

**ASX RELEASE - WEDNESDAY, 17 NOVEMBER 2010**

Chairman's Address to Shareholders at the Annual Meeting of Members held in Sydney on Wednesday 17 November 2010

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 most importantly to give you an insight into where the Board and management team believe the company is heading.

Before I start, however, I have a number apologies to make, Philip Alger, our CFO is overseas, as is our company secretary, Bryan Dulhunty. At very short notice, Graeme Moore is also unable to be here today so that he can attend to an urgent family matter.

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

The total sales revenue for the year was \$5,968,601 which was slightly down (3.1%) on the 2009 figure (\$6,158,392). The modest decline in revenue was fairly equally spread over all operating segments.

Our profit of \$4,612 was slightly down from last year's figure of \$7,249. In spite of the reduced revenue and profit figures, the operating cash flow from operations increased from \$709,858 in 2009 to \$977,657 this year. There were no significant one-off contributions to the cash flow result which included the negative impact of \$320,385 in relocation costs from our previous Lane Cove site to the new South Granville premises.

Cash on hand was \$2,045,065, which was a good result when considering the significant activities that were successfully undertaken during the year.

The cash on hand figure at the end of September was \$1,963,328, which was also a good result and was after capex of \$308,000 for the September quarter.

You may recall that during my address at the last meeting I highlighted what an important year that 2009 has been for the evolution of the company. By the time of the AGM, we had pretty well finished the development of the South Granville site and had received a Therapeutic Goods Administration licence to allow us to commence operations.

In September the cord blood processing was commenced at South Granville and then the other parts of the operations were transferred until February 2010 when the relocation was completed. By the end of April we had completed the make-good and had terminated the lease over our previous premises.

## **REVIEW OF OPERATIONS**

As you know, Cryosite provides a number of services that are aggregated into in two market segments:

1. Biological Services, and
2. Warehousing and Distribution

Biological services includes the private cord blood service, adult stem cell storage and biorepository management. Warehousing and distribution, includes clinical trial logistics and other distribution based services including the importation and distribution of laboratory diagnostics and the products of the American Type Culture Collection.

Although the relocation did impose a significant extra burden on the operational demands for all of our services, all of our operations managed to run very smoothly. The relocation included over 8,000 cord blood samples, numerous freezers and liquid nitrogen tanks and the material associated with the logistics management of around 300 clinical trials. We were therefore very pleased that no material was damaged or misplaced during the process.

Another important part of the relocation was the intense auditing programme that involved a number of government and statutory agencies as well as over 40 separate client audits. Once again, all of the audits resulted in successful outcomes.

Now that we have been operating out of South Granville for a year, a number of refinements are being made to the operational systems to allow us to take full advantage of both work flow efficiencies and to enhance the quality of services provided.

All in all, we are extremely pleased with the operational performance and are further encouraged by the positive outcomes of a large number of external audits that were conducted since the move.

## **BUSINESS GROWTH AND OUTLOOK**

Last year I mentioned that the Lane Cove premises had well and truly outlived its usefulness as far as providing Cryosite with a platform to continue to expand its range and volume of services. We anticipated that we would be subject to increasing pressure from both the regulators and current and prospective clients to improve the physical standard of the premises and so allow the company to demonstrate a strong commitment to both the range and quality of services. We believe that we have achieved both of these objectives.

With this in mind, we think that the biological services, in particular the cord blood service will continue to perform well and that we will at least maintain our market share. We do not foresee any increase in the overall take-up of private cord blood storage and the previous figure of 1.0% to 1.5% of all births will remain substantially unchanged as will our 45% of the market. The competitive landscape will remain relatively unchanged with Cryosite having one major and one minor competitor.

We have already experienced a significant increase in contracts for the warehousing and distribution services, particularly for clinical trial logistics. We were particularly pleased to win a contract from Amgen, the world's largest biopharmaceutical company to manage the investigational drug supply management for Australia and New Zealand. As well as this contract, we have continued to obtain other, smaller clients as well as a continuing flow of new trials from existing clients. We are now managing over 300 individual protocols for clients and expect that number to continue to increase.

One of the important aspects to the current trend in drug development is the increasing focus on biopharmaceutical based drugs. These are high value drugs that require more demanding cold-chain handling that bring a price premium for Cryosite. The new premises was specifically designed and fitted-out to ensure that we had excess capacity to take in this type of work.

In conclusion I would like to confirm the Board's confidence that barring any major unexpected disruption to the business, we anticipate that we will be in a position to announce our maiden dividend at the end of the 2011 financial year.

### **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.

Theo Onisforou

Chairman

17 November 2010