

ASX RELEASE

27th October 2016

**Chairman's Address to Shareholders at the Annual Meeting of Members held on
10.30am Thursday 27th October 2016**

Good morning ladies and gentlemen and welcome to the 2016 Annual General Meeting of shareholders of Cryosite Limited. My name is Stephen Roberts, the Chair of Cryosite for this meeting. My first job this morning is to welcome you to this Annual General Meeting of Cryosite.

I would like to introduce my fellow director, Andrew Kroger and our executive team – our CEO, Andrew Shine and our CFO, Mark Byrne. Also in attendance is Bryan Dulhunty 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 company has been under-gone substantial change in its management team. This process began in 2015 and was completed in 2016. The 2016 financial year saw the company appoint a new Chief Executive Officer, Andrew Shine and a new Chief Financial Officer, Mark Byrne. We also recruited our new Chief Marketing Officer, Melanie Reiter, who has only just began at the company.

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 \$10,136,503 an increase of 3% on last year's figure (\$9,594,375).

PROFIT:

The profit for the year after income tax was \$302,466. This compares with \$455,170 in 2015. The financial performance during the financial year reflected the company's continued investment in its long term growth strategy, involving new development activities in both the biological services and warehousing and distribution segments and an investment in senior management and sales, marketing and digital capability, including one-off costs associated with employment of the executive team.

During the year, Cryosite's existing Scientific Processing and Logistics business continued to deliver growth as a result of existing clients re-contracting and expanding service deliveries and some new client contracts. The Individualised Consumer Biologics business saw the company successful acquire the residual Stem Life Pty Ltd business in Brisbane. The Stem Life client's stem cells have been re-located to Sydney and new storage contracts issued.

DIVIDEND:

A final unfranked dividend for the year ended 30 June 2015 of 0.5 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 2016 financial year was declared and paid during the financial year. The total dividends declared and paid were \$468,597 (2015: \$702,894). 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 2016 was \$3,651,581 (2015: \$4,167,303). The decrease in the overall cash position is inclusive of the dividend payment referred to earlier.

CRYOSITE OPERATIONS

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

1. Individualised Consumer Biologics (formerly known as Biological Services), and
2. Scientific Processing & Logistics (formerly known as Warehousing and Distribution)

Individualised Consumer Biologics services includes the private cord blood and tissue banking service, adult stem cell storage, bio archive & biorepository services and contract GMP manufacturing service.

Scientific Processing & Logistics Services includes the clinical trials logistics and commercial drug distribution services.

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

Cord Blood and Tissue

With our first cord tissue storage recorded in August 2014, combined with our cord blood capability has resulted in revenue growth of 15% during 2016.

However, the year has seen increased competition and discounting within the cord banking sector and Cryosite has once again needed to invest in additional sales, marketing and digital capacity to maintain its 2015 sales and beyond. In this regard, the Company has increased focus and investment in our digital capabilities and marketing initiatives.

While these factors led to an overall reduction in the combined cord blood and tissue operating profit relative to last year, the investments made extend the service offerings we can provide or potentially provide in the rapidly expanding stem cell sector.

Contract Good Manufacturing Services (GMP) Manufacturing Services

Cryosite's expertise in the storage and distribution of temperature controlled biologics and medicines enables the company to provide clients with contracted sophisticated storage and distribution options for the manufactured products. Due to unforeseen circumstances, our largest key client downsized their Australian business leading to reduced volumes of work and decreased revenues and operating profit.

However, Cryosite is entering into new arrangements with a regenerative medicine practices to develop methods to cryopreserve adipose derived stem cells. This investment in R&D and advanced GMP cell processing capability allowed Cryosite to provide routine contract manufacturing, storage and distribution services.

Scientific Processing and Logistics 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 2016.

During 2016, Cryosite realised significant new revenue and operating profits from several new global clients requiring those highly specialized clinical trials management services

BUSINESS GROWTH AND OUTLOOK

While traditional operations within the Individualised Consumer Biologics and Scientific Processing and Logistics will be subject to an increasingly competitive business environment during 2017, 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 Individualised Consumer Biologics Services segment provides cord blood and tissue 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 Scientific Processing and Logistics segment provides specialised commercial drug distribution, and has commenced protocol development for cryogenic and GMO investigational products for a large international client.

The Company believes the current course of building marketing capabilities as well as investing further into building stronger relationships with professional stakeholders is essential in the short term to grow the business, and see the 2017 financial year as one of continued consolidation of this platform. There are a number of risks and opportunities that continue to face the business moving forward but at this stage we envisage some growth in our Cord Blood and Tissue business.

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.

Stephen Roberts
Chair