

PROSPECTUS

^ocryosite

LIMITED

ABN 86 090 919 476

CORPORATE DIRECTORY

Directors

Mr Theo Onisforou – Chairman
Professor Ronald Penny, AO
Dr Peter French
Mr. Gordon Milliken – Managing Director

Secretary

Mr Bryan Dulhunty

Registered Office

9 Sirius Road
Lane Cove, NSW 2066
Ph. (02) 9420 1400

Web Site

www.cryosite.com

Share Registry

ASX Perpetual Registrars Limited
Level 8
580 George Street,
SYDNEY NSW 2000

Lawyers to the Company

Clayton Utz
1 O'Connell Street
Sydney NSW 2000

Auditors and Independent Accountants

Ernst & Young
321 Kent Street
Sydney NSW 2000

Corporate Adviser

Hanbury Capital Limited
ACN 060 609 707
Level 67, MLC Centre
Sydney NSW 2000

Underwriter and Broker to the Offer

Southern Cross Equities Limited
ABN 87 071 935 441
Level 15, 167 Macquarie Street
Sydney NSW 2000

The logo for cryosite, featuring a small yellow circle to the left of the word "cryosite" in a white, lowercase, sans-serif font.

IMPORTANT INFORMATION

This Prospectus is dated and was lodged with ASIC on 12th March, 2002. The Company will apply to ASX within seven days after the date of this Prospectus for official quotation by ASX of the Shares offered by this Prospectus. ASIC and ASX take no responsibility for the contents of this Prospectus.

Additional copies of this Prospectus are available from the Broker to the Offer and at the registered office of the Company during normal business hours. No securities will be issued on the basis of the Prospectus after the Expiry Date.

Applicants should read this Prospectus in its entirety before deciding to participate in this Offer. If after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, solicitor, accountant or professional adviser. The Shares offered by this Prospectus should be considered speculative. Refer to Section 5 for details relating to risk factors.

Applications for Shares can only be submitted on an original Application Form (which includes paper copies of the Application Form which accompanies the electronic version of the Prospectus). Please refer to Section 2.

The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

The Corporations Act prohibits Cryosite from processing applications in the seven day period after the date of lodgement of the Prospectus ("exposure period"). This period may be extended by ASIC by up to a further seven days. The exposure period is to enable the Prospectus to be examined by market participants prior to the raising of funds. No applications will be processed until after the expiry of the exposure period. The Prospectus (not including the Application Form) is available for review on the Company's web site, at www.cryosite.com/site_prospectus.htm. Paper copies of the Prospectus (not including the Application Form) can also be obtained during the exposure period from Southern Cross Equities Limited by telephoning (02) 9231 0880 and upon payment of a charge which is no more than the marginal cost of providing the document.

Please refer to the Glossary in Section 10 for terms and abbreviations used in parts of this Prospectus.

CHAIRMAN'S LETTER

12th March, 2002

Dear Investor,

On behalf of my fellow Directors, it is with pleasure that I invite you to become a Shareholder in Cryosite Limited.

Cryosite is an Australian owned and operated company which provides the community with the only private service in Australia for the collection, processing and long term storage of cord blood stem cells for potential future private use under TGA authorisation as required by Australian law.

Cryosite's other business activities include secure, ultra-low temperature and cryogenic storage of valuable biological material such as blood, tissues, cells, microorganisms, proteins and genes. This service is offered by the Company as an out-sourced service for biological based industries such as the medical, agricultural, veterinary and pharmaceutical industries and research institutions, including universities, hospitals and pathology laboratories.

The Company also provides storage and distribution for temperature-critical products for biological based industries. In this regard, Cryosite has been appointed the exclusive Australian and New Zealand distributor for the American Type Culture Collection (ATCC), which houses the largest and most diverse collection of microorganisms, cell lines and molecular biology materials in the world.

Underpinning Cryosite's business activities is the quality of its facilities and systems. The Directors believe that the Cryosite ultra-low temperature and cryogenic storage facility is the first such state of the art facility in Australia. Integral to the operation of this facility is Cryosite's purpose-built sample information and management system, Cryobite, which allows clients secure 24 hour internet access to their information.

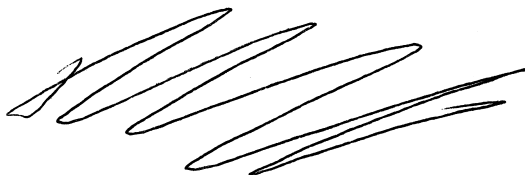
Recent advances in biological science such as the completion of gene sequencing in the Human Genome Project and the refocus of investment in the biotechnology sector in 2000 -2001, ensures the biological research industry, of which Cryosite is a part, will continue to expand for a number of years to come. Cryosite is well positioned to benefit from the commercialisation of these ongoing research endeavours.

Under this Prospectus, 8,500,000 Shares are being offered. At the Offer Price of 40 cents per Share, Cryosite will have a market capitalisation of \$14 million.

This Prospectus contains detailed information about Cryosite and the risks of an investment of this type. I urge you to read it carefully before making your investment decision. The Company is in the formative stage and investment in the Company should be considered speculative.

On behalf of the Board, I look forward to welcoming you as a shareholder of Cryosite.

Yours sincerely



Theo Onisforou

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THE OFFER

Cryosite is offering for subscription 8,500,000 Shares at an issue price of \$0.40 per Share, to raise \$3.4 million. The offer has been fully underwritten. The Shares offered under this Prospectus will rank equally with existing Shares.

All Applications under this Offer must be for a minimum of 5,000 Shares and thereafter in multiples of 2,500 and must be accompanied by payment of \$0.40 per Share on application.

All Applications must be made on the Application Form accompanying or attached to this Prospectus (including paper copies of the Application Form accompanying the electronic version of the Prospectus which can be found at www.cryosite.com/site_prospectus.htm). Application Forms must be completed in accordance with the instructions set out on the reverse side of the Application Form.

Applicants with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact the Broker to the Offer at the following address:

Southern Cross Equities Limited
Level 15, 167 Macquarie Street
Sydney NSW 2000
Tel: (02) 9231 0880

KEY INFORMATION

Offer Price	\$0.40
Number of Shares offered under this Prospectus	8,500,000
Total Issued Shares on Official Quotation	35,000,000
(See Financial Overview for details)	
Market Capitalisation at the issue price (i)	\$14,000,000

(i) not including options over shares, see Sections 9.7 and 9.8 (a)

KEY DATES

Offer Opens	27 March 2002
Offer Closes	24 April 2002
Share Allotment and Despatch of shareholding statements	8 May 2002
Share trading expected to commence on ASX	14 May 2002

These dates are indicative only and may change. Cryosite, in consultation with the Underwriter, has the right to close the Offer early or extend the Closing Date or decide to withdraw or otherwise not proceed with the Offer, in each case without prior notice. A more detailed description of the Offer is set out in Section 2. Applicants are encouraged to submit their Application Forms as early as possible.

1. INVESTMENT SUMMARY

1.1 ABOUT THE COMPANY

Current Business

Cryosite was established to provide what the Directors believe to be the first facility in Australia devoted to cost-effective, state-of-the-art cryostorage of biological material. The Company focuses on providing an integrated biological storage and sample management service.

Its three current areas of activity are:

- Private collection, processing and long-term storage of cord blood stem cells for private use;
- Archival storage of valuable biological material for biological based industries, and;
- Storage and distribution of temperature-critical products such as drugs, cell lines, micro-organisms and diagnostic reagents.

Cryosite is a young, developing company and its primary source of revenue in the short term is expected to be derived from the Company's cord blood service.

Cord Blood Service

The last 15 years have seen the development of the concept of umbilical cord blood transfusion and use of haematopoietic stem cells (HSC's) collected from cord blood. The actual medical use of cord blood and the collection, processing and storage of HSC's for clinical use has been documented since the late 1980's. There are now a number of public and private cord blood banks around the world and in Australia there is a National Cord Blood Network which is Government funded. Cryosite's Cord Blood Service, launched in December 2001, is the first service in Australia to offer private storage of cord blood stem cells for potential future private use under TGA authorisation as required by the laws of Australia.



Archival Storage

The concept of out-sourced cryostorage arose from the experience of Dr Peter French of the Centre for Immunology at St Vincent's Hospital in Sydney (Company co-founder and current Director). The Company has expanded on that original concept and has acquired technology and developed systems to provide managed ultra-cold and cryogenic archival storage of samples for hospitals, institutions and biotechnology organisations. An integral part of the archival storage service offered by Cryosite is Cryobyte, an interactive, internet-based sample recording and management system.



Storage and Distribution

In January 2002, Cryosite executed an exclusive distribution agreement with the American Type Culture Collection (ATCC) for Australia and New Zealand. ATCC's products are used by biological scientists throughout Australia and its repository of biological materials is the largest and most diverse collection of microorganisms, cell lines, and molecular biology materials in the world.

Cryosite has also recently signed its first distribution agreement for services targeted on the clinical trial market with ICON Clinical Research Pty Ltd which is a Contract Research Organisation (CRO) that works with pharmaceutical companies to manage worldwide clinical research studies.

Growth Opportunities

The Directors believe that biotechnology will be a strategically important industry in Australia for the foreseeable future. Recent advances such as the completion of gene sequencing in the Human Genome project and the refocus of investment in the biotechnology sector in 2000 – 2001 will ensure the biological research industry, of which Cryosite is a part, will continue

to expand for a number of years to come. The Directors believe Cryosite is positioned to play a key role in meeting the out-sourced storage needs of the biotechnology sector.

Many biotechnology organisations and agencies have an on-going need for long term storage of their valuable biological material. The Directors believe that there is the potential to provide Cryosite's services to participants in the following sectors and that Cryosite is well positioned to benefit from the commercialisation of these research endeavours:

- the biomedical sector
- the agricultural sector
- the environmental sector
- the biotechnology industry
- forensic medicine
- individuals who wish to store their own biological material
- biohandling
- the veterinary industry

Cryosite Systems

Underpinning Cryosite's businesses and opportunities is the quality of its facilities and systems. Cryosite has an integrated, secure, ultra cold and cryogenic storage facility for biological material, with a purpose built, interactive inventory management system. The Directors believe Cryosite provides a unique service to the Australian market and the services the Company offers achieve the aim of providing world's best practice in biological materials storage and management.

The Company has successfully achieved NATA accreditation for its system of storage and transport and TGA approval for its cord blood service.

Experience of the Board and Management

Cryosite has an experienced Board of Directors and management team. The Chairman, Theo Onisforou, has many years experience as a lawyer and barrister, investment manager and professional investor. Professor Ronald Penny is one of Australia's leading immunologists and was appointed an Officer of the Order of Australia "for service to medical research and education particularly in the field of clinical immunology". Dr Peter French is Principal Scientific Officer and Manager of the Centre for Immunology, St Vincent's Hospital, Sydney. The Managing Director, Gordon Milliken, has over 35 years research and development and operating experience in organisations in the veterinary and medical fields.

Each Director has an ongoing interest in Cryosite through shareholdings in the Company. Each non-executive Director has been granted options, the exercise of which is conditional on their ongoing involvement with the Company and on the performance of the Company. The Managing Director has been granted options, the exercise of which is conditional on his continued employment with Cryosite.

Investors should note that the Chairman will leave the Board once the Company has been listed and when a suitable replacement has been appointed. The Board also intends to appoint additional Directors who can bring to the Company complementary skills.

For more details see Sections 3 and 9

1.2 FINANCIAL OVERVIEW

(a) Summary of Financial Information

The table below shows the historical financial performance of Cryosite Limited for the year ended 30 June 2001 and for the six months ended 31 December 2001. For further details please refer to Financial Information set out in Section 7.

	Adjusted	Historial
	Year Ended 30 June 2001	6 Months Ended 31 December 2001
	\$	\$
Revenue from Ordinary Activities	81,039	21,258
Operating Expenses	(1,066,030)	(698,129)
Loss from Ordinary Activities	(984,991)	(676,871)

The Company has increased its rate of expenditure to support the expansion of its Cord Blood service. This has resulted in an increase of the operating loss.

(b) Dividend Policy

Cryosite does not expect to pay dividends for the years ending 30 June 2002 and 30 June 2003.

The Directors cannot give any assurances as to the extent, timing or payment of any dividends as they are dependent on a number of factors, including future earnings and the Company's financial position.

(c) Prospective Information

The Directors believe that they do not have a reasonable basis to make earnings forecasts because:

- the Cryosite businesses are new to the Australian market and have just begun operations;
- there are no competitors in Australia;
- there is no Australian historical information or comparisons available, and;
- the Directors believe that in the document storage business, the period between initial client contact and generation of revenue can be many months and that the time period for Cryosite in generating archival storage business revenue will be at least as long.

Information on the Company's anticipated fixed expenses is contained in Section 7 - Financial Information.

The inclusion of information on prospective earnings and profitability would contain such a wide range of potential outcomes that it would not be possible to prepare a reliable best estimate of that information.

(d) Application of Proceeds

Specifically Cryosite will use \$1,965,000 of the proceeds of the Offer as follows:

- capital expenditure: \$890,000
- accrued Directors' fees: \$227,000
- fundraising and listing costs: \$848,000

On completion of the Offer, Cryosite will have sufficient working capital to carry out its stated objectives in this Prospectus.

As at the date of this Prospectus, the Company has no expectation of needing to seek additional funding to achieve the objectives stated in this Prospectus

1.3 CAPITAL STRUCTURE

Number of Shares on issue on the date of the Prospectus:	26,500,000
Number of Shares offered under this Prospectus	8,500,000
Total Issued shares on Official Quotation (see Financial Overview for details)	35,000,000
market capitalisation at the issue price (i)	\$14,000,000

(i) not including options over shares, see Sections 9. 7 and 9.8 (a)

1.4 RISK FACTORS

Investors should carefully read this Prospectus, noting the Company business, business objectives and the risk factors involved in making an investment in Cryosite including the Directors' views on their ability to make statements on prospective performance.

Risk factors are discussed in more detail in Section 5 and potential investors are encouraged to familiarise themselves with these risks by carefully reading Section 5.

2. DETAILS OF THE OFFER

2.1 THE OFFER

Under the Offer 8,500,000 Shares are being offered to investors at a price of \$0.40 per Share to raise \$3,400,000. The Offer is fully underwritten.

All Shares offered under this Prospectus will rank equally with all existing Shares of the Company on issue.

2.2 APPLICATION FOR SHARES

If you wish to acquire Shares, you should complete and return the Application Form which accompanies or is attached to this Prospectus, or alternatively complete a paper copy of the electronic Application Form which accompanies the electronic version of the Prospectus. The electronic version of the Prospectus can be found at, and downloaded from, www.cryosite.com/site_prospectus.htm. The electronic Application Form can be found at the same website address and accessed by the same means after the end of the exposure period.

Instructions for completing the Application Form are set out on the Application Form.

The minimum number of Shares which may be applied for is 5,000 Shares and additional Shares may only be applied for in multiples of 2,500.

Completed Application Forms should be sent to the Broker to the Offer, together with a signed cheque made payable to "Cryosite Limited Share Offer Account" and crossed "Not Negotiable."

All application monies will be held in trust for Applicants until the Shares are issued or application monies are returned to the Applicants. It is a condition of this Offer that interest earned on application moneys will be for the account of the Company whether the issue proceeds or not.

2.3 OPENING AND CLOSING OF THE OFFER

Applications may be lodged at any time after the Opening Date up until 5 p.m. Sydney time on the Closing Date, subject to the right of the Company in consultation with the Underwriters to close, extend, withdraw or otherwise not proceed with the Offer at any time without prior notice.

2.4 UNDERWRITING

The Offer has been underwritten by Southern Cross Equities Limited for an underwriting fee equal to 5% of the amount raised under the Prospectus and a management fee of \$30,000, subject to the terms and conditions of the Underwriting Agreement. The Underwriter will also be granted Options to acquire 150,000 Shares at the Offer Price. The circumstances under which the Underwriter will be able to terminate its obligations are set out in Section 9.8.

