney, or in the case of direct vote or proxy submitted electronically, authenticated by an attorney, the power of attorney (for a certified copy of the power of attorney) must be received by the Share Registrar, Link Market Services Pty Limited, at Locked Bag A14, Sydney South, NSW, 1235 or by fax to +61 2 9287 0309 by 2.00pm on Saturday, 29 November 2014.

Determination of shareholders' right to vote

- The Board has determined that a person's entitlement to vote at the general meeting will be the entitlement of that person set out in the register of shareholders as at 2.00pm on Saturday, 29 November 2014. Share transfers registered after that time will be disregarded in determining entitlements to vote at the general meeting.

EXPLANATORY STATEMENT

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This Explanatory Statement is included in and forms part of the notice of meeting.

1. What is the purpose of the General Meeting?

The purpose of the General Meeting is for Shareholders of the Company to consider and, if thought fit, pass a resolution approving a reduction of capital that would apply equally to all ordinary shareholders having regard to the number of shares in the Company held by each of them. The proposed capital reduction will qualify as an 'equal reduction of capital' under the *Corporations Act 2001 (Cth)*.

2. What is the equal reduction of capital?

- 2.1 The Company proposes to reduce its share capital by returning to each of its Shareholders \$0.05 per ordinary share held on the record date, representing a total return to Shareholders of approximately \$2.5 million (assuming no outstanding options are exercised).
- 2.2 The amount of \$0.05 per share is proposed to be returned to Shareholders by way of an equal reduction of capital under Chapter 2J of the *Corporations Act 2001 (Cth)* (**Reduction of Capital**), and is proposed to be paid approximately two weeks after the record date. The Reduction of Capital is subject to the number of issued shares in the Company as at the record date not exceeding 47,159,563 (comprising 46,859,563 existing shares plus the maximum number of shares (ie, 300,000 shares) that may be issued as a result of the exercise of outstanding options). If for any reason the number of shares on issue in the Company as at the record date exceeds that number the Reduction of Capital will not proceed.
- 2.3 The time and date for determining which Shareholders receive the Reduction of Capital is proposed to be 7.00pm (Sydney time) on Friday, 5 December 2014, being the record date. This date is subject to change. Payment is proposed to be made on or about 19th December 2014 in accordance with the provisions of the constitution of the Company.
- 2.4 After the Reduction of Capital, the current share capital of the Company will be reduced by up to approximately \$2.5 million (assuming no outstanding options are exercised), being \$0.05 per share. The number of shares on issue in the Company will not change as a result of the Reduction of Capital.
- 2.5 These Explanatory Notes provide Shareholders with all information known to the Company that is material to the decision of whether or not to vote in favour of the resolution to approve the Reduction of Capital.

3. What are the reasons for the Reduction of Capital?

- 3.1 The Directors have been reviewing the Company's capital management strategy and have considered various options to return surplus capital to Shareholders. This surplus capital has been accumulated primarily from shareholders' original share subscriptions. For a number of years now, Cryosite has been profitable, cash flow positive and debt free. The Directors consider that this profit and cash inflow is sufficient to fund the growth of the Company's operations, hence a portion of the original capital contributed by shareholders is now able to be returned.
- 3.2 As part of this review, your Board considered the appropriate level of funding required to support the existing operations of the Company and the funding necessary to invest in the Company's core businesses and growth initiatives

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- 3.3 By reducing existing cash reserves, after paying off external debt, the Company will reduce its cost of capital and increase returns to Shareholders. However, these outcomes must be balanced with ensuring the Company has sufficient financial flexibility to fund existing operations, to support growth and retain sufficient capital to meet unforeseen events.
- 3.4 The Board has assessed various alternatives to distribute funds to shareholders including factors such as simplicity, equity between Shareholders, the availability of franking credits, and the tax effectiveness of various options for Shareholders and has determined that the proposed Reduction of Capital is the most appropriate alternative, having regard to the interests of the Company and its shareholders as a whole.
- 3.5 The Board's review concluded that the Company has the capacity to make a capital return to shareholders, consistent with the above considerations, of \$0.05 per share.

