

ASX RELEASE

3rd November 2017

**Chairman's Address to Shareholders at the Annual Meeting of Members held on
10.30am Friday 3rd November 2017**

Good morning ladies and gentlemen and welcome to the 2017 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, Nicola Swift. Andrew Kroger is an apology. With me is our executive team – our acting CEO, Mark Byrne and head of Clinical Trials, Rory Carroll. 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 continued to under-go substantial change both in terms of strategy and in its management team. This process began in 2015. We had thought that we were near completion when we last all meet at the 2016 AGM. This proved to be incorrect. Our business continued to be challenged both externally and internally. This required a major strategic rethink. The details of which I shall explain shortly.

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 \$10,163,028, an increase of 0.3% on last year's figure (\$10,136,503).

PROFIT:

The profit for the year after income tax was \$246,100. This compares with \$302,466 in 2016. The financial performance during the financial year reflected the company's continued strategic evolution and the financial response required to stabilize the businesses to invest in its long term growth strategy. This involved new development activities in the warehousing and distribution segments.

DIVIDEND:

In light of the company's trading performance and other one off investments, the board decided not to declare a final dividend for the year ended 30 June 2017.

The company did pay an interim unfranked dividend of 0.5 cents per ordinary share in respect of the 2017 financial year. This was declared and paid during the financial year. The total dividends declared and paid were \$468,567 (2016: \$468,597).

Whilst we will continue to assess our financial position and pay out dividends as the board feels is appropriate. The first half of financial year 2017/18 has seen a number of one off expenses. The financial impact of which is that it is unlikely the company will at a minimum pay an interim dividend.

CASH:

Cash on hand at 30 June 2017 was \$5,089,110 (2016: \$3,651,581).

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

The Individualised Consumer Biologics business saw the company complete the acquisition of 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. All of the required documentation has been completed and the regulator is satisfied.

However, the year continued to see increased competition and discounting within the cord banking sector and Cryosite was once again required to further invest in additional sales, marketing and digital capacity to maintain its 2016/17 sales and beyond.

The continuation of this trend was deeply concerning for the board. Our cost of customer acquisition was dramatically escalating and yet we were still losing market share. We were also experiencing a "ceiling" in category growth. Both of which forced a strategic review of the business. The financial position of the business had deteriorated dramatically in the period ended 31 December 2016 and the early months of 2017 provided to be even more challenging.

This led to the decision in June 2017, to cease the processing, collection and banking of future cord blood and tissue for clients and to license Cell Care Pty Ltd to undertake this activity on our behalf. Cryosite received an upfront cash payment in June 2017 and subject to shareholder and regulatory approval within the next few months will receive an equity allocation from Cell Care in consideration for the Cryosite license and will additionally receive a royalty payment for every sale made by Cell Care for the next five years. Cryosite continues to securely bank the genetic material of existing cord blood and tissue clients for the term of those contracts.

The total value of the transaction is yet to be realized and requires shareholder approval. The transaction does entail the cancellation of Cell Care Pty Ltd.'s 19.7% equity stake or 9.23 million shares in Cryosite in further consideration for the Cryosite assets and an ongoing annual license fee payment of \$500,000 minimum paid annually over a five year period. Cryosite would remain in the cord blood and tissue storage business of its existing clients and maintained control and the right to market under the Stem Life brand.

This transaction is the subject of an ACCC public review with submissions having been called for by the 13th October 2017. The ACCC have indicated a preliminary date for announcement of their position on 16th November 2017.

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. 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 2017.

During the year, Cryosite's Scientific Processing and Logistics business continued to deliver marginal growth as a result of existing clients re-contracting and expanding service deliveries and some new client contracts. However, the business lacked the leadership required to take it to the next level. In December 2016, Rory Carroll joining the company and was appointed to drive the growth of the business. In parallel, the company has invested in new facilities, IT hardware and has contracted and is implementing a new IT framework, ERP, for the business.

In 2017, Cryosite realised significant new revenue and operating profits from several new global clients requiring our highly specialized clinical trials management services

BUSINESS GROWTH AND OUTLOOK

The refocusing of the Individualised Consumer Biologics and Scientific Processing allows us to participate in an annuity stream from existing client storage coupled with an additional revenue stream via our license agreement with Cell Care. This outcome is dependent on ACCC approval.

The Individualised Consumer Biologics Services segment should continue to expand its 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 has the potential to expand its commercial drug distribution, and has commenced protocol development for cryogenic and GMO investigational products for a large international client.

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.

Near term, the company is dealing with a half year to 31 December 2017, during which we have absorbed a number of one off expenses created by the closure of our cord blood and tissue sales, marketing, collection and processing activities. We have resolved legal proceeding with a former employee. And finally, the outcome of the ACCC review will also impact on both half and full year financial performance.

SHAREHOLDER SUPPORT

The Board and Management are grateful for the continuing support and interest in the company by the shareholders. We continue to invest in our company. We believe that our company is being repositioned to better 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
Cryosite Ltd