2.5 ALLOTMENTS

Shares will be issued as soon as possible after the Closing Date. It is anticipated this will occur 10 Business Days after that date.

Subject to rights of the Underwriter to nominate the persons to whom Shares in the Offer will be allotted, the Company reserves the right to reject any Application and to issue a lesser number of Shares than applied for. The Chairman has the right to nominate the persons to whom the last 1,000,000 Shares in the Offer will be allocated. Where an Application is rejected or the number of Shares issued is less than the number applied for, the surplus application money will be refunded to the Applicant within 14 days of the issue of Shares to successful Applicants.

2.6 ASX LISTING

The Company will apply to ASX by no later than seven days after the date of this Prospectus, for the Company to be admitted to the Official List of ASX and for Official Quotation of the Shares offered by this Prospectus together with certain of the Shares already on issue.

It is a term of the Offer that if Cryosite does not make application to ASX within that time or has not been admitted to the Official List within three months of the date of this Prospectus, any issue of Shares pursuant to this Prospectus is void, and all application monies received under this Prospectus will be refunded in full to Applicants. Interest will not be paid on any application monies refunded.

The Underwriting Agreement may be terminated by the Underwriter unless within 10 Business Days after the Closing Date (or a later date agreed by the Underwriter) the Company receives ASX permission for Official Quotation of Shares which is conditional only on:

- allotment and registration of all Shares in the register of shareholders;
- dispatch of uncertificated security holding statements in respect of all Shares;
- dispatch of all refund cheques;
- provision to ASX of a distribution schedule of shareholders;
- provision to ASX of a list of the top 20 shareholders and the number of Shares and percentage of shareholdings held by each, or;
- implementation of ASX imposed restricted securities agreements and requirements.

2.7 ELECTRONIC PROSPECTUS – IMPORTANT NOTES

The Offer constituted by this Prospectus in electronic form is available to persons receiving this Prospectus in electronic form in Australia.

Persons who receive a copy of this Prospectus in electronic form at www.cryosite.com/site_prospectus.htm are invited to obtain a paper copy of the Prospectus (including the Application Form) during the Offer Period, free of charge, by telephoning (02) 9231 0880.

3. BOARD COMPOSITION AND MANAGEMENT

3.1 BOARD

Mr Theodore Onisforou – Chairman
Professor Ronald Penny, AO
Dr Peter French
Mr. Gordon Milliken – Managing Director

Theodore Onisforou, B. Com, L.L.B. – Chairman

Mr. Onisforou has extensive commercial experience initially as a Tax Accountant with Peat, Marwick Mitchell, as a lawyer with Allen Allen and Hemsley and then as a Barrister at Law. He was Investment Manager at Consolidated Press Holdings Limited and for the past five years he has been involved full time as a professional investor. Recently he successfully completed course work at Sydney University for a Masters in Agricultural Science Degree.

Mr. Onisforou was appointed to the Board in March, 2000 and was appointed Chairman in May, 2001.



Professor Ronald Penny, AO, DSc, MD, FRACP, FRCPA Non-Executive Director

Professor Penny established the Department of Immunology at St Vincent's Hospital, and the University of New South Wales, Sydney, in 1969 and was appointed Director of the Centre for Immunology in 1982. He was awarded an MD (University of Sydney) in 1970, and a DSc (UNSW) in 1979. In 1993 he was appointed an Officer of the Order of Australia "for service to medical research and education particularly in the field of clinical immunology". As one of Australia's leading immunologists, Professor Penny serves as Honorary Consultant at several Sydney Hospitals, and serves on the Editorial Board of six international medical and scientific journals. Over the past fourteen years he has held senior positions on Federal and NSW Government HIV/AIDS and Health Services Committees and currently, he is the Chairman of the NSW Government's Corrections Health Services Board. Professor Penny was appointed to the Board in December 1999.



Dr Peter French, BSc, MSc, PhD, MBA – Non-Executive Director

Dr Peter French is Principal Scientific Officer and Manager of the Centre for Immunology, St Vincent's Hospital, Sydney. Dr. French holds a Ph.D. in cell biology, and an MBA in Technology Management. He has the honorary positions of conjoint Senior Lecturer in the School of Medicine at UNSW, and of Research Associate in the School of Physics at the University of Sydney.

Dr. French is a member and a Past President of the Australia and New Zealand Society for Cell and Developmental Biology, and is a member of board of the International Society of Differentiation. From 1998 to 2001 he served as a member of the Board of FASTS – the Federation of Australian Science and Technology Societies, representing the biological sciences sector. In 2001 he was appointed the Secretary of FASTS.

Dr. French was the co-convenor of the International Congress on Differentiation and Cell Biology in September 2000. This was a joint meeting of the International Federation for Cell Biology, the International Society for Differentiation, and the Australia and New Zealand Society for Cell and Developmental Biology. He is also a founding member of the annual Hunter Cellular Biology Meeting.

Dr. French is an assessor of medical testing laboratories for NATA. Dr. French is one of the founders of Cryosite, and was appointed to the Board of Cryosite in December 1999.



Gordon Milliken, Dip. Med. Tech. Grad. Dip. Ops. Mgt. – Managing Director

Mr. Milliken has over 35 years experience in a variety of research and development and operational positions in the veterinary and medical fields. These include as Manager, Animal Health Laboratory for the Inghams Enterprises group, research scientist at Australian Monoclonal Developments and more recently as Senior Manager, Laboratory Operations, Macquarie Pathology Services and Operations Manager, Hanly Moir Pathology.

Mr. Milliken is one of the founders of the Company and has been instrumental in setting up the operational core of the Company that has been used to develop the three segments of the business.



3.2 SENIOR MANAGEMENT & KEY PERSONNEL

Dr. Roisin Deane B.Sc. (Hons), PhD – Marketing Manager

Dr. Deane completed a B.Sc. (Hons) in Pharmacology in 1989 and a Doctor of Philosophy in Molecular Biology in 1993, in Dublin, Ireland. She spent 3 years as a post-doctoral researcher in the German Cancer Research Centre (Heidelberg, Germany) and a further 2 years as a Senior Research Officer at the Garvan Institute (Sydney, Australia). From 1998 to 2000 she worked as a Technical Consultant with a Sydney based Australian Life Sciences Company. Dr. Deane joined Cryosite in July 2000.

Dr Deane is responsible for the development of the cord blood service throughout Australia and New Zealand. This includes liaising with the Maternity Hospitals and Obstetricians to establish the service, providing education and training for the midwives and launching a public campaign to raise awareness and promote the service to prospective parents. Dr. Deane is also responsible for establishing small specialist teams within each state to provide both hospital and customer support.

Philip Wong BSc. (Hons) Dip.Pers.,Ops.Mgt. – Operations Manager

Mr. Wong is responsible for the safe and reliable operation of the Company's facilities and data base systems. This includes maintaining security over the Company's premises, I.T. systems, logistics and distribution for the receipt and delivery of samples and third party products. Mr. Wong is also responsible for the Company's Quality Management and for maintaining and updating the I.T. systems and Standard Operating Procedures (SOP's) for the Company.

After completing his degree, Mr. Wong worked in HIV research at Johnson & Johnson Research (Sydney, Australia) before taking on a key role in Cryosite's initial project at the Centre for Immunology, St. Vincent's Hospital.

Bryan Dulhunty BEc, CA – Chief Financial Officer & Company Secretary

Mr. Dulhunty is a member of the Institute of Chartered Accountants. Upon graduation Mr. Dulhunty worked as an Audit Senior with Arthur Young for three years followed by twenty years in various CFO and Company Secretary positions with both local and multinational listed companies including medical research and biotechnology organisations.

More recently, he founded CoSA Pty. Ltd., which provides Company Secretary and CFO services to a range of publicly listed companies.

Mr. Dulhunty is responsible for ensuring that Cryosite as a public company fulfills the compliance requirements of ASIC and ASX at all times. He oversees the preparation of quarterly and end of year accounts and prepares the required ASX reports for Board sign off and submission. He is also responsible for the preparation of Board papers for Board meetings and for maintaining accurate minutes of Board meetings.

4. CRYOSITE LIMITED

4.1 INTRODUCTION

The Biotechnology Industry

Advances in science and technology are key drivers of economic growth. In the past twenty years there have been significant advances in biotechnology globally, resulting in many new products and methodologies which have application in the medical, agricultural, environmental, food, and veterinary sectors. The sequencing of the human genome, completed in 2001, heralds a new era of scientific endeavour and there is a widely held belief that genomics and related biotechnological advances are poised to revolutionise science and technology and significantly impact economies in the 21st century. Governments and industry participants across the world have recognised this potential and are establishing new initiatives in, and investing in, development of the biotechnology sector. Recent Australian government investment initiatives in the development of the biotechnology industry follow recognition by government of biotechnology as an industry of the future in which Australia has a strong research foundation and as an industry with the potential to provide both significant economic returns and health benefits.

The Company

The Need

Organisations throughout the biotechnology industry, such as universities, hospitals, scientific and medical research institutions, pathology laboratories, pharmaceutical companies and biotech companies have a common need – secure long-term storage of valuable biological material. Long term preservation of delicate biological material, such as human blood and tissues, cells and microorganisms, proteins and genes, is achieved through freezing at temperatures at or below – 80°C (cryostorage). Establishing and maintaining long term cryostorage capability can be time consuming, costly and requires specific skills to ensure reliable operation and accessibility of sample information. Cryosite was established to address this need and to provide what the Directors believe to be the first facility in Australia devoted to outsourced, cost-effective, cryostorage of biological material.

The Concept

Dr. Peter French identified a need for out-sourced cryostorage in the Australian medical sector from his experiences at the Centre For Immunology at St. Vincent's Hospital, Sydney. He and Gordon Milliken together developed the concept of out-sourced ultra-cold and cryogenic archival storage to address the sample management needs of that sector.

That original concept has been realised as the Company has developed its inventory management systems and has established its facilities. The Company has since identified broader applications for the provision of ultra-cold and cryostorage in a secure and managed environment, utilising high quality, reliable, interactive sample storage and management software. In particular, the Company has developed its services to provide what the Directors believe to be Australia's first (and only) private facility for the collection, processing and storage of umbilical cord blood, rich in haematopoietic stem cells, for private use.

Cryosite's founders remain involved, with Peter French being a Director and Gordon Milliken being the Managing Director. Peter French and Gordon Milliken also remain shareholders in the Company.

The Technology

The technology that underpins Cryosite is ultra-cold and cryogenic refrigeration. This technology has been widely used in biology-based research and commercial organisations for decades to store a wide range of biological material.

In the experience of the Directors and the Company's management, sample management and information is a key element in a biological storage facility, and is frequently the most overlooked area of cryogenic storage. A repository of stored samples of long -term value and utility will outlast the scientists who contributed to it. Combined with ultra-cold and cryogenic refrigeration is Cryosite's interactive, inventory management system "Cryobyte" which offers purpose-built sample management capabilities.

The Directors believe that biotechnology will be a strategically important industry in Australia for the foreseeable future and that Cryosite is a company that is positioned to play a key role in meeting that sector's out sourced storage needs.

4.2 CRYOSITE'S BUSINESS

4.2.1 Cryosite Cord Blood Service

The concept of umbilical cord blood transfusion and medical use of haematopoietic stem cells (HSC's) collected from cord blood, has been developed over the last 15 years. The actual medical use of cord blood and the collection, processing and storage of HSC's for clinical use, has only been documented since the late 1980's. There are now a number of public and private cord blood banks around the world. In Australia, there is a National Cord Blood Network which is government funded. Cryosite's Cord Blood Service is the first service in Australia operating under TGA authorisation which allows the private storage of cord blood stem cells for potential future private (autologous) use.



Whilst the Company's ability to process and store umbilical cord blood is expected to be the Company's prime source of revenue in the short term, this business is at an early phase, having been launched in December 2001.

The National Australian Cord Blood Network operates through public hospitals and stem cells collected are available for homologous use (donated use) only. The benefits of autologous use of haematopoietic stem cells, as opposed to homologous use of such stem cells, are explained in greater detail in the Scientific Report in Section 6. Generally, patients receiving autologous stem cells as opposed to donated stem cells have a much lower chance of rejection where haematopoietic stem cell transplant is a viable treatment.

The Directors believe that the Cryosite cord blood service currently presents the only private opportunity in Australia for members of the public to arrange for collection and storage of cord blood stem cells for autologous use.

The Collection and Storage Process

The cord blood is collected immediately after the birth from the umbilical cord. The collection process is non-invasive, completely painless and does not present any risks to either mother or baby. The cord blood sample is then couriered under temperature controlled conditions to the Cryosite laboratory in Sydney for processing, pathology testing and freezing at the ultra low temperatures (less than -150°C) required for long term storage.



Processing, testing and storage is carried out with the approval of the Therapeutic Goods Administration (TGA).

Samples that meet Cryosite's and TGA acceptance criteria and are successfully processed are then stored. In line with international experience and Cryosite's own experience to date, for a variety of reasons, a percentage of samples collected will fail to meet the acceptance criteria.

It is a TGA requirement that Cryosite obtains approval from TGA prior to releasing stored cord blood.

The schedule of fees Cryosite has established for its private umbilical cord blood service are inclusive of GST and contain two options, namely:

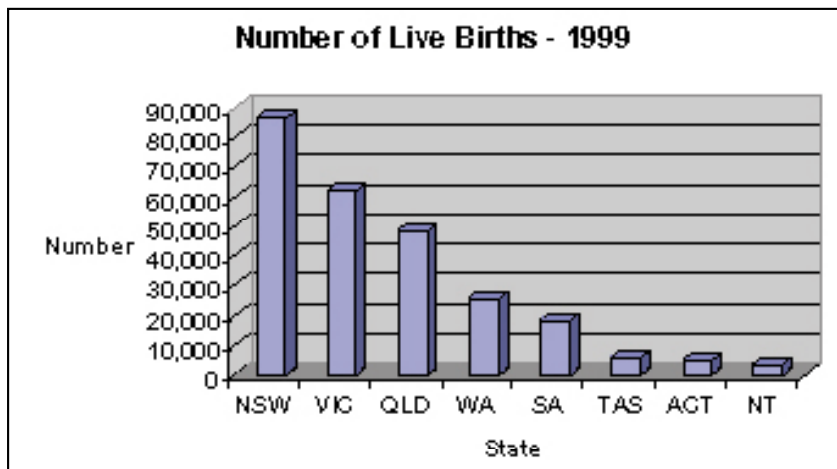
- collection, processing and one year prepaid storage \$2,004.75
- collection, processing and eighteen years prepaid storage \$4,273.50

Currently the on-going, annual storage fee which will be charged for each sample is \$151.25

At present, the Cryosite cord blood fees are not reimbursable by Medicare or health insurance funds, however, the Company will consider making submissions for these services to be reviewed for rebates in the future.

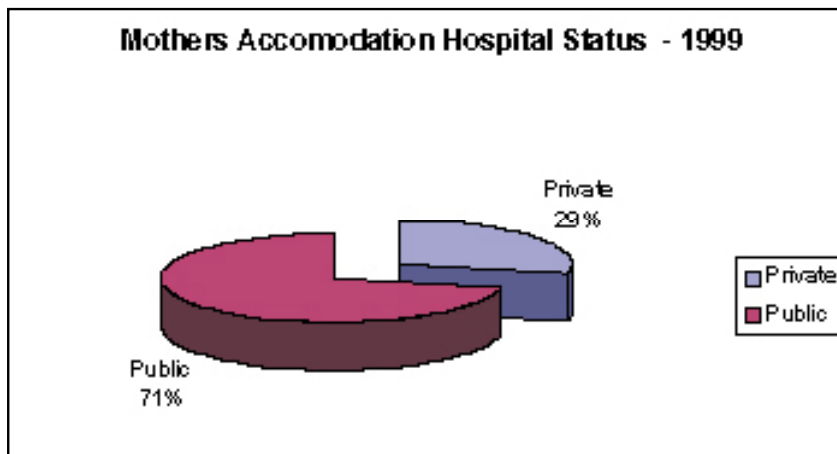
Marketing

The Cryosite private umbilical cord blood service is to be made available Australia wide. In 1999 there were 255,605 live births in Australia distributed between the states as set out in the following graph:



Source: Australian Institute of Health – National Perinatal Statistics Unit

The Company's marketing programme is Australia wide and initially targets private hospitals. For the year 1999, the proportion of private births in Australia is as shown in the diagram below:



Source: Australian Institute of Health – National Perinatal Statistics Unit

Business Objectives

Cryosite's business objective is to establish its umbilical cord blood service nationally throughout Australia and in New Zealand by the end of the calendar year 2002.

