

ASX RELEASE - WEDNESDAY, 11 NOVEMBER 2009

Chairman's Address to Shareholders at the Annual Meeting of Members
held in Sydney on Wednesday 11 November 2009

As you know, my job today is to provide you with a review of the company's results for last year, to highlight the areas of most interest, and more importantly to give you an insight into where the Board and management team believe the company is heading.

Firstly, I would like to focus on a review of last year:

The total sales revenue for the year was \$6,158,392 which was slightly down on the 2008 figure (\$6,467,582). However, you may recall that the 2008 revenue was boosted by the one-off revenue from the Equine Influenza Logistics contract.

Our profit was significantly down at \$7,249 (2008: 447,059). The two major contributing factors in the profit result were a software related impairment cost of \$307,530 and \$533,111 in relocation costs. Cash flow from operations was \$709k, and once again although this was less than last year (\$888k), that figure however, included the revenue increase from the Equine Influenza project.

Cash on hand is a healthy \$1.3m, which we believe is a good effort considering that \$1.3 m was used for capital expenditure, mainly for fit-out of the new premises and new equipment needed to meet the increase capacity needs.

Cash on hand at the end of September was \$1,475,000.

REVIEW OF OPERATIONS

The past year has once again been a very important year for the company as we have had to maintain a strong focus on meeting the challenges of our existing operations as well as manage the development of the new premises. I am therefore very pleased to be able to report that both of these objectives were achieved.

As you know, Cryosite offers a range of biologistics services as follows:

- Private cord blood service
- Clinical trial logistics
- Biorepository services
- Distribution

I would now like to give you a brief review of how each of these services fared during the Year.

Cord blood. Although the total number of clients was disappointing and fewer than last years number, the cord blood service still performed well and made a significant contribution to the results. It seems that the Australian cord blood market is firmly stuck at around 1% to 1.5% of all births. Although no published figures are available, we believe that we maintain a market share of around 45%.

Earlier in the year, two of our competitors merged and as result we may have relinquished our crown as the biggest private cord blood service in Australia, however, we do not believe that the new merged entity had any negative effect on our sales.

Cryosite remains the only private cord blood service that owns and operates its own processing and storage laboratories and so maintains an important point of difference with the competitors, a fact that is well recognised by both our clients and obstetricians.

Our Clinical Trial Logistics service continues to go from strength to strength. This is now the largest of our services and the growth is due to both organic growth from existing customers and a steady stream of new clients. One very pleasing result of the size of service now is that we are starting to effect economies of scale. We have worked very hard over the last year to streamline the operational management of the service and we are now finding that we can accommodate the additional workload with fewer inputs. We expect that this will manifest itself even more at the new premises when many of the inefficiencies that accompany space constraints will be eliminated.

The Biorepository and ATCC distribution services also made good contributions to the overall results, although it was slightly less than last year due to the influence of the Equine Influenza work in 2008.

The main priority of the year was the development of the South Granville facility. As with most such projects, we ended up about nine months behind schedule and incurred additional costs whilst we had to operate from the two locations. We expect to have completed the relocation before the end of December and totally vacate the Lane Cove site at the expiration of the lease in late January 2010.

For those shareholders who are at the meeting, I am sure that you will agree that the investment in the new facility was worthwhile. I would also like to invite you to join us on a tour of the facility after the meeting. In the meantime, I would like to highlight some of the important and innovative features of the new facility.

The total area of the building is 2,100 m² (compared to 700 m² at Lane Cove) and is divided up as follow:

- 500m² office space
- 100 m² two separate clean-room standard laboratories
- 400 m² ambient storage room for clinical trials drugs
- 100 m² cold-rooms
- 300 m² pick and pack area
- 250 m² liquid nitrogen storage area
- 250 m² freezer room
- 100m² receipt and dispatch area

All up, the new facility is designed to cope with the expected growth of the business for at least the next five years.

One of the main reasons for the time taken to complete the fit-out was the design, installation and validation of the monitoring and control systems that underpin most of our operations. Although these systems were demanding and expensive to complete, the result has been the development of a world-class facility that is unique in Australia and not often found anywhere in the world. It is a credit to the Cryosite team for bringing it to fruition.

BUSINESS GROWTH AND OUTLOOK

As I have mentioned previously, we are not expecting any significant growth in the Cord Blood service outlook. We are however focussed on taking advantage of the new facility to drive home to prospective clients the superior quality offering that Cryosite has to offer

compared to our competitors who continue to operate a purely marketing model outsourcing all of the vital cord blood processing and storage processes.

We are also anticipating even greater influence by the regulator, the Therapeutic Goods Administration in the cord blood area. Over the next 12 months the regulatory framework for cellular therapies will undergo significant change and all organisations involved in the cellular therapy area will be faced with significant increases in complexity and as is always the case this will translate into additional cost for compliance. The one positive is that these changes increase the barriers to entry to new competitors.

As I have stressed on previous occasions, one of great strengths of the Cryosite model is the benefits to be gained in having a number of services which all tap into the same operations and quality management system. The regulatory costs are able to be spread over the four revenue streams rather than be absorbed by cord blood alone. I personally doubt the financial viability of any exclusively Cord Blood business in Australia.

We believe that the new facility will have a significant positive effect on the clinical trial market outlook. The Lane Cove site has been pretty well at capacity for a number of years and although it was functional site, it was well past its “use-by” date as far as clinical trials was concerned.

Over the last few months, we have had a number of GMP auditors from Australia and overseas inspect the facility and we have been pleased to receive universal praise for the site and its operating systems. It is difficult to overstate the importance of such outcomes as these auditors have considerable influence over the awarding of clinical trial logistics agreements. The new facility has capacity for at least 400 trials (we are currently doing up to 200).

The increase in capacity and capability of the new site will also allow us to be more active in seeking new business opportunities in the storage of a wide range of products that require high quality cold-chain management for the entire supply chain. Some of the potential new markets include diagnostic reagents, commercial therapeutic products and possibly non-biological materials.

The Biorepository management and ATCC distribution services continued to run smoothly and to make valuable contributions to the results. The current distribution agreement with the ATCC expires in December 2009. We are currently in renewal negotiations.

Finally, as you know, Prof, Ron Penny resigned as a Director during the year, however, Ron continues to be involved in the company following his appointment as Medical Director.

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 acceptance of outsourcing of non-core logistics by organisations involved in research clinical trials in Australia and New Zealand.

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Chairman

11 November 2009