4. What is the effect of the Reduction of Capital on the Company?

- 4.1 The Company has 46,859,563 fully paid ordinary shares on issue as at the date of the accompanying notice. There are no classes of shares on issue other than ordinary shares. There are 300,000 unlisted options issued by the Company.
- 4.2 The effect of the Reduction of Capital is that the Company's issued share capital will be reduced by up to approximately \$2.5 million (assuming no outstanding options are exercised), being \$0.05 per share. The Reduction of Capital, will not, however, reduce the number of fully paid ordinary shares on issue or affect the existing status of the Company's shares as fully paid shares.
- 4.3 The Directors of the Company consider that the Reduction of Capital will not adversely affect the Company's capacity to fund existing businesses and growth opportunities.

5. What approvals are required?

- 5.1 Under section 256B(1) of the *Corporations Act 2001 (Cth)* (**Corporations Act**), a company may reduce its share capital as long as the reduction:
 - (a) is fair and reasonable to the Company's Shareholders as a whole (see section 6 below);
 - (b) does not materially prejudice the Company's ability to pay its creditors (see section 7 below); and
 - (c) is approved by Shareholders under section 256C.
- 5.2 The resolution of the Company proposed at the General Meeting seeks the approval of Shareholders as required under section 256C.
- 5.3 The Company's constitution does not impose additional restrictions on or requirements for reductions of capital.

6. Is the Reduction of Capital fair and reasonable to Shareholders?

The Directors of the Company consider that the Reduction of Capital is fair and reasonable to all Shareholders of the Company, as it applies to all Shareholders equally having regard to the number of shares in the Company held by each of them.

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7. Is there any material prejudice to creditors?

The Directors of the Company believe that the Company has sufficient cash reserves to pay the Reduction of Capital without materially prejudicing the Company's ability to pay its creditors.

8. Will there be tax implications for the Company?

No materially adverse income tax consequences are expected to arise for the Company from the Reduction of Capital.

9. Will there be tax implications for shareholders?

9.1 Note, the following information is of a general nature only. The Board recommends that shareholders obtain their own independent advice in relation to the taxation implications for them of the proposed Return of Capital.

9.2 For shareholders who hold their shares on capital account, the income tax implications of the proposed return of capital would ordinarily result in a reduction of the capital gains tax (CGT) cost base of their shares by \$0.5 per share. If the payment of \$0.05 is greater than a shareholder's cost base of each share, the excess should be included as a capital gain in the shareholder's income tax return.

9.3 The Australian Taxation office (ATO) may seek to apply the capital streaming rule in section 45B of the *Income Tax Assessment Act 1936* (ITAA 1936) to deem the return of capital as an unfranked dividend. The ATO would generally seek to apply section 45B of the ITAA 1936 in circumstances where the ATO determines that the Company is attempting to make a capital payment to shareholders (which are generally subject to concessional tax treatment) in lieu of an assessable dividend.

9.4 If the ATO makes a determination that section 45B of the ITAA 1936 applies to the proposed Return of Capital, the payment of \$0.05 per share will be treated as an unfranked dividend and will need to be included in each participating shareholder's income tax return in full.

9.5 The factors which the ATO must consider in determining whether section 45B of the ITAA 1936 applies are very broad and include circumstances such as:

- the extent to which the proposed return of capital is attributable to profits of the Company rather than share capital;
- prior year and future dividend distribution patterns of the Company; and
- whether shareholders have sufficient CGT cost base in their shares to shelter the proposed return of capital from giving rise to an immediate taxable gain.

The Board gives no assurance as to whether or not the ATO will make a determination and treat the Return of Capital as an unfranked and therefore potentially fully assessable dividend.

9.6 Finally, the Board notes that some shareholders (for example those who carry on a business in dealing with shares) may be assessed on their dealings in shares other than under the CGT provisions. The tax consequences for those shareholders may differ from those discussed above, and the Board recommends that those shareholders seek independent advice in relation to the proposed Return of Capital.

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10. Lodgement

In accordance with section 256C(5) of the Corporations Act, copies of the Notice of General Meeting and this Explanatory Statement have been lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC nor any of its officers takes any responsibility for the contents of either document.