The Company believes that as a first step there is a need to increase awareness amongst the Australian public of Cryosite's umbilical cord blood service. Cryosite proposes to achieve this through;

- customer service to provide information, answer questions and accept sales enquiries and bookings
- media releases, editorials and advertising in medical journals, family publications and the news media
- provision of information packs for distribution through the hospitals, obstetricians and general practitioners to expectant families
- branch offices in each of the capital cities to provide sales and logistical support.

4.2.2 Archival Storage

In the short time the Archival Storage Service has operated, Cryosite has provided services to institutions, public and private corporations. The Company's existing customers include Proteome Systems Limited, Centre for Immunology St Vincent's Hospital Sydney and Agen Biomedical Ltd.

Cryosite's archival storage service involves the collection of clients' samples, storing in ultra-cold freezers or liquid nitrogen tanks, sample recording and management at vial or box level using the Cryobyte inventory management system and delivery of samples to the client upon validated request.

Business Objectives

Cryosite's strategy is to source opportunities to demonstrate the advantages of the Cryosite system to key potential clients as a precursor to entering into long term storage contracts.

The Company will also seek to exploit synergies that may arise from its distribution contract with ATCC to cross sell its archival storage services.

4.2.3 Storage and Distribution

The Company's storage and distribution business has received a boost with the award of two contracts.

American Type Culture Collection (ATCC)

In January 2002, Cryosite's wholly owned subsidiary Cryosite Distribution executed an exclusive distribution agreement with ATCC for Australia and New Zealand. Under the terms of that agreement Cryosite Distribution will import and distribute ATCC products to the Australian and New Zealand markets.

ATCC, headquartered in Virginia, USA, is a global non-profit bioresource centre that provides biological products and other services, and educational programs to private industry, government, and academic organisations around the world. ATCC's products are widely used by biological scientists throughout Australia. ATCC's repository of biological materials is the largest and most diverse collection of microorganisms, cell lines, and molecular biology materials in the world. It is also one of the oldest repositories in the world, having been established in 1925 when a committee of scientists recognised a need for a central collection of microorganisms that would serve scientists all over the world.

Originally, customers anywhere in the world who wished to purchase material from ATCC had to deal with ATCC directly. ATCC now distributes material to international customers via distributors located in the region of those customers. In January 2002, Cryosite became one of ten international exclusive regional distributors of ATCC products.

The range of biological products which ATCC stores and offers to researchers around the world is shown in Table 1 below.

Table 1. Categories of Biological Material Supplied by ATCC

• Animal Viruses	• Plant Seeds
• Bacteria	• Plant Tissue Cultures
• Bacteriophages	• Plant Viruses
• Cell Lines	• Yeast Genetic Stock
• Fungi and Yeasts	• Polysaccharides
• Media	• Protozoa and Algae
• Clones	• Membranes
• Oligonucleotides	• Vectors

Biological based organisations throughout Australia including universities, hospitals, scientific and medical research institutions, pathology laboratories, pharmaceutical companies and biotech companies use these types of materials.

ATCC is affiliated with a large number of professional scientific organisations (see Table 2).

Table 2. Societies Affiliated with the ATCC

American Association for Cancer Research, Inc.	American Institute of Biological Sciences
American Phytopathological Society	American Society for Biochemistry and Molecular Biology
American Society for Cell Biology	American Society for Microbiology
American Society for Virology	American Society of Agronomy
American Society of Human Genetics	American Society of Parasitologists
American Society of Tropical Medicine and Hygiene	Canadian Society of Microbiologists
Genetics Society of America	Infectious Diseases Society of America
Mycological Society of America	National Academy of Sciences
National Research Council	Pharmaceutical Research & Manufacturers of America
Society for Industrial Microbiology	Society for Integrative and Comparative Biology
Society for In Vitro Biology	Society for Leukocyte Biology
Society for Neuroscience	Society of Protozoologists

The Directors believe the advantages to Cryosite of its relationship with ATCC to be greater recognition in the scientific community and a synergistic marketing opportunity with the Company's archival storage services. The Directors believe many of the users of ATCC products are potential clients for archival storage.

ICON

Cryosite Distribution has recently signed its first distribution agreement for its services targeted on the clinical trial market. ICON Clinical Research Pty Ltd is a Contract Research Organisation (CRO) that works with pharmaceutical companies to manage worldwide clinical research studies. Under the terms of its agreement, Cryosite Distribution is responsible for holding trial drugs under controlled conditions and distributing the material to trial sites. Cryosite is able to provide services for the temperature monitoring of the material during transit and a fully audited logistics process.

Cryosite is able to provide pharmaceutical companies, veterinary vaccine manufacturers and CRO's a variety of specialised logistics services for biological samples.

Business Objectives

Cryosite's initial business development approach to its distribution business will be to actively build on the existing customer base in Australia. To this end ATCC is progressively informing its Australian customers of Cryosite's appointment.

To create industry awareness of Cryosite's service the following initiatives are to be implemented;

- creation of a link between ATCC's web site and the Cryosite web page.
- direct marketing to the biological community through email, letter drops and face to face presentations.
- advertising in journals, scientific industry publications and industry web sites.

It is also the Company's intention to build on the ICON contract to offer similar storage and distribution services to the broad clinical trials market.

4.2.4 Key Relationships

In developing business in its three sectors, Cryosite recognises the value of developing close relationships with clients who can provide it with a solid platform for growth. Cryosite has signed an agreement with Proteome Systems Limited for out-sourced cryogenic storage and use of its interactive data management system. Proteome Systems Limited is an Australian proteomics technology, discovery and bio-informatics company. By outsourcing its cryogenic storage requirements to Cryosite, Proteome Systems Limited is able to ensure that its samples, many of which are irreplaceable, are stored and managed securely.

In the distribution sector the ATCC agreement aligns Cryosite with one of the world's largest bioresource organisations which is the official cell repository for the US Patent and Trademark Office. Cryosite's relationship with ATCC provides it with access to potential clients in a diverse range of research fields and the potential to provide these clients with other services, such as archival storage and data management.

Cryosite's recent agreement with ICON Clinical Research Pty Ltd is considered by the Company to be an important entry into a growth area-the clinical trial market.

The archival storage business has an established relationship with the Centre for Immunology, St. Vincent's Hospital, Sydney for some of its archival storage needs. Cryosite is seeking to expand its client base to include universities, research institutions and hospitals. Agreements have been made with representative organisations from a number of these groups and the Company is undertaking a targeted awareness campaign to secure more agreements.

4.3 CRYOSITE FACILITIES AND SYSTEMS

Underpinning Cryosite's businesses and opportunities is the quality of its facilities and systems. Cryosite has integrated secure ultra- cold and cryogenic storage of biological material with its purpose built, interactive inventory management system, Cryobyte.

World's Best Practice

One of Cryosite's key strategic objectives was to build a facility that would offer a World's Best Practice standard of facilities and service to its customers. The Company believes this objective has been achieved and is now used as the core from which the three existing business units have developed.

The key to achieving this objective has been the successful integration of Cryobyte with the physical management of temperature critical materials. Included in this integration is the use of special electronic devices that control and monitor access to freezers through a common security system.

The quality of the Company's systems, is evidenced by the independent quality assurance certification granted to the Company by the National Association of Testing Authorities ("NATA") to ISO/IEC 17025 standard.

Facilities

Cryosite's facilities comprise ultra-cold (-80°C) freezers and liquid nitrogen storage (both vapour phase (-176°C) and liquid phase (-196°C) storage). The facility is strictly secured with controlled smart card access and back to base intrusion alarms. The freezer units all have back up refrigeration systems, back up power and are monitored 24 hours a day.

Inventory Management

Cryobyte is a system and method particularly for the management of cryogenically stored biological samples. The management functions can be performed remotely via the Internet by authorised users and include the establishment, dispatch, retrieval, delivery to third parties and disposal of the samples. Data pertaining to the samples may be logged for historical data, analysed and processed in report form.



The screenshot displays a web browser window with the URL <https://www.cryosite.com/cryobyta/default.asp>. The page title is "vial details" and the Cryosite logo is visible in the top right. The main content area is a form titled "Sample Values" with the following fields:

- Vial Type: 2ml CRYO tube
- Protocol Name: Acme Trial 26/03/01
- Storage Temp: 80
- Box Pos: 4 | 1
- Sample Type: Virus Culture
- Storage Length:
- Box Type: Demo Type
- Sample Fate: Return to Client
- Site: Research Laboratory
- Message: This is where comments appear.
- Sample Status: Active
- Barcode: 4400008947
- Client ID: FB Match - 3
- Sample Name: Blood Culture
- Radioactive: No
- Radionuclides:
- Infectious: Yes

Below these fields is a grid for data entry:

Date	Time	Text	Numeric
Date 1	Time 1	Text 1	Numeric 1
Date 2	Time 2	Text 2	Numeric 2
Date 3	Time 3	Text 3	Numeric 3
Date 4	Time 4	Text 4	Numeric 4
Date 5	Time 5	Text 5	Numeric 5
Date 6	Time 6	Text 6	Numeric 6
Date 7	Time 7	Text 7	Numeric 7
Date 8	Time 8	Text 8	Numeric 8
Date 9	Time 9	Text 9	Numeric 9
Date 10	Time 10	Text 10	Numeric 10

At the bottom of the form, there are navigation buttons: Back, New, Box Details, Save & Next, Edit, and Save. The user information at the bottom left reads "user: pavan" and "addr: Acme Research".

Source: Typical Cryosite Application Screen

4.4 BUSINESS OPPORTUNITIES FOR CRYOSITE

Biological based organisations in a broad range of industry sectors will have an on-going need for long term storage of some valuable biological material and represent many of the potential users of Cryosite's services. A list of potential applications of the Company's technology for each industry sector include:

- Expanding archival storage in the **biomedical sector** is a clear opportunity with a need to securely store and manage tumour banks, gene libraries, serum archives, patient samples, and cells.
- In the **agricultural sector**, there is a need for preservation of plant and seed material, as well as bacteria and viruses from plants, soil and water.
- In the **environmental sector**, the value of preserving Australia's diminishing genetic biodiversity is being recognised and programs are in place in rural and regional areas of Australia to collect and store this material.
- In the **biotechnology industry**, in addition to valuable clinical samples and other material used, there is also the need to store new genetically modified organisms and other material.
- In the expanding area of **forensic medicine**, samples are stored indefinitely which may be used for evidence in future criminal or civil matters.
- For **individuals** who wish to store their own biological material such as stem cells.
- For organisations involved in **Biohandling**, Cryosite has a core operational model that may be used to provide a diverse range of value-added services. A promising opportunity is the integration of that model with robotic sample handling instrumentation to provide a complete sample handling and data management solution to their customers.
- The **veterinary industry**, particularly the vaccine sector has an on-going requirement for the cryogenic storage and distribution of heat-labile material, such as, cell associated avian vaccines.

All of the above sectors represent potential opportunities for Cryosite. However given the stage of the Company's development and the stage of development of each of these sectors the extent to which the Company will be able to take advantage of these areas is currently uncertain and will become more apparent over time.

5. RISK FACTORS

Nature of the Investment

Investment in the Shares offered under this Prospectus should be considered speculative. Prior to deciding to invest in Cryosite, potential investors should read the entire Prospectus and, in particular, the risk factors which may affect the financial performance of Cryosite.

Business Risks

While there are companies successfully operating in the U.S.A. and Europe offering private umbilical cord blood services and cryogenic archival storage facilities for the medical research and health service industries, Cryosite is the first company in Australia to offer outsourced archival storage services and facilities under NATA registration and a private cord blood service under TGA authorisation as required by the laws of Australia. Cryosite believes that future success for its cord blood service will depend on appropriate marketing to Australian families through their medical practitioners and hospitals and on delivering a quality service Australia wide. Similarly, success with its cryogenic archival storage and distribution business will depend on focussed marketing to the biological community across Australia. The Directors believe that growth in the archival market is also dependent on continuing investment in the technology sector by institutions, government and the private sector. There can be no assurance, however, that the Company will successfully achieve all or part of its stated business objectives.

Operational Failure

The Company provides services associated, in some cases, with the storage of irreplaceable materials, such as umbilical cord blood and samples from clinical trials. To minimise the risks of misplacing or rendering those samples worthless, the Company uses what it believes to be the most appropriate, state of the art equipment, information and management systems, redundancy, maintenance and security measures. It has also developed documented Standard Operating Procedures ("SOP's") to ensure protection of the materials. However, the Company is largely dependent on its employees and contractors to follow the procedures and cannot guarantee the actions of its employees, contractors or third parties, either by neglect or by malicious behaviour.

Security of Stored Material

Security for the Company's premises, operations and systems involves several levels of redundancy, secured access to the premises and intrusion detection, alarms and manned response. The Company's SOP's contain a disaster recovery plan as a requirement of its NATA registration and its TGA authorisation. With the start up of the cord blood service the Company has recently commissioned an independent review of its security and the recommendations of that review are being implemented.

Whilst the Company's facility is not a high security facility the Directors believe it has taken a prudent approach to security having regard to the nature of its business. However there is no guarantee that security could not be breached and such a breach could affect the Company's business.

Prospective Information

The Directors believe that they do not have a reasonable basis to make earnings forecasts due to the limited operating history of Cryosite's businesses. In the event that revenue does not grow, this may have a material adverse effect on the Company's business, financial condition and results of operations.

Premises Lease

The Company's lease is able to be extended to 25th July, 2008. If the Company is unable to secure a further lease of the Company's premises, it would incur capital expenditure in moving to a suitable new secure premises.

Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, dividends, if any, would be correspondingly reduced. Under such circumstances it is also possible the Company may need to seek additional funds.

Managing Growth

The Company must continue to improve its operational and financial systems, procedures and controls and manage its human resources. While the Company has been successful in managing its growth to date, no assurances can be given of its ability to manage future growth.

New Ventures

In order to accelerate the growth of its businesses, the Company may from time to time, enter into new business initiatives with individuals and corporations. Such arrangements would expose the Company to risks commonly associated with such ventures including amongst others assimilation of the new operations and personnel into the Company. There can be no assurance that any potential venture will not have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

Currently there is an Australian public cord blood network operating in various States. The Cryosite private umbilical cord blood service is the first private service to commence operation in Australia under TGA authorisation. There can be no assurances as to whether the community will subscribe to the Cryosite service in preference to the public service in sufficient numbers to make the Cryosite Cord Blood Service financially viable.

The Company does not currently have any competitors in Australia offering a private umbilical cord blood service. Given sufficient time and funding the Company considers that competitors would be able to establish satisfactory facilities and obtain the necessary regulatory approvals to commence operations.

There can be no assurance that the Company will continue to operate without competitors entering the market in the future in any of its areas of activity.

There can be no assurance that umbilical cord blood collection as a technique or source of harvesting stem cells will not be superseded in the future and this may result in a decline in the market for the Company's cord blood service.

Intellectual Property

There can be no assurance that the Company's intellectual property rights will be adequate to ensure the Company's competitive position, or that competitors will not be able to produce a non-infringing competitive product or service. There can be no assurance that third parties will not assert infringement claims against the Company, or that if required to obtain any third party licences as a result of an infringement dispute, the Company will be able to obtain those licences.

Regulatory Authority Approvals

Cryosite's business involves the handling, storage and, in case of the cord blood business, processing of materials which are biologically or chemically active. In many cases there is legislation which regulates dealings with such materials. In some cases, including cord blood, that legislation may change in the near future. If materials are not properly identified or Cryosite fails to understand the regulatory regime to which the materials are subject, Cryosite may inadvertently breach, or cause its clients to breach, the legislation. It is important for Cryosite to maintain an understanding of the legislation which may be relevant and to invest time and expense keeping its understanding current. It is important that the materials which Cryosite stores be clearly identified so that the impact of relevant legislation can be assessed. For some materials Cryosite will need to maintain some level of legislative approval or accreditation. Cryosite believes that it has obtained the necessary approvals for the materials which it currently contemplates storing. There are other sorts of material where Cryosite will require its clients to warrant that they have complied with relevant legislation.

No Prior Market for Shares

Prior to the Offer there has been no public market for the Shares. There can be no assurance that an active trading market will develop in Shares or that the Shares will trade subsequent to the Offer at or above the Offer Price.

Stockmarket Volatility

A number of factors affect the performance of stockmarket investments which could also affect the price at which shares trade on the ASX. Among other things, the stockmarket may be affected by movements on international stockmarkets, local interest rates and exchange rates, domestic and international economic and political conditions, as well as government taxation and other policy changes.

Accordingly there can be no assurance on how the Shares will be valued or the level of interest in the Shares amongst the investor market.

There are general risks associated with any investment in the stock market. The value of Shares listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company. Similarly, the level of dividends paid on Shares can go down as well as up. Shares should generally not be considered as short-term investments.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company, participation in any on-market share buy-back and on the disposal of Shares.

Changes in Laws and Government Policy

The Company's business is subject to a number of regulatory requirements, in addition to general competition law, that have significant influence on the business, operations and competitive environment.

Changes in laws, regulations and government policy, including but not limited to those affecting support for biotechnology research and development may affect the Company and the attractiveness of an investment in the Company.

6. EXPERTS' REPORTS

6.1 SCIENTIFIC REPORT

6th March, 2002

Professor Ronald Penny, AO,
Director,
Centre for Immunology
St Vincent's Hospital, Sydney
NSW 2010

Dr Peter French
Principal Scientific Officer
Centre for Immunology
St Vincent's Hospital, Sydney
NSW 2010

REPORT ON SCIENTIFIC STATUS OF CORD BLOOD COLLECTION, PRESERVATION AND THERAPEUTIC USE OF HAEMATOPOIETIC STEM CELLS DERIVED FROM CORD BLOOD.

DEFINITION

Stem cell technology has received considerable publicity and interest lately. Primarily, the interest has focused around embryonic stem cells, which are "pluripotent" – they have the potential to develop into any tissue of the body. However, stem cells exist in mature tissues – including bone marrow, peripheral blood and umbilical cord. These cells are classified as being "multipotent"¹. Whilst they have the potential to develop into other tissues, the range of tissue types is, at this stage of our knowledge, more limited. Stem cells from human cord blood, peripheral blood and bone marrow are currently known as haematopoietic stem cells (HSCs) because they are able to develop into the cells which reconstitute the haematopoietic and immune systems. However, recent research has shown that haematopoietic stem cells of animal origin can be differentiated into cells of other lineages, including the central nervous system (CNS), heart muscle, brain, liver and blood vessel^{1,15,31,35}.

THE MEDICAL USE OF CORD BLOOD

In the late 1980s and early 1990s, physicians began to recognise that blood from the human umbilical cord and placenta was a rich source of HSCs. This tissue supports the developing fetus during pregnancy, is delivered along with the baby, and, is usually discarded as medical waste.

Since the first successful umbilical cord blood transplants in children with Fanconi's anemia, the collection and therapeutic use of these cells has grown quickly. Transplantation of haematopoietic stem and progenitor cells from umbilical cord blood is now a standard treatment for restoration of the function of bone marrow and for sustaining haematopoietic and immunologic recovery in both related and unrelated recipients²⁻⁷. Umbilical cord blood recipients – typically children – have now lived in excess of eight years, relying on the HSCs from an umbilical cord blood transplant^{8,9}.

Using umbilical cord blood as a source of HSCs offers substantial advantages over bone marrow. These advantages include:

- the relative ease of procurement;
- the absence of risk or discomfort to the donor;
- the small likelihood of transmitting clinically important infections, especially cytomegalovirus (CMV) and Epstein -Barr virus (EBV);
- the low risk of severe graft-versus-host disease (GVHD)⁴⁻⁶; and
- the rapid availability of cord blood to transplantation centres^{10,11}.

The reduced severity of GVHD after the infusion of allogeneic (unrelated) cord blood, as compared with transplantation of bone marrow – or peripheral blood – derived stem cells from unrelated donors, permits the use of transplants from not fully compatible donors and improves the odds of finding donors for patients with uncommon tissue types.

However, GVHD does occur with HLA – mismatched transplants of cord blood HSCs. The New York Blood Center's Placental Blood Program, supported by NIH, is the largest U.S. public umbilical cord blood bank and now has 13,000 donations available for transplantation into patients who need human stem cells. Since it began collecting umbilical cord blood in 1992, the Center has provided thousands of cord blood units to patients. Rubinstein et al¹² assessed the outcomes of 562 cord blood stem cell transplantations performed between 1992 and 1998, and found that severe acute GVHD (grade III or IV) occurred in 23 percent of patients, and chronic GVHD occurred in 25 percent. In this study, the severity of GVHD was one factor which correlated with the rate of relapse among recipients with leukemia.

A 1997 study⁶ found that the one-year survival rate in a group of 78 recipients of cord blood from related donors was 63 percent. Among 65 patients who received cord blood from unrelated donors, the Kaplan-Meier estimate of survival at one year was 29 percent. Graft-versus-host-disease of at least grade II occurred at estimated rates of 9 percent in 60 recipients of HLA – matched cord blood and 50 percent in 18 recipients of HLA – mismatched cord blood.

Therefore, a significant advantage of storing cord blood stem cells for autologous use is that the risk of GVHD is substantially reduced, as the HSCs are perfectly HLA -matched. Currently, in the absence of a few specific diseases in a family where public laboratories may store, the only way storage for autologous use can be undertaken is via private cord blood collection and storage facilities.

ARE STEM CELLS FROM CORD BLOOD DIFFERENT TO STEM CELLS FROM OTHER SOURCES?

HSCs collected from adult human donors (eg bone marrow or peripheral blood) and from the umbilical cord differ in only a few characteristics.

1. Numbers. The most important difference is simply quantitative. A 100ml unit of cord blood contains one-tenth the number of nucleated cells and stem cells (CD34+ cells) present in 1000ml of marrow³³. In the Dusseldorf Netcord Bank³⁴, the median number of nucleated cells obtained per cord blood unit was 10×10^8 . Until recently, this was thought to be too few to result in successful transplants for an HLA mismatched adult, but adequate for a transplant for a child. However, Laughlin et al¹³ have reported considerable success with transplantation of HLA – mismatched cord blood in 68 adults with life-threatening diseases. This clearly indicates that cord blood transplantation has the potential to be of benefit to recipients of all ages.
2. Rejection. As described above, there is evidence that cord blood causes less graft-versus-host disease than other sources of HSCs.
3. Proliferative capacity. In lab and mouse -model tests comparing CD34+ cells from human cord with CD34+ cells derived from adult bone marrow, researchers found cord blood had a greater capacity to grow¹⁴.

THERAPEUTIC USES OF HAEMATOPOIETIC STEM CELLS

It is reasonable to conclude that therapies based on HSCs derived from bone marrow or blood may be applicable also to HSCs from cord blood, perhaps with one significant difference – the inability to recollect HSCs should the first transplantation fail. A recent review¹⁵ of the use of human HSCs in adult and children's diseases lists the following uses and potential uses of HSCs:

- Treatment of cancers of the blood (including acute lymphoblastic leukemia, acute myeloblastic leukemia, chronic myelogenous leukemia, Hodgkin's disease, multiple myeloma, and non-Hodgkin's lymphoma). In these applications, the patient's own cancerous haematopoietic cells are destroyed via radiation or chemotherapy, then replaced with a bone marrow transplant, or, more recently, with a transplant of HSCs collected from the peripheral circulation of the patient or a matched donor. The matched donor is typically a sister or brother of patient who has inherited similar human leukocyte antigens (HLAs) on the surface of their cells.
- Haematopoietic stem cell rescue in cancer chemotherapy. Chemotherapy aimed at rapidly dividing cancer inevitably hits another target – rapidly dividing haematopoietic cells. Doctors may give cancer patients an autologous stem cell transplant to replace the cells destroyed by chemotherapy. do this by mobilising HSCs and collecting them.
- Graft-Versus-Tumor Treatment of Cancer. One of the most exciting new uses of HSC transplantation puts the cells to work attacking otherwise untreatable tumors. A group of researchers in NIH's intramural research program recently described this approach to treating metastatic kidney cancer. Tokita et al¹⁶ used stem cells from a patient's daughter to successfully treat a thymic cancer.
- Other Applications of Haematopoietic Stem Cells. Substantial basic (in animals) and limited clinical research exploring the experimental uses of HSCs for other diseases is underway. Among the primary potential applications are autoimmune diseases, such as insulin-dependent diabetes mellitus, rheumatoid arthritis, system lupus erythematosus and multiple sclerosis.
- Replacement for non-haematopoietic tissue. A few recent reports of research predominantly in animals indicate that scientists have been able to induce bone marrow or blood – or tissue – derived HSCs to differentiate into other types of tissue, such as CNS, blood vessel, heart muscle, and liver cells^{15,31,35}. These concepts open the way for exciting new therapies, and are the subject of intensive international research and development.

BARRIERS TO THE DEVELOPMENT OF NEW AND IMPROVED TREATMENTS USING HAEMATOPOIETIC STEM CELLS

Insufficient Numbers of Haematopoietic Stem Cells. Clinicians repeatedly see that larger numbers of cells in stem cell grafts have a better chance of survival in a patient than do smaller numbers of cells. Investigators believe that the main cause of failure of HSCs to engraft is host-versus-graft disease, and larger grafts permit at least some donor cells to survive. However, in autologous transplants, where GVHD is not an issue, fewer HSCs may be needed. Furthermore, it is possible to expand the number of stem cells from a cord blood donation by culturing cord blood CD34+ cells in vitro in the presence of growth factors¹⁷.

Lack of Understanding of Differentiating Triggers.

At some point in development, all cells are plastic, or developmentally flexible enough to grow into a variety of different tissues. Exactly what instructs cells to grow into one organ and not another is still an unanswered question for researchers, although recent research has shown that chemical triggers and growth factors can differentiate bone cells into neurons³². It now appears that growth factors in the tissue environment can influence the path taken by a differentiating multipotent stem cell, and this is the subject of much on-going research³⁵. Until this is much better understood, however, there will be limited ability to use stem cells from cord blood as therapeutic agents for diseases of systems other than the haematopoietic and immune systems.

CORD BLOOD COLLECTION, SEPARATION AND CRYOPRESERVATION TECHNOLOGY.

There are established methods in the scientific literature for the effective collection, separation and storage of stem cells from cord blood for use in future transplantation^{18,19,20}. Storage of stem cells is carried out at extremely low temperatures (-165°C), achieved in specially-designed freezers which use liquid nitrogen. This process is known as cryopreservation. Cryopreservation of cells and tissues is an established technique^{22,23} used in biomedical practice and biological research for at least 30 years²⁴⁻²⁷. At such low temperatures, and provided that appropriate care is taken over the rate of freezing and the use of buffering agents

(such as DMSO), a variety of cell types including microorganisms, isolated tissue cells (eg stem cells), small multicellular organisms, and even more complex organisms such as embryos can be cryopreserved for a number of years and recovered in a viable state²³.

One of the earliest publications on the topic of cryopreservation of cord blood stem cells was that of Harris et al¹⁸. The authors observed that storage of cord blood in liquid nitrogen for as long as seven years had minimal effects on cell viability, cellular composition and progenitor/stem cell capacity. They concluded that “it appears that prolonged frozen storage (in liquid nitrogen in the liquid phase or the liquid/gas interphase) of cord blood as a mononuclear cell population should not be a hindrance to the establishment of cord blood banks for use in future transplantations.” Kobyłka et al reported that cord blood T cells cryopreserved for up to 15 years were unaffected in their growth and functional characteristics²¹. They concluded: “the results support the possibility of long-term storage of progenitor cells from umbilical cord blood for future bone marrow reconstitution”. It has been noted by researchers in this area that there may be a particular need to establish an optimised method for cord blood cryopreservation, given that freezing does impose a stress on cells, and that there is a smaller number of progenitor cells in each cord blood donation²⁸. Such methods have been devised²⁹.

TO STORE PRIVATELY: THREE VIEWS

The American Academy of Pediatrics (AAP) has stated in a recent review of the subject³⁰ that the vast majority of children will never require the use of stored cord blood. Current estimates place the chances of a child needing to use his or her own cord blood sample at somewhere between 1 in 1,000 and 1 in 200,000. The AAP experts concluded that because the potential uses of cord blood remain extremely “limited”, cord blood banking should only be considered “...if there is a family member with a current or potential need to undergo a stem cell transplantation.” They also state that using private storage of cord blood as “biological insurance” is unwise. This may be considered an extreme view.

A more reasonable approach is that of Fasouliotis and Schenker who state that whilst the benefits of autologous cord blood storage are inconclusive, “there is no cogent argument to prevent it for those who can afford it.”²⁸

A third view is that which says that there are good reasons to privately store stem cells from cord blood. As has been noted above, the potential therapeutic value of cord blood stem cells is growing rapidly as research continues in this exciting area. Until recently, cord blood and other haematopoietic stem cells were thought to be useful only for regenerating the immune and blood cells of patients with diseases such as leukaemias and other blood-based cancers. However, as described earlier, research (so far only in animals) has shown that these cells may be able to be stimulated to develop into other tissues such as muscle, vascular (blood vessel), liver and even brain tissue¹. These discoveries give hope for a future where cord blood stem cells could be used in the treatment of a broader range of diseases or conditions. Whilst this is, at the moment, not the reality, it is increasingly becoming a possibility as knowledge in this area grows. The optimistic view therefore is that as the therapeutic potential of stem cells from cord blood is not yet fully known, storing them privately may one day prove to be a significant, even life-saving, decision.

We support this opinion with a range of key references to current research (see below) which supports the real potential for stem cell therapy.

DISCLOSURES

Dr. Peter French and Professor Ronald Penny AO, both Directors of and Shareholders in Cryosite, have provided this Scientific Report. No fee has been paid or will be paid in respect of this Report. Due to the interest held by them, referred to in Section 9.12, they have an interest in the success of the Offer and cannot give and shall not be construed as providing independent advice on the Offer.



Dr Peter French



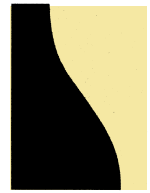
Professor Ronald Penny AO

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6.2 PATENT ATTORNEY'S REPORT

DAVIES COLLISON CAVE
PATENT & TRADE MARK ATTORNEYS



28 February, 2002

The Board of Directors
Cryosite Limited
9 Sirius Road
Lane Cove
New South Wales 2066

Dear Sirs,

Patent Attorney's Report of Cryosite Limited

This report has been prepared at the request of Cryosite Limited, for inclusion in a prospectus inviting public subscription into Cryosite Limited. The report contains information on Cryosite Limited's current patenting activities, information on the current status of Cryosite Limited's patent and trade mark applications, and general information on the procedure for obtaining patents, as adopted by Cryosite Limited. The report does not extend to any other matter either expressly or by implication.

PATENT STATUS

1. Introduction

Cryosite Limited (formerly known as Australian Biologicals Registry Pty Limited) filed an initial patent application on 22 September 2000. The initial application was a provisional patent application filed at the United States patent Office. Patent protection has been pursued by filing an International patent application under the patent Cooperation Treaty (PCT) system, designating all contracting PCT states.

2. Technical Area

Broadly, the subject matter of Cryosite Limited's patent application may be described as follows:

A system and method for the management of specimens, and particularly for the management of cryogenically stored biological specimens. The management functions can be performed remotely via the Internet, and include the establishment, dispatch, retrieval, delivery to third parties, disposal, etc., of the samples. Environmental factors of the cryogenic storage means can be controlled. Varying access may be authorised. Data pertaining to the samples may be logged for historical data, analysed, processed in report form, etc. The specimens may be biological specimens, or samples of plants, plant extracts, insects or other samples. The specimens may be stored in ambient, refrigerated, frozen, ultracold, cryogenic or other environmental conditions.

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In association with
Davies Collison Cave Solicitors
Intellectual Property Law

3. Cryosite Limited's patent procedure

Cryosite Limited has adopted the following procedure in seeking patent protection for its Intellectual Property.

Cryosite Limited initially filed a provisional patent application at the United States patent Office, in order to establish its rights to its invention under the terms of the Paris Convention. The Paris Convention allows for recognition in all 'convention countries' of the priority right of the invention as of the date of lodgement of this initial application.

The next step in the patenting procedure is to, within 12 months of the initial application, either file separate National / Regional applications in the countries / regions of interest in which patent protection is to be pursued, or, to file an International application under the Patent Cooperation Treaty (PCT), designating the contracting PCT states which are of interest in the application.

Cryosite Limited filed an International application under the PCT, designating all contracting PCT states. A listing of the PCT states designated in Cryosite Limited's application is attached.

The PCT system provides for an International Search Report (ISR) to issue from the PCT Authorities, and also, for a Preliminary Examination process to be undertaken by the PCT Authorities. The PCT system is quite widely used as it has the advantage that patent protection can be maintained in a large number of countries for an extended period of time, typically 30 months. Ultimately, within this time, Cryosite Limited will have to select, from the designated PCT states, in which countries patent protection should ultimately be pursued, and then file local "National / Regional Phase" patent applications in each country / region of interest.

In each country / region in which patent protection is ultimately pursued (by entering the National / Regional Phase of the International PCT application), the patent application will eventually be subjected to examination by the Patent Office of the relevant country / region.

Opportunity is given to the Patent Applicant, during the 'International' stage, and also during the 'National / Regional' stage, for amendment of the text and claims of the patent application, depending upon a number of considerations, including clarity, novelty, inventive step, etc., of the invention. As such, amendment and revision of the patent specification typically occurs before grant.

Once granted, the patent will remain in force for the term of the patent, which is 20 years in most countries, provided renewal taxes (generally due annually) are paid.

4. Current patent status

Cryosite Limited's International Application No. PCT/AU01/01181, which was filed on 21 September 2001 (claiming priority of United States patent Application No. 60/234656 on 22 September 2000), designating all contracting PCT states, is currently in the 'International Phase' of the application. A list of the countries designated in the PCT application is attached.

5. Caveats

It is important to note that certain caveats must exist with any patent or patent application.

Patent applications are subjected to examination by patent examiners around the world in the international and national patent offices. During the examination process, patent applications are assessed for novel and inventive subject matter. These concepts often involve a degree of subjective interpretation by the respective patent examiners. In the event of litigation, a different opinion may arise as to the novelty and inventiveness, and therefore the validity, of any particular

A patent is invariably only valid if it is novel and inventive when compared with all material publicly available anywhere in the world prior to the priority date of the patent application. It is obviously difficult for a patent examiner in a particular patent office to effectively search all material in every language everywhere in the world for prior art that could invalidate a patent. Therefore, with any patent application, there is a likelihood that not all prior art may have been identified prior to grant of a patent. Consequently, in any post grant litigation, prior art could be identified which could lead to the possibility of revocation of a granted patent.

Also, it is important to note that in most countries of the world, patent applications are not published until approximately 18 months from the priority date. Therefore, there are often significant time periods during which it is impossible to know what prior art may be available which may have an earlier priority date than a patent application in question.

It should therefore be evident that due to the inherent uncertainties of the patent system, only some of which have been outlined above, no assurance can be given as to the absolute validity of any patent application or granted patent. Hence, this report does not express any opinion on the validity of Cryosite Limited's patent application.

Furthermore, it should be noted that litigation is not necessarily avoided by the grant of a Patent. Cryosite Limited may be open to malicious, vindictive or spurious challenges.

6. Conclusion

Cryosite Limited has therefore adopted a typical patent procedure of filing an international PCT application, designating all contracting states, such that patent protection is presently maintained in a large number of countries throughout the world. Like most companies involved in the patenting procedure, Cryosite Limited will have to make a selection from the designating PCT states in which countries / regions patent protection should ultimately be pursued. It would be expected that Cryosite Limited will select the prime countries of commercial interest in which to pursue National / Regional applications. At this point in time, we have not been given any indication as to in which countries National / Regional applications will ultimately be pursued.

7. TRADE MARK STATUS

A search of the available records of the Australian Trade Marks Office as at 6 February 2002 was conducted and it was concluded that there were no obvious impediments to obtaining Australian trade mark registrations for CRYOSITE and CRYOBYTE in relation to the services listed below. However, due to the subjective nature of examination of Australian trade mark applications, no assurance of the ultimate registrability of the Australian trade mark applications can be given.

On 13 February 2002 applications on behalf of Cryosite Limited were filed seeking registration of the trade marks "CRYOSITE" and "CRYOBYTE" in Australia with respect to the following services:

"Services in the management of specimens, including the establishment, storage, dispatch, retrieval, delivery and disposal of specimens and the maintenance of a database pertaining to the samples"

The applications enable recognition of the 13 February 2002 priority date as the deemed date of lodgement of further trade mark applications filed in 'Paris Convention countries' before 13 August 2002. To date we have not been given any instructions to pursue trade mark applications in overseas 'Paris Convention countries'.

The Australian trade mark applications will be examined by the Trade Marks Office as to formal correctness, including distinctiveness, and for conflicts with earlier filed trade mark applications/registrations. Examination typically occurs within 6 to 9 months from the date of filing. If the applications pass the examination procedure and are accepted they will be advertised in the Official Journal of Trade Marks and will be open for opposition by third parties for a three month period from advertisement. If the applications are not opposed, or are not successfully opposed, on payment of a fee they will then be registered.

On registration, the trade marks will remain in force for a period of 10 years from the filing date. The registrations may be renewed for consecutive 10 year periods on payment of relevant renewal fees. The trade mark registrations are vulnerable to third party removal once they have been registered for five years and they are not used for any consecutive three year period.

8. Expertise

This report has been prepared by Anthony Cowle, who is a partner in the firm of Davies Collison Cave, Patent and Trade Mark Attorneys. Anthony Cowle is a registered Australian and New Zealand Patent Attorney, practicing in the Sydney Office of Davies Collison Cave. Anthony Cowle has a Bachelor of Engineering Degree in Electrical Engineering from the University of New South Wales, and primarily practices in the fields of electronics, telecommunications, general mechanics, computer related and business method inventions.

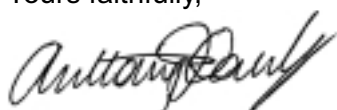
INTEREST

Anthony Cowle has been the Patent Attorney responsible for the drafting, lodgement and prosecution of the patent applications and for the lodgement of the Trade Mark applications filed on behalf of Cryosite Limited, and fees have been charged substantially in accordance with industry expectations. As is normal practice, subject to the acquiescence of the board of Cryosite Limited, Anthony Cowle fully expects this relationship to continue. Furthermore, the fees charged for preparation of this report are based upon normal Patent Attorney rates.

Neither Anthony Cowle, nor the partners of Davies Collison Cave, have any financial interest in Cryosite Limited over and above the fees for the professional work done.

Davies Collison Cave has no involvement in the preparation of the prospectus by Cryosite Limited, other than the preparation of this Patent Attorneys' report.

Yours faithfully,



Anthony J Cowle
Partner
Davies Collison Cave



PCT CONTRACTING STATES

114 countries on 15 August 2001

AE	United Arab Emirates	DE	Germany(EP)	KP	Democratic People's	PH	Philippines
AG	Antigua and Barbuda	DK	Denmark(EP)		Republic of Korea	PL	Poland
AL	Albania ¹	DM	Dominica	KR	Republic of Korea	PT	Portugal(EP)
AM	Armenia(EA)	DZ	Algeria	KZ	Kazakhstan(EA)	RO	Romania ¹
AT	Austria(EP)	EC	Ecuador	LC	Saint Lucia	RU	Russian Federation(EA)
AU	Australia	EE	Estonia	LI	Liechtenstein(EP)	SD	Sudan(AP)
AZ	Azerbaijan(EA)	ES	Spain(EP)	LK	Sri Lanka	SE	Sweden(EP)
BA	Bosnia and Herzegovina	FI	Finland(EP)	LR	Liberia	SG	Singapore
BB	Barbados	FR	France(EP) ²	LS	Lesotho(AP)	SI	Slovenia ¹
BE	Belgium(EP) ²	GA	Gabon(OA) ²	LT	Lithuania [^]	SK	Slovakia
BF	Burkina	GB	United Kingdom(EP)	LU	Luxembourg(EP)	SL	Sierra Leone (AP)
	Faso(OA) ²	GD	Grenada	LV	Latvia ¹	SN	Senegal(OA) ²
BG	Bulgaria	GE	Georgia	MA	Morocco	SZ	Swaziland(AP) ²
BJ	Benin(OA) ²	GH	Ghana (AP)	MC	Monaco(EP) ²	TD	Chad(OA) ²
BR	Brazil	GM	Gambia (AP)	MD	Republic of	TG	Togo(OA) ²
BY	Belarus(EA)	GN	Guinea(OA) ²		Moldova(EA)	TJ	Tajikistan(EA)
BZ	Belize	GQ	Equatorial Guinea(OA) ²	MG	Madagascar	TM	Turkmenistan(EA)
CA	Canada	GR	Greece(EP) ²	MK	The former Yugoslav	TR	Turkey (EP)
CF	Central African	GW	Guinea-Bissau(OA) ²		Republic of Macedonia ¹	TT	Trinidad and Tobago
	Republic(OA) ²	HR	Croatia	ML	Mali(OA) ²	TZ	United Republic of
CG	Congo(OA) ²	HU	Hungary	MN	Mongolia		Tanzania (AP)
CH	Switzerland(EP)	ID	Indonesia	MR	Mauritania(OA) ²	UA	Ukraine
CI	Cote d'Ivoire(OA) ²	IE	Ireland(EP) ²	MW	Malawi(AP)	UG	Uganda(AP)
CM	Cameroon(OA) ²	IL	Israel	MX	Mexico	US	United States of
CN	China	IN	India	MZ	Mozambique (AP)		America
CO	Colombia	IS	Iceland	NE	Niger(OA) ²	UZ	Uzbekistan
CR	Costa Rica	IT	Italy(EP) ²	NL	Netherlands(EP) ²	VN	Vietnam
CU	Cuba	JP	Japan	NO	Norway	YU	Yugoslavia
CY	Cyprus (EP) ²	KE	Kenya(AP)	NZ	New Zealand	ZA	South Africa
CZ	Czech Republic	KG	Kyrgyzstan(EA)	OM	Oman (from 26 Oct 2001)	ZM	Zambia (from 15 Nov. 2001)
						ZW	Zimbabwe (AP)

Where a state is a member of a regional patent treaty, the two-letter code for the regional patent concerned is also indicated
(AP = ARIPO patent, EA = Eurasian patent, EP = European patent, OA = OAPI patent)

AP	ARIPO Patent	EA	Eurasian Patent	EP	European Patent	OA	OAPI Patent
GH	Ghana	AM	Armenia	AT	Austria	BF	Burkina Faso ²
GM	Gambia	AZ	Azerbaijan	BE	Belgium ²	BJ	Benin ²
KE	Kenya	BY	Belarus	CH	Switzerland	CF	Cent African Rep. ²
LS	Lesotho	KG	Kyrgyzstan	CY	Cyprus	CG	Congo ²
MW	Malawi	KZ	Kazakhstan	DE	Germany	CI	Cote d'Ivoire ²
MZ	Mozambique	MD	Republic of Moldova	DK	Denmark	CM	Cameroon ²
SD	Sudan	RU	Russian Federation	ES	Spain	GA	Gabon ²
SL	Sierra Leone	TJ	Tajikistan	FI	Finland	GN	Guinea ²
SZ	Swaziland	TM	Turkmenistan	FR	France ²	GQ	Equatorial Guinea ²
TZ	United Republic of Tanzania			GB	United Kingdom	GW	Guinea-Bissau ²
UG	Uganda			GR	Greece ²	ML	Mali ²
ZM	Zambia (from 15 Nov. 2001)			IE	Ireland ²	MR	Mauritania ²
ZW	Zimbabwe			IT	Italy ²	NE	Niger ²
				LI	Liechtenstein	SN	Senegal ²
				LU	Luxembourg	TD	Chad ²
				MC	Monaco ²	TG	Togo ²
				NL	Netherlands ²		
				PT	Portugal		
				SE	Sweden		
				TR	Turkey		

1. Extension of European patent possible.

2. The National route has been closed - may only be designated for a regional patent.

7. FINANCIAL INFORMATION

7.1 INTRODUCTION

Cryosite was incorporated in December 1999. The Company commenced its development programme, including the development of the Cryobyte software and ultra-cold storage capability, in March 2000 and generated its first sales revenue in March 2001. The adjusted historical financial performance of the Company for the six months ended 30 June 2000, the year ended 30 June 2001, and the six months ended 31 December 2001, is explained in this section. The Company's historical financial information has been adjusted for certain items to reflect comparability and consistency in application of accounting standards. Comments on prospective operating expenses for the six months ending 30 June 2002 and for the year ending 30 June 2003 have also been provided.

7.1.1 Adjusted Historical Results

Between March 2000 and December 2001, the Company has focused its activities on:

- 1) establishing its ultra-cold and cryogenic storage facility;
- 2) developing its purpose-built inventory management and information system; and
- 3) obtaining NATA and TGA accreditations to support commercial operation of its cord blood service, its archival storage service and its distribution business.

The Company's adjusted historical financial performance reflects the pattern of a start-up company progressing through to the commercialisation phase of its development. Adjusted historical results are summarised in the table below;

	Adjusted Historical		
	6 Months Ended 30 June 2000	Year Ended 30 June 2001	6 Months Ended 31 December 2001
	\$	\$	\$
Revenue	41,489	81,039	21,258
Operating Expenses	(385,956)	(1,066,030)	(698,129)
Loss for Period	(344,467)	(984,991)	(676,871)

- Six months ended 30 June 2000

During this period, the Company focused on the development of the Cryobyte software. The key items of expenditure during this period were related to the establishment of the Company, and managing the development of the Cryobyte software. Revenue for this period consisted of interest income.

- Year ended 30 June 2001

During this period, the Company increased its staff levels, completed development of the Cryobyte Software, and established its ultra-cold and cryogenic storage facility. The cost base of the Company increased in this period due to the additional staff employed to administer the Company, due to the ongoing cost of maintaining the information system, and due to the Company having its own premises for the first time.

- Six months ended 31 December 2001

During this period Cryosite obtained TGA and NATA approval and commenced marketing activities for its archival storage and cord blood services. Cryosite launched its cord blood service in December 2001. The incremental costs incurred in the period were some marketing and salary and wages costs, as well as the cost of operating the ultra-cold and cryogenic storage facility full time.

7.1.2 Prospective Financial Information

The Directors believe they do not have reasonable grounds for preparing earnings projections as Cryosite is in its start-up phase and assumptions associated with revenue and variable costs are considered to be hypothetical. The Directors do, however, believe that there are reasonable grounds for establishing future operating expenses of the Company. The Company's operating expenses are those expenses which the Directors consider to be fixed and are not dependent on the level of Cryosite's operating revenue. Depreciation is included in operating expenses.

- Six months ending 30 June 2002

The Company's operating expenses are projected to be approximately \$814,000 in the six months ending 30 June 2002 which compares to \$698,129 for the six months ended 31 December 2001. The projected increase in operating expenses is due mainly to increased salaries and wages, marketing and administration expenses associated with the development of the cord blood service and the commencement of interstate operations in Melbourne and Brisbane.

The projected operating expenses for the Company for the six months ending 30 June 2002 have been prepared on the basis that:

- The current number of employees of 7 will be increased to 10 by 30 June 2002 which includes staff employed in interstate offices;
- Interstate offices will be opened in Melbourne and Brisbane in May 2002;
- Directors fees will be \$45,000; and,
- There will be a total of 8 freezers and 4 liquid nitrogen tanks as at 30 June 2002 which are depreciated over 10 years. Total depreciation for the six months ending 30 June 2002 is projected to be approximately \$105,000.

- Year ending 30 June 2003

The operating expenses for the year ending 30 June 2003 are projected to be approximately \$2,200,000, an increase of

approximately 46% over projected operating expenses for the year ending 30 June 2002. During this period the Company plans to develop the interstate offices in Melbourne and Brisbane to support its cord blood service. It will also undertake various marketing initiatives to further develop its cord blood service and its archival storage and distribution businesses. Other additional operating expenses include costs associated with Cryosite becoming a listed company, increased depreciation charges and the full year salaries and wages of employees that were employed during the year ending 30 June 2003. The projected operating expenses for the Company for the year ending 30 June 2003 have been prepared on the basis that:

- The 10 employees at 30 June 2002 will be increased to 14 by 30 June 2003 which includes staff employed in interstate offices;
- Directors fees will be \$100,000; and,
- There will be a total of 8 freezers and 12 liquid nitrogen tanks as at 30 June 2003 which are depreciated over 10 years. Total depreciation for the year ending 30 June 2003 is projected to be approximately \$275,000.

Variable expenses

The main variable expenses that are associated with the Company's cord blood service include the cord blood kit, pathology tests, service fees payable to the hospital and obstetricians, and courier fees. The cord blood service is in its start up phase and the variable costs associated with this service are being confirmed with the various suppliers and from the Company's increasing operating experience. The Directors do not believe that they have reasonable grounds for estimating the variable expenses associated with this service.

The main variable expenses associated with the distribution business include product and freight costs. The main variable expenses associated with Cryosite's archival storage business are courier charges. The Directors do not believe that they have reasonable grounds for estimating the variable expenses associated with the distribution and archival storage businesses.

7.2 CRYOSITE LIMITED FINANCIAL STATEMENTS STATEMENTS OF FINANCIAL PERFORMANCE

		Adjusted Historical	
		6 Months Ended 31 December 2001 \$	Year Ended 30 June 2001 \$
Revenue from Ordinary Activities	<i>Note</i> 4	21,258	81,039
Expenses from Ordinary Activities			
Storage Expenses		129,216	43,317
Distribution Expenses		1,747	1,246
Marketing Expenses		34,773	31,252
Occupancy Expenses		85,880	161,473
Administration Expenses		443,656	826,576
Borrowing Costs	5	2,857	2,166
Loss from Ordinary Activities before Tax	5	(676,871)	(984,991)
Income tax relating to ordinary activities	6	-	-
Loss from Ordinary Activities after Tax		(676,871)	(984,991)
Total changes in equity other than those relating to transactions with owners	2	(676,871)	(984,991)

CRYOSITE LIMITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	Historical 31 December 2001 \$	Pro forma 31 December 2001 \$
CURRENT ASSETS			
Cash assets		348,583	2,754,401
Receivables	7	69,501	69,501
Inventories		2,368	2,368
Other Assets	8	262,094	21,359
TOTAL CURRENT ASSETS		682,546	2,847,629
NON-CURRENT ASSETS			
Receivables	9	30,853	30,853
Plant and Equipment	10	1,160,881	1,160,881
Intangible Assets	11	8,700	8,700
TOTAL NON-CURRENT ASSETS		1,200,434	1,200,434
TOTAL ASSETS		1,882,980	4,048,063
CURRENT LIABILITIES			
Payables	12	539,071	152,154
Interest Bearing Liabilities	13	3,784	3,784
Unearned Income	14	1,064	1,064
Provisions	15	19,549	19,549
TOTAL CURRENT LIABILITIES		563,468	176,551
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	16	3,149	3,149
TOTAL NON-CURRENT LIABILITIES		3,149	3,149
TOTAL LIABILITIES		566,617	179,700
NET ASSETS		1,316,363	3,868,363
SHAREHOLDERS' EQUITY			
Contributed Equity	17	3,322,692	5,874,692
Accumulated Losses	18	(2,006,329)	(2,006,329)
TOTAL SHAREHOLDERS' EQUITY		1,316,363	3,868,363

CRYOSITE LIMITED FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOW

	<i>Note</i>	Adjusted Historical	
		6 Months Ended	Year Ended
		31 December 2001	30 June 2001
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,353	683
Payments to suppliers and employees		(509,447)	(1,030,106)
Interest received		10,188	98,070
Borrowing costs		(3,697)	(2,166)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	19	<u>(493,603)</u>	<u>(933,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant & equipment		(44,385)	(1,111,789)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(44,385)</u>	<u>(1,111,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		501,500	–
Payment of convertible note issue costs		(10,000)	–
Payment for initial public offering costs		(95,568)	–
Repayment of finance lease principal		(1,729)	(5,129)
NET CASH FLOWS FROM /(USED IN) FINANCING ACTIVITIES		<u>394,203</u>	<u>(5,129)</u>
NET (DECREASE) IN CASH HELD		(143,785)	(2,050,437)
Add opening cash brought forward		492,368	2,542,805
CLOSING CASH CARRIED FORWARD	19	<u><u>348,583</u></u>	<u><u>492,368</u></u>

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Accounting*

This financial report is a general purpose financial report that has been prepared by the Directors for inclusion in the prospectus for the initial public offering of shares in the Company that are to be listed on the Australian Stock Exchange. The financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report includes a Statement of Financial Performance and a Statement of Cash Flows for the six months ended 31 December 2001 and for the year ended 30 June 2001. A number of adjustments were necessary to make the two periods comparable. These adjustments have been explained in Note 2.

The financial report also includes a historical and Pro forma Statement of Financial Position at 31 December 2001. Adjustments to historical financial information affecting the Statement of Financial Position have been explained in Note 3.

The financial report is for Cryosite Limited, a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or current valuation of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

The financial report has been prepared on a going concern basis. The Directors believe the going concern assumption is appropriate because the Company has raised \$600,000 by issuing 1,500,000 shares on 27 February 2002 and has entered into an agreement to undertake a fully underwritten Initial Public Offering that is expected to raise \$3,400,000. The Directors consider this funding to be sufficient to enable the Company to satisfy the going concern assumption.

The following is a summary of material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(b) *Revenue Recognition*

Revenue from the archival storage of biological samples is recognised in the period the storage occurs. Revenue from other services is recognised when the service is performed.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

(c) *Income Tax*

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(d) *Cash*

For the purposes of the Statement of Cash Flow, cash includes cash on hand and cash in at call deposits with banks or financial institutions.

(e) *Inventory*

Inventories are valued at the lower of cost or net realisable value.

Cost is determined by actual purchase price.

(f) *Plant and Equipment*

Plant and equipment are carried at cost. Assets are depreciated on a straight-line basis over their useful lives to the Company, commencing from the time the asset is held ready for use on a commercial basis.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Fixtures & Fittings	5% – 10%
Information Technology	20% – 40%
Warehouse Equipment	10%
Office Furniture & Equipment	12% – 15%
Software Development	20%

Software Development costs have been capitalised as the Directors consider that it is probable that future economic benefits will eventuate.

(g) *Intangible Assets*

The software development patent is carried at cost. Amortisation is charged on a straight-line basis over the same useful life as the software development asset. The amortisation rate applicable to the software development patent is 20%.

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(h) Employee Entitlement Provisions

Provision is made for the Company's liability for employee entitlements arising from the services rendered by employees to balance date. Employee entitlements are expected to be settled within one year and have been measured at their nominal amount.

The provision in Note 15 represents the quantum of the Company's Employee Entitlement liability.

(i) Leases

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains all of the risks and benefits of ownership of the leased item, are recognised as expenses on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased items are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capital lease assets are amortised on a straight line basis over the estimated useful life of the assets where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(j) Trade and other payables

Liabilities for trade and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

Payables to related parties are carried at the principal amount.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(k) Financial Instruments

Financial Instruments included in equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders. Ordinary share capital is recognised as the fair value of the consideration received by the Company. Convertible notes have been classified as an equity instrument in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments" and are recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Financial Instruments included in assets

Bank deposits are carried at their nominal amounts.

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. ADJUSTMENTS TO PREVIOUSLY REPORTED HISTORICAL RESULTS

The Company's historical financial statements have been adjusted as follows to reflect comparability and consistency in application of accounting standards for the periods under review.

	<i>Note</i>	6 Months Ended 31 December 2001 \$	Year Ended 30 June 2001 \$
Total changes in equity other than those relating to transactions with owners as per Statutory Accounts		(489,855)	(901,509)
a) Prior to 30 June 2001 Directors' fees had been accrued at a rate established by the board. The Directors' fees are to be paid upon the successful listing of Cryosite on the Australian Stock Exchange. In December 2001, the board agreed to halve the Directors' fees previously accrued. The adjustment reverses the effect of a writeback of an accrual relating to Directors' fees in the six months to 31 December 2001 and applies the Directors' fees expense consistently across the periods.		(187,016)	85,366
b) In June 2000, the UIG re-issued Abstract 23 which requires that equity issue costs should be offset against the proceeds of the equity issue. Cryosite had expensed the costs associated with the issue of convertible notes in the year ended 30 June 2000 and subsequently reversed the expense to reflect the treatment specified in Abstract 23 in the year ended 30 June 2001. A Pro forma adjustment has been made to eliminate the reversal of the expense in the year ended 30 June 2001.		-	(168,848)
Adjusted loss from ordinary activities and total changes in equity other than those relating to transactions with owners as per Statement of Financial Performance	18	<u>(676,871)</u>	<u>(984,991)</u>

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. ASSUMPTIONS IN COMPILING THE PRO FORMA STATEMENT OF FINANCIAL POSITION

The Pro forma Statement of Financial Position has been compiled based on the adjusted historical Statement of Financial Position as at 31 December 2001 and reflects the following transactions as if those transactions had taken place as at 31 December 2001.

- i) On 14 January 2002, all previously issued Convertible Notes with a face value totalling \$3,501,500 and associated issue costs of \$178,848 were converted, by agreement between the noteholders and the Company, into 29,762,750 fully paid ordinary shares.
- ii) On 14 February 2002, the shareholders resolved to consolidate the number of shares on issue from 38,262,750 to 25,000,000.
- iii) Public offering by Cryosite of 8,500,000 ordinary shares of \$0.40 each in the capital of the Company, raising \$3,400,000.
- iv) Payment of \$848,000 for professional fees and other costs associated with the capital raising. At 31 December 2001, \$240,735 had been invoiced by the Company's professional advisors. As at 31 December 2001, this amount has been recognised as prepaid capital raising fees in Note 8 of the Financial Statements. Of the \$240,735 billed by the professional advisors, \$159,665 remained unpaid at 31 December 2001. This amount has been included in trade creditors at 31 December 2001. Details of these amounts are set out below:

	Total Fees \$'000	Included in Other Current Assets at 31 December 2001 \$'000	Included in Trade Creditors at 31 December 2001 \$'000	Net impact on Pro forma cash \$'000
Underwriters	215	–	–	215
Independent accountant	160	20	11	151
Legal	370	199	134	305
Other	103	22	14	95
	848	241	159	766

Other includes Corporate Advisory fees, printing, share registry and ASX costs.

- v) Payment of \$227,252 in Directors fees to both current and former Directors of the Company. This amount was included in Payables in the historical Statement of Financial Position at 31 December 2001.

4. REVENUE FROM ORDINARY ACTIVITIES

Revenues from operating activities

	Adjusted Historical	
	6 Months Ended 31 December 2001 \$	Year Ended 30 June 2001 \$
Revenue from services	10,632	2,427
Total Revenues from operating activities	10,632	2,427

Revenues from non-operating activities

Interest from institutions	10,626	78,612
Total revenues from outside the operating activities	10,626	78,612
Total revenues from ordinary activities	21,258	81,039

CRYOSITE LIMITED FINANCIAL STATEMENTS
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Adjusted Historical	
	6 Months Ended 31 December 2001	Year Ended 30 June 2001
5. EXPENSES	\$	\$
Loss from ordinary activities before income tax has been determined after:		
5(a). Expenses		
Depreciation of non-current assets		
Plant and equipment	100,342	51,711
Plant and Equipment under lease	834	1,102
Total Depreciation of non-current assets	<u>101,176</u>	<u>52,813</u>
Amortisation of non-current assets		
Patent	483	–
Total Depreciation and Amortisation Expense	<u>101,659</u>	<u>52,813</u>
Borrowing costs expensed		
Finance Lease	455	755
Financing arrangement – Insurance	2,105	1,411
Other	297	–
Total borrowing costs expensed	2,857	2,166
Decrement in value of inventories	23,773	–
Rental expense of operating lease	<u>53,982</u>	<u>124,450</u>
5(b). Auditors Remuneration		
Remuneration of auditor – audit services	–	9,500
– other services	20,400	2,273
	<u>20,400</u>	<u>11,773</u>

Ernst & Young, the Independent Accountants, have been appointed auditors of the Company. The audit and other service fees for the year ended 30 June 2001 were earned by the previous auditors. The above fees in relation to the six months ended 31 December 2001 relate to services provided by Ernst & Young prior to 31 December 2001. In addition to these fees, Ernst & Young is entitled to a fee of \$139,600 in relation to work performed as Independent Accountants between 31 December 2001 and the date of this report.

CRYOSITE LIMITED FINANCIAL STATEMENTS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Historical	
	6 Months Ended 31 December 2001	Year Ended 30 June 2001
	\$	\$
6. TAX		
The Prima facie tax on operating loss differs from the tax provided in the Financial Statements as follows:		
Prima facie tax on adjusted loss from ordinary activities at 30% (30 June 2001: 34%)	(203,061)	(334,897)
Tax effect of permanent differences:		
Non-deductible entertainment	327	794
Capital raising costs	(7,230)	-
Amortisation of intangibles	145	-
Effect of change in tax rate	-	42,720
Future Income Tax Benefit not recognised	209,819	291,383
	-	-
Income tax expense attributable to ordinary activities	-	-

The future income tax benefit arising from tax losses and timing differences have not been recognised as an asset because recovery is not virtually certain, and because tax benefits are only available to be recouped in certain limited circumstances.

As at 31 December 2001, income tax losses able to be carried forward to offset future taxable income are \$468,503 (June 2001: \$340,121).

The future income tax benefits at current income tax rates of 30% will not be recognised, until such time that:

- i) The Company derives future assessable income or gain of a nature and an amount sufficient to enable the benefit to be realised;
- ii) The rules of deductibility imposed by the law are satisfied; and
- iii) No changes in tax legislation adversely affect the Company realising the benefits.

CRYOSITE LIMITED FINANCIAL STATEMENTS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Historical 31 December 2001 \$	Pro forma 31 December 2001 \$
7. RECEIVABLES – (current)		
Trade debtors	5,500	5,500
GST receivable	55,168	55,168
Other receivables	8,833	8,833
	69,501	69,501
8. OTHER ASSETS – (current)		
Prepayments	21,359	21,359
Prepaid capital raising fees	240,735	–
	262,094	21,359
9. RECEIVABLES – (non-current)		
Rental Bond	30,853	30,853

10. PLANT AND EQUIPMENT (non-current)

	Fixtures & & Equipment at Cost	Office furniture & Equipment at Cost	Warehouse & Equipment at Cost	Information Technology at Cost	Software Development at Cost	Leased Office Equipment at Cost	Total Plant & Equipment at Cost
Cost at 1 July 2001	174,749	23,607	307,628	145,365	512,775	13,791	1,177,915
Additions	15,450	317	119,500	1,689	–	–	136,956
Cost at 31 December 2001	190,199	23,924	427,128	147,054	512,775	13,791	1,314,871
Accumulated Depreciation at 1 July 2001 *	(10,262)	(1,440)	(13,446)	(26,564)	–	(1,102)	(52,814)
Depreciation Expense *	(8,224)	(1,215)	(19,265)	(20,003)	(51,635)	(834)	(101,176)
Accumulated Depreciation at 31 December 2001 *	(18,486)	(2,655)	(32,711)	(46,567)	(51,635)	(1,936)	(153,990)
Historical written down value at 31 December 2001	171,713	21,269	394,417	100,487	461,140	11,855	1,160,881
Pro Forma written down value at 31 December 2001	171,713	21,269	394,417	100,487	461,140	11,855	1,160,881

* Amortisation for Leased office equipment.

CRYOSITE LIMITED FINANCIAL STATEMENTS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Historical 31 December 2001 \$	Pro forma 31 December 2001 \$
11. INTANGIBLE ASSETS (non-current)		
Patent – software development at cost	9,183	9,183
Less accumulated Amortisation	(483)	(483)
	8,700	8,700
12. PAYABLES (current)		
Trade creditors	311,819	152,154
Directors Fees Payable		
Directors and Director related parties	143,134	–
Former Directors	84,118	–
	539,071	152,154
Refer to Note 23 Remuneration of Directors and Executives for terms and conditions of accrued fees payable to Directors and their Director related parties and former Directors.		
13. INTEREST BEARING LIABILITIES (current)		
Lease Liability – office equipment (i) (ii)	3,784	3,784
(i) Unsecured lease liability – finance lease.		
(ii) The finance lease has a lease term of 3 years with the option to purchase the asset at the completion of the lease at the residual value. The discount rate implicit in the lease is 12%.		
14. UNEARNED INCOME (current)		
Unearned Income	1,064	1,064
15. PROVISIONS (current)		
Employee Entitlements	19,549	19,549
16. INTEREST BEARING LIABILITIES (non-current)		
Lease Liability – office equipment (i) (ii)	3,149	3,149
(i) Unsecured lease liability – finance lease		
(ii) The finance lease has a lease term of 3 years with the option to purchase the asset at the completion of the lease at the residual value. The discount rate implicit in the lease is 12%		

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. CONTRIBUTED EQUITY

a) Movements in Contributed Equity

	Issued and Fully Paid Ordinary Shares		Convertible Notes	Total Equity
	No. of Shares	\$	\$	\$
Balance at 1 July 2001	40	40	2,831,152	2,831,192
Non-renouncable Convertible Notes Rights Issue (i)	–	–	491,500	491,500
First share conversion of ordinary shares (ii)	999,960	–	–	–
Second share conversion of ordinary shares (iii)	7,500,000	–	–	–
Historical balance at 31 December 2001	8,500,000	40	3,322,652	3,322,692
Pro forma adjustments to historical share capital:				
Conversion of Convertible Notes to ordinary shares (iv)	29,762,750	3,322,652	(3,322,652)	–
Consolidation of shares on issue (iv)	(13,262,750)	–	–	–
Ordinary Shares issued in Initial Public Offering (iv)	8,500,000	3,400,000	–	3,400,000
Issue costs associated with Initial Public Offering (iv)	–	(848,000)	–	(848,000)
Pro forma balance at 31 December 2001	33,500,000	5,874,692	–	5,874,692
Equity Issue after 31 December, 2001 not included as a Pro forma adjustment				
Issue of ordinary shares (v)	1,500,000	600,000	–	600,000
Balance after Pro forma adjustments and subsequent events	35,000,000	6,474,692	–	6,474,692

- (i) During the 6 months ended 31 December 2001 the Company completed a non-renouncable Convertible Notes Rights Issue with a face value of \$501,500. The costs of the issue totalled \$10,000. The terms of the issue were identical to those pertaining to the initial issue of Convertible Notes that raised \$3,000,000 and incurred issue costs of \$168,848, refer Note 17b.
- (ii) The extraordinary general meeting held on 3 September 2001 resolved to convert the Company from a proprietary to a public structure. The meeting also passed a resolution to conduct a share split where the 40 fully paid ordinary shares were converted into 1,000,000 fully paid ordinary shares.
- (iii) On 10 October 2001, the shareholders approved by circular resolution a share split where the 1,000,000 fully paid ordinary shares were converted into 8,500,000 fully paid ordinary shares.
- (iv) Refer Note 3 for details of conversion of Convertible Notes, the share consolidation, and assumptions underlying the proceeds and costs of the Initial Public Offering.
- (v) On 27 February, 2002 the Company issued 1,500,000 ordinary shares at \$0.40 each, for proceeds of \$600,000 with nil issue costs. The purpose of the issue was to assist with working capital requirements.

b) Terms and Conditions of Convertible Notes

The terms and conditions of the Convertible Notes were:

- No interest was payable by the Company to noteholders.
- Compulsory conversion on allotment of the minimum subscription of the Company's shares in the course of its initial public offering.
- Conversion at the discretion of the noteholder after 21 March 2002.
- Compulsory conversion on maturity of the Notes on 21 March 2003.
- The number of shares issued on conversion of the Notes was based on the valuation of the Company at the time the Notes were issued such that the noteholders were exposed to movements in the fair value of the Company's shares subsequent to the issue of the Notes.
- The Company had no obligation to redeem the Notes other than through the abovementioned process.

CRYOSITE LIMITED FINANCIAL STATEMENTS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. ACCUMULATED LOSSES

	Adjusted Historical	Pro forma
	\$	\$
Adjusted Balance at 1 July 2001	(1,329,458)	(1,329,458)
Adjusted Historical loss for period	(676,871)	(676,871)
Balance at 31 December 2001	(2,006,329)	(2,006,329)

19. STATEMENT OF CASH FLOWS

a) Reconciliation of the adjusted operating loss to the net cash flows from operations.

	Adjusted Historical	
	6 Months Ended 31 December 2001 \$	Year Ended 30 June 2001 \$
Adjusted Historical Loss after income tax	(676,871)	(984,991)
Non Cash Items		
Depreciation of non-current assets	100,342	51,711
Amortisation of non-current assets	1,317	1,102
Change in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(6,342)	(13,390)
(Increase)/Decrease in inventory	21,500	(23,868)
(Increase)/Decrease in prepayments	3,472	48
(Increase)/Decrease in GST receivable	(34,003)	(21,165)
(Decrease)/Increase in trade and other creditors	67,119	(38,907)
(Decrease)/Increase in Directors fees	23,274	85,367
(Decrease)/Increase in employee entitlements	6,589	10,574
Net cash used in operating activities	(493,603)	(933,519)

b) Closing cash comprises:

Cash at bank	348,180	492,363
Cash on hand	403	5
	348,583	492,368

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. EXPENDITURE COMMITMENTS

31 December 2001
\$

Capital Expenditure Commitments

Estimated capital expenditure (inclusive of GST) contracted for at balance date but not provided for:

Payable no later than one year

-

-

Lease Expenditure Commitments

(i) Operating Lease (non-cancellable, inclusive of GST)

Payable no later than one year

59,380

Later than one year and not later than three years

29,690

Aggregate lease expenditure contracted for at balance date

89,070

Property lease is a non-cancellable lease of two-year term commencing 26th July 2000, with a one-year option period.

(ii) Finance Lease (inclusive of GST)

Payable no later than one year

4,442

Later than one year and not later than three years

3,332

Total minimum lease payment

7,774

Less: future financing charges

(841)

Lease liability contracted for as at reporting date

6,933

As shown in this report under the following headings:

- Interest bearing liabilities (current)
- Interest bearing liabilities (non-current)

3,784

3,149

6,933

Service Contracts

As at reporting date, the commitment for payments under service contracts (inclusive of GST), not recognised as liabilities are as follows:

Payable no later than one year

86,592

Later than one year and not later than three years

42,878

129,470

Remuneration Commitments

Commitment for the payment of salaries and other remuneration under contracts in existence at reporting date but not recognised as liabilities:

Payable no later than one year

365,000

Later than one year and not later than three years

223,000

588,000

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. CONTINGENT LIABILITIES

At the date of this report, the Company is not aware of any contingent liabilities.

22. SEGMENT REPORTING

During the period under review, the Company operated in one business segment, being cryogenic storage for biological materials, and one geographic segment, being Australia.

23. REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Directors' remuneration

Income paid or payable or otherwise made available to all Directors of Cryosite, directly or indirectly, from the entity or any related party.

Adjusted Historical	
6 Months Ended 31 December 2001	Year Ended 30 June 2001
\$	\$
23,275	85,366
6 Months Ended 31 December 2001	Year Ended 30 June 2001

The number of Directors of Cryosite whose remuneration (including superannuation contribution) falls within the following bands:

\$0 – \$ 9,999	4	3
\$10,000 – \$19,999	–	4

From the time of the Company's inception to the date of this report, no Directors' fees or Directors' consultancy fees have been physically paid to current or former Directors or their Director related entities. Current and former Directors become presently entitled to fees upon successful public listing of the Company on the Australian Stock Exchange.

On 17 December 2001, in conjunction with a resolution to accept an underwriting agreement for an initial public offering, the current Directors and all but one of the former Directors resolved to write back one half of both their Director and Director related entity consultancy fee entitlements that had accrued from the time of the Company's inception to 30 November 2001. As highlighted in Note 2 the effect of the write back has been adjusted in the periods that the original accruals were made. An amount of \$227,252 has been included in the historical balance sheet at 31 December 2001, representing the amount of Directors' fees and Directors' consultancy fees payable at that date, to both current and former Directors and their Director related entities.

(b) Executives' remuneration

The number of executives of Cryosite whose remuneration (including superannuation contribution) falls within the following bands:

\$110,000 – \$119,999	1	2
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CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. RELATED PARTY DISCLOSURES

Names of Directors

The Directors of Cryosite Limited during the 6 months to 31 December 2001 were:

Mr T Onisforou
 Prof R Penny
 Dr P French
 Mr K Frey

On 28 February 2002, Mr K Frey resigned as a Director of the Company and Mr G Milliken was appointed as a Director of the Company.

Director Related Entity Transactions

During the six months to December 2001, fees were paid or are payable for advice in relation to the Company's intended public listing on the Australian Stock Exchange, at normal commercial rates, as follows:

Director	Related Party	Purpose	Historical	
			6 Months Ended 31 December 2001	Year Ended 30 June 2001
			\$	\$
Mr Ken Frey	Hanbury Capital Limited	Corporate advice	24,200	–

The amounts included above represent the amounts billed by Hanbury Capital Limited prior to 31 December 2001. Hanbury Capital Limited have billed \$28,800 in relation to Corporate advice given in relation to the Company's intended public listing on the Australian Stock Exchange, at normal commercial rates, between 31 December 2001 and the date of this Financial Report.

Director's Interests

During the 6 months ended 31 December 2001, the Directors held ordinary shares in the Company as set out in the table below:

	Mr T Onisforou No. of Shares	Prof R Penny No. of Shares	Dr P French No. of Shares	Mr K Frey No. of Shares
Balance at 1 July 2001	–	5	5	10
First share split of ordinary shares	–	124,995	124,995	249,990
Second share split of ordinary shares	–	937,500	937,500	1,875,000
Balance at 31 December 2001	–	1,062,500	1,062,500	2,125,000

During the 6 months ended 31 December 2001, the Directors also held interests in Convertible Notes issued by the Company. The face value of Convertible Notes held by each Director during the period was as set out in the table below.

	Mr T Onisforou \$	Prof R Penny \$	Dr P French \$	Mr K Frey \$
Balance at 1 July 2001	1,150,000	–	–	–
Face value of Convertible Notes acquired during the period	148,750	15,625	5,000	10,000
Face value of Convertible Notes held at 31 December 2001	1,298,750	15,625	5,000	10,000

All transactions were under the same terms and conditions as other shareholders and note holders. Refer to Note 17(b) for details of these terms and conditions.

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. SUBSEQUENT EVENTS

(a) Equity Issues

On 14 January 2002, all previously issued Convertible Notes with a face value totalling \$3,501,500 and issue costs of \$178,848 were converted, by agreement between the noteholders and the Company, into 29,762,750 fully paid ordinary shares. The effect of this conversion is included as a Pro forma adjustment explained in Note 3, and reflected in movement in number of shares on issue in Note 17(a).

On 14 February 2002, the shareholders resolved to consolidate the number of shares on issue from 38,262,750 to 25,000,000. The effect of this share reduction is included as a Pro forma adjustment explained in Note 3, and reflected in the movement in number of shares on issue in Note 17(a).

On 27 February 2002, the Company issued 1,500,000 ordinary shares for proceeds of \$600,000 with nil issue costs. The purpose of the issue was to assist with working capital requirements.

(b) Employee Share Option Plan

On 18 February 2002, Cryosite established an Employee Share Option Plan ("the Plan"). The Plan is designed to assist in the retention and motivation of employees and Directors of the Company.

The terms and conditions of the Plan are as follows:

- (i) Options may be granted under the Plan to an employee or Director of the Company or any of its subsidiaries, or to a person who renders services to the Company, or to any of its subsidiaries and is eligible to be a participant in the Plan under the terms of the Income Tax Assessment Act 1936 and Income Tax Assessment Act 1997 and by any instrument issued by ASIC and applicable to the Company ("eligible participant").
- (ii) The Cryosite Board will determine the number of share options granted to each eligible participant.
- (iii) The total number of share options granted under the Plan will be limited to 5% of the total number of issued shares at the time the offer or grant of options is made.
- (iv) Options will be issued for no consideration.
- (v) The Board will determine the Option Exercise Price after considering the volume weighted average of the prices at which shares were traded on ASX during the one month period before the date of the offer.
- (vi) Options will expire at the end of eight years from the option grant date or if the participant ceases to be an employee or Director of, or render services to, the Company or any of its Subsidiaries for any reason whatsoever.

Terms and conditions specific to the initial options issued under the Plan were:

- (vii) The exercise price of each initial option issued under the Plan was the retail offer price included in the prospectus for the Initial Public Offering.
- (viii) For the initial options granted to employees and executive Directors under the Plan, 20% will become exercisable after the first anniversary of listing on ASX and an additional 20% will become exercisable each anniversary of listing thereafter.
- (ix) Options granted to non-executive Directors under the Plan will only become exercisable if the consolidated Earnings Before Interest and Tax for year ending 30 June 2004 is a positive number.

At 31 December 2001, the Plan did not exist. At the date of this Financial Report the details of options issued under the Plan are as follows:

Number of Options	Exercise Price	Issue Date	Expiry Date
1,662,500	\$0.40	26 February 2002	26 February 2010

Included in the above are the following options issued to Directors of the Company since 31 December 2001.

Name of Director	Number of Options
Mr T Onisforou	250,000
Prof R Penny	250,000
Dr P French	250,000
Mr G Milliken	312,500

(c) Other Subsequent Events

No other subsequent events have occurred since 31 December 2001.

CRYOSITE LIMITED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The floating weighted average interest rate on the Company's bank accounts during the 6 months ended 31 December 2001 was approximately 3% (year ended 30 June 2001: 4.55%). The fixed weighted average interest rate implicit in the lease liabilities during the 6 months ended 31 December 2001 and year ended 30 June 2001 was 12%. All other financial assets and liabilities are non interest bearing.

(b) Net Fair Values

The carrying values in the Statement of Financial Position approximate the fair value of all financial assets and liabilities of the Company.

(c) Credit Risk Exposure

The Company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. There is no concentration of credit risk.

12th March 2002
The Directors
Cryosite Limited
9 Sirius Road
Lane Cove NSW 2066

Dear Sirs,

INDEPENDENT ACCOUNTANT'S REPORT

This report has been prepared at the request of the Directors of Cryosite Limited ("Cryosite") for inclusion in a prospectus to be dated 12th March 2002 relating to the offer of 8,500,000 fully paid ordinary shares, to raise \$3,400,000.