11. Timetable for the Reduction of Capital

Subject to Shareholder approval, the Reduction of Capital will take effect in accordance with the following timetable:

Event	Date
General meeting to approve the Reduction of Capital	1 December 2014
Cryosite shares trade on an "ex" return of capital basis	Commencement of trading on 3 December 2014
Record Date for determining entitlements to participate in the Reduction of Capital	7.00pm (Sydney time) on 5 December 2014
Dispatch date for payment of the Reduction of Capital	Commencing 19 December 2014

12. What are the payment methods?

If the Reduction of Capital is approved by Shareholders, it will be paid in accordance with the Company's constitution, which provides for payment to a person entitled to an amount payable in respect of a share in the Company by:

- (a) crediting an account nominated in writing by that person;
- (b) electronic funds transfer to an account with a bank or other financial institution nominated by the person and acceptable to the Company; or
- (c) cheque made payable to bearer, to the person entitled to the amount or any other person the person entitled directs in writing, which may be posted to:
 - (i) the address in the Company's register of members of the person registered as the holder of the share;
 - (ii) if the share is jointly held, the address in the register of the member named first in the register in respect of that share; or
 - (iii) any other address which that person directs in writing.

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13. Are there any reasons against the Reduction of Capital?

- 13.1 The Directors of the Company unanimously consider that the Reduction of Capital is in the Company's best interests.
- 13.2 You may wish to vote against the resolution if you believe that the Company should retain these surplus funds or use them in a different way, even though the Directors do not believe that the funds could be used in any way that is more beneficial to Shareholders than the Reduction of Capital.

14. Is there any other material information I should be aware of?

- 14.1 There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of the Reduction of Capital (being information that is known to the Directors which has not previously been disclosed to Shareholders) other than as set out in this Explanatory Statement.
- 14.2 The Chairman of the Meeting intends to vote undirected proxies **in favour** of the Reduction of Capital. The Chairman's intention as set out in the previous sentence is an expression of that intention as at the date of the accompanying Notice of Meeting. In exceptional circumstances, the Chairman's intention may change subsequently. If there is a change as to how the Chairman intends to vote undirected proxies, Cryosite will make an immediate announcement to ASX stating that fact and explaining the reasons for the change.

15. Directors' interests

No Director of the Company will receive any payment or benefit of any kind as a result of the Reduction of Capital other than as shareholders of the Company or as holders of interests in entities they control which hold shares in the Company. To the extent that Directors, or entities controlled by them hold shares, they will be treated on the same basis as other Shareholders in respect of the Reduction of Capital.

16. Directors' recommendation

THE DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE REDUCTION OF CAPITAL.

Contact Information

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Cryosite Limited

13 A Ferndell Street, South Granville,
Sydney, NSW, 2142

Telephone: +61 2 8865-2000

Facsimile: +61 2 8667-8000

Email: corporate@cryosite.com

Company Secretary

Mr Bryan Dulhunty

Shareholder information

www.cryosite.com

Share Registry

Linkmarket Services Pty Limited

Locked Bag A14

Sydney South, NSW, 1235

Telephone: +61 1300 554 474

Facsimile: +61 2 9287 0309 (for proxy forms only)

+61 2 9287 0303 (general line)

Australian Securities Exchange Listing

CTE



By mail:
Cryosite Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474

VOTING FORM

STEP 1 Please mark either Box A or Box B

I/We being a member(s) of Cryosite Limited and entitled to attend and vote hereby:

A VOTE DIRECTLY

☐ elect to lodge my/our
vote(s) directly (mark box)

i in relation to the General
Meeting of the Company to be
held at **2:00pm on Monday,
1 December 2014**, and at any
adjournment or postponement of
the Meeting.
You should mark either "for" or
"against" for each item. Do not
mark the "abstain" box.

OR

B APPOINT A PROXY

☐ the Chairman
of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting
as your proxy, please write the name of the person or body
corporate (excluding the registered shareholder) you are
appointing as your proxy below.

Failing the person or body corporate named, or if no person or body corporate is
named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf
(including in accordance with the directions set out below or, if no directions have
been given, to vote as the proxy sees fit, to the extent permitted by the law) at the
General Meeting of the Company to be held at **2:00pm on Monday,
1 December 2014 at the Cryosite Ltd, 13A Ferndell St, South Granville, Sydney,
NSW, 2142** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of this resolution.

Voting Directions will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.
Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

Resolution 1
Equal Reduction of Capital

Proxy Only
For Against Abstain*
☐ ☐ ☐

i * If you are voting under Box B and mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on
a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power
of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must
be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS VOTING FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Voting under Box A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

Voting under Box B - Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Box B. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Box B. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Voting Form

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Saturday, 29 November 2014**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



by mail:

Cryosite Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

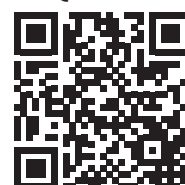


by mobile device:

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be down-loaded for free on your mobile device.

QR Code



If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.