Background

This report relates to the financial year ended 30 June 2001 and the six months ended 31 December 2001.

In March 2000, Australian Biologicals Registry Pty Limited was established to take advantage of commercial opportunities for the archival storage and distribution of biological samples for hospital and research organisations. Subsequently, the Company identified the opportunities presented by private umbilical cord stem cell collection, processing and cryogenic storage and efforts were directed towards obtaining this type of business.

The purpose of the capital raising is to obtain funding to boost the commercial development and expansion of Cryosite's key business activities, through targeted marketing and expansion of premises nationally.

In November 2001, Australian Biologicals Registry Pty Limited changed to a public company limited by shares and changed its name to Cryosite Limited.

The Company's historical financial statements have been adjusted for certain items to reflect comparability and consistency in application of accounting standards for the periods under review. The basis of these adjustments is explained in Note 2 of the Financial Statements. The Pro forma Statement of Financial Position reflects the financial position of Cryosite on the basis of the assumptions stated in Note 3 of the Financial Statements. The financial information presented has been compiled from financial statements of Cryosite, in accordance with applicable accounting standards and other mandatory professional reporting requirements in Australia.

Scope

Report on Adjusted Historical and Pro Forma Financial Information

The Directors of Cryosite have prepared financial information comprising the Adjusted Historical Statements of Financial Performance and the Adjusted Historical Statements of Cash Flows for the year ended 30 June 2001 and for the six months ended 31 December 2001 and the Historical and Pro Forma Statements of Financial Position as at 31 December 2001.

The Directors of Cryosite have prepared and are responsible for the adjusted historical and Pro forma financial information. We have audited the Adjusted Historical Statements of Financial Performance, Adjusted Historical Statements of Cash Flow and the Historical Statement of Financial Position as at 31 December 2001 referred to above. The Pro Forma Statement of Financial Position has been prepared on the basis of the assumptions stated at Note 3 to the financial statements. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the adjusted historical financial information and pro forma financial information is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial information, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial information is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and cash flows.

We have also considered whether the pro forma transactions form a reasonable basis for the preparation of the pro forma financial information. Our opinions have been formed on the above basis.

Opinions

I) *Adjusted Historical Financial Information*

In our opinion, the Adjusted Historical Financial Information presents fairly the results of Cryosite's operations and its cash flows for the year ended 30 June 2001 and for the six months ended 31 December 2001 and the financial position of the Company as at 31 December 2001 in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia.

II) *Pro Forma Financial Information*

In our opinion, the Pro Forma Statement of Financial Position presents fairly the financial position of the Company as at 31 December 2001 in accordance with the assumptions stated at Note 3 to the financial statements.

Subsequent Events

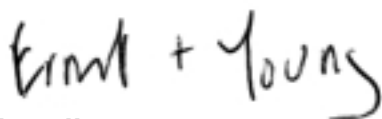
To the best of our knowledge, there have been no material transactions or events subsequent to 31 December 2001, other than those included in this report, which would require a comment on, or an adjustment to, the content of this report, or which would cause the information included in this report to be misleading.

Disclosure

Ernst & Young have been requested to prepare an Independent Accountant's Report on the financial information prepared by the Directors of Cryosite. Ernst & Young's consent to the inclusion of this report in the Prospectus should not be taken as an endorsement of the Capital Raising or a recommendation by Ernst & Young of any promotion of the Prospectus. Ernst & Young do not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion. Ernst & Young have provided advisory and audit services and will receive a professional fee for the preparation of this report. The Partners of Ernst & Young do not hold nor have any interest in any ordinary shares of the Company. Ernst & Young have been appointed auditors of Cryosite.

Consent to the inclusion of the Independent Accountant's Report in this Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully



Ernst & Young

9. ADDITIONAL INFORMATION

9.1 Incorporation

Cryosite Limited is a Company taken to be registered in New South Wales, Australia, the date of commencement of registration being 14 December, 1999.

9.2 Rights attaching to Shares

The rights attaching to ownership of the Shares arise from a combination of the Company's Constitution, statute and general law.

A summary of the more significant rights attaching to the Shares, as set out in the Company's Constitution, is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's shareholders.

Voting at a General Meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of the Company or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote in proportion to the amount paid up on the Share.

Meetings of Members

Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and ASX Listing Rules.

Dividends

The Directors may from time to time determine dividends to be distributed to Shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Shares in proportion to the amount paid up of the total issue price paid for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the allotment of the Shares.

Transfer of Shares

Shares in the Company may be transferred by a proper transfer effected in accordance with the SCH Business Rules, by any other method of transferring or dealing in Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is otherwise permitted by the Corporations Act or the ASX Listing Rules.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with SCH Business Rules) where the Company has a lien, the transfer is not in registrable form or where permitted to do so under ASX Listing Rules or the Corporations Act. If the Directors decline to register a transfer, the Company must, within the time prescribed by the ASX Listing Rules after the transfer is lodged with the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares where registration of the transfer would result in a breach of the law or ASX Listing Rules.

Issue of Further Shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further Shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

Winding Up

If the Company is wound up, the liquidator may divide the whole or part of the property of the Company among the Shareholders and may determine that division as between the Shareholders (or classes of Shareholders) in accordance with their rights and interests in the Company.

Share Buy Backs

Subject to the provisions of the Corporations Act and ASX Listing Rules, the Company may reduce or alter its capital including buying back Shares in itself.

Small Holdings

Subject to the ASX Listing Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Proportional Takeover Provisions

The Company's Constitution contains provisions for shareholder approval to be required in relation to any proportional takeover scheme. These provisions will lapse unless renewed by special resolution of shareholders in general meeting by 3rd September, 2004 being three years from the date on which these provisions were adopted by shareholders of the Company.

Directors

The minimum number of Directors is three.

Directors' Indemnity and Insurance

The Company to the extent permitted by law, indemnifies each Director, secretary and officer of the Company against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith or is for a pecuniary order under section 1317G or a compensation order under section 1317H of the Corporations Act. The Company also indemnifies such persons against liability for costs and expenses incurred in successfully defending proceedings or in connection with an application in relation to such proceedings in which the court grants relief to the person under the Corporations Act.

The Company to the extent permitted by law, may insure any officer or auditor of the Company against any liability incurred by the person or an officer either of the Company or of a related body corporate.

Variation of Class Rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares included in that class or with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares the rights of which have been varied or abrogated may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or abrogation.

Dividend Reinvestment Plan and Bonus Share Plan

The Constitution of the Company authorises the Directors to establish and maintain dividend reinvestment plans (whereby any Shareholder may elect that dividends payable by the Company be reinvested by way of subscription for Shares in the Company) and bonus share plans (whereby any Shareholder may elect to forego any dividends that may be payable on all or some of the Shares held by that Shareholder and to receive an issue of fully paid Shares).

Alteration of Constitution

The Constitution can only be amended by special resolution passed by at least three quarters of shareholders present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

9.3 Share Capital

The issued share capital of the Company as at the date of this Prospectus is comprised of 26,500,000 fully paid ordinary Shares. An additional 8,500,000 ordinary Shares are to be issued by the Company.

There are currently 1,662,500 Options on issue, the terms of which are summarised in section 9.7 of this Prospectus.

No person has been given or is entitled to be given an option to subscribe for any Shares in or debentures of the Company except under the terms of the ESOP as disclosed in section 9.7 and as provided for under the terms of the Underwriting Agreement, disclosed in section 9.8.

9.4 The CHES System

Cryosite will apply to participate in CHES, in accordance with the ASX Listing Rules and the SCH Business Rules, and will maintain an electronic issuer-sponsored sub-register and an electronic CHES sub-register.

9.5 Selling Restrictions

ASX has indicated that certain existing Shareholders will be required to enter into agreements which restrict dealings in their shareholdings in Cryosite as at the date of this Prospectus for varying periods. The maximum period will be 2 years from the date of Official Quotation.

The Company expects that 12,581,261 Shares will be escrowed for two years from the date of Official Quotation and that 3,680,477 Shares will be escrowed for one year from the date of issue of the relevant Shares.

ASX may review these requirements during consideration of the Company's application for admission to the Official List.

Options granted to related parties and promoters prior to Official Quotation will be escrowed in full for two years from Official Quotation.

9.6 Existing Shareholders

At the date of this Prospectus, the issued share capital of the Company is 26,500,000 fully paid ordinary Shares. The top 20 Shareholders and their Shareholdings are set out below:

Registered Shareholder	Number of Shares
Strategic Pooled Development Limited	6,247,917
Wynsix Hotel Corporation Pty Ltd	3,123,959
Lost Ark Nominees Pty Ltd	1,444,213
PA Biologicals Co Ltd	1,443,963
Foster Stockbroking Nominees Pty Ltd	1,110,741
Dragon City Holdings Ltd	1,110,741
Sentra Investments Pty Ltd	964,956
S.H.R Pty Ltd	937,188
Foster Stockbroking Pty Ltd	833,056
Professor R Penny AO	780,990
Dr. D. Roberts	750,000
Dr P French	721,982
Mr G Milliken	694,213

Registered Shareholder	Number of Shares
Mr D Dyer	694,213
Ms J Nettleton	694,213
Linkshore Pty Ltd	624,792
Marcus Wholesale Pty Ltd	624,792
Everken Pty Ltd	555,370
Mr J Peer	444,296
Meldale Pty Ltd	312,396

In preparation for lodgment of this Prospectus, the following steps have been taken in relation to the Company's share capital:

- On 14 January, 2002, the Company issued a total of 29,762,750 Shares to convertible note holders following conversion of the relevant convertible notes.
- On 14 February, 2002 the Shareholders approved a resolution to convert the Company's then issued share capital to 25,000,000 fully paid Shares.
- Since 14 February, 2002 a total of 1,500,000 Shares have been issued to two pre Prospectus investors at the Offer Price.

9.7 Employee Share Option Plan

Directors and Employee Share Option Plan ("ESOP Plan")

On 18 February, 2002, Cryosite established its Employee Share Option Plan ("ESOP") to assist in the retention and motivation of employees and directors of the Company.

Eligibility

Under the ESOP, the Company may offer Options to an employee or Director of the Company or any of its subsidiaries, or to a person who renders services to the Company or to any of its subsidiaries and is eligible to be a participant in the plan under the terms of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 and by any instrument granted by ASIC to the Company or by any other instrument issued by ASIC and applicable to the Company ("Eligible Participants"). Options may be offered to Eligible Participants from time to time as determined by the Board in its discretion and in accordance with the terms and conditions of the plan and applicable law.

Consideration

Options will be issued for no consideration.

Maximum Number of Options

The number of options which the directors may offer or grant under the ESOP at any one time, when aggregated with both the number of Shares which would be issued if all outstanding options issued under the ESOP or any other employee share scheme (extended to employees or directors of the Company or its associated bodies) ("Company Scheme") were exercised and the number of Shares issued under the ESOP or any other Company Scheme during the five years prior to the date of a proposed new offer or grant of options under the ESOP (but not including offers or grants excluded from that calculation as permitted by ASIC policy), must not exceed 5% of the total number of issued Shares at the time that offer or grant of options is made.

Exercise of Options

An option holder will be entitled to exercise options granted as a result of an Offer in respect of which all exercise conditions have been satisfied and which are otherwise capable of exercise in accordance with the terms of the relevant offer and on the ESOP terms and conditions. No option may be exercised until after First Quotation and once an option is capable of exercise, it may be exercised at any time up until 5.00pm in Sydney on the lapsing date.

Lapse of Options

Once an Option is capable of exercise, it may be exercised at any time up until 5.00pm in Sydney on the lapsing date. The lapsing date is the date 8 years after the date of grant of that Option. Options will lapse earlier if the option holder ceases to be an employee or director of, or to render services to the Company or any of its subsidiaries. Options will lapse immediately and all rights in respect of those Options will be lost, unless the Board, in its absolute discretion, determines that some or all of the Options held by that option holder did not lapse and may be exercised by the option holder.

If an option holder dies, becomes permanently disabled, or resigns employment on the basis of retirement from the work force, exercisable options remain exercisable by that option holder (or legal representative) for a limited period after that event occurs.

Exercise price

The Board may determine the Option Exercise Price for that Offer in its absolute discretion. The Board must take appropriate financial and legal advice prior to determining the Option Exercise Price in respect of any Offer and, after First Quotation, take into consideration the volume weighted average of the prices at which Shares were traded on ASX, during the one month period before the date of the Offer.

Bonus issues, new issues and reconstructions

If, during the life of any option, Shares are issued pro rata to the Company's Shareholders generally for which no consideration is payable by those Shareholders, the option holder will be entitled, upon later exercise of that option, to receive in addition to the Share comprised in the option, an issue of so many additional Shares as would have been issued to a Shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Shares comprised in the option exercised.

In the event of any reorganisation of the issued capital of the Company other than a bonus issue of the type described in the previous paragraph, the rights of option holders will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital of a body corporate.

Assignment of Options

Neither Options nor offers of Options are assignable.

Existing issues

As at the date of this Prospectus, 7 eligible participants have been granted a total of 1,662,500 options under the ESOP which have an exercise price of \$0.40.

A total of 912,000 options have been granted to employees under the ESOP. For each of these employees, 20% of the number of options granted are exercisable from the first anniversary of First Quotation; 20% are exercisable from the second anniversary of First Quotation; 20% are exercisable from the third anniversary of First Quotation; 20% are exercisable from the fourth anniversary of First Quotation; and 20% are exercisable from the fifth anniversary of First Quotation.

Each of the non-executive directors has been granted 250,000 options under the ESOP. In each case, options granted to non-executive directors will only become exercisable if EBIT of the Company and its controlled entities for the financial year ended 30 June, 2004 (disregarding items of specific revenues and expenses of such size, nature or incidence that they are separately disclosed) is a positive number. If that condition is satisfied, all options held will become immediately exercisable.

9.8 Material Contracts

Set out below is a brief summary of certain contracts which have been entered into by Cryosite and which have been identified as material and relevant to an investor. To fully understand all rights and obligations of a material contract, it will be necessary to read it in full and these summaries should be read in that light.

(a) Underwriting Agreement

Cryosite and the Underwriter have entered into an Underwriting Agreement in relation to the Offer. Under the Agreement:

- (i) the Underwriter agrees to underwrite the Offer at a price of \$0.40 per Share;
- (ii) certain representations, warranties and undertakings are given by Cryosite to the Underwriter concerning Cryosite and the issue of the Shares under the Offer; and
- (iii) Cryosite indemnifies the Underwriter, its related bodies corporate, officers and employees of the Underwriter and its related bodies corporate against liabilities, losses, claims, demands, proceedings, costs and expenses arising out of the Offer, the Prospectus or breach of the Underwriting Agreement by Cryosite.
- (iv) The Underwriter will be entitled to receive an underwriting fee equal to 5% of the total amount raised under the Prospectus and a management fee of \$30,000.

The Underwriter is entitled to be reimbursed for legal, travel and other out-of-pocket and marketing expenses up to a maximum of \$15,000 unless Cryosite otherwise agrees.

The Underwriter will also be entitled to options to acquire 150,000 Shares at the Offer Price, exercisable within twelve months of the date of grant.

- (v) Under clause 13 of the Underwriting Agreement, the Underwriter may terminate the Underwriting Agreement by notice in writing if any of the following events occur after the date of the Underwriting Agreement:
 - A. a material statement in the Prospectus is found to be untrue, misleading or deceptive or it is found that the Prospectus contains a material omission;
 - B. ASIC issues a stop order under section 739(1) or (3) of the Corporations Act or gives notice of intention to hold a hearing in relation to the Prospectus pursuant to section 739(2) of the Corporations Act;
 - C. any person gives a notice under section 730 or section 733(3) of the Corporations Act in relation to the Prospectus;
 - D. when a supplementary or replacement prospectus is required to be lodged under the Corporations Act and the Company fails to lodge such in a form acceptable to the Underwriter;
 - E. any material and adverse change occurs in the condition or financial position or prospects of the Company.
 - F. the Company or any of its subsidiaries (if any) breaches its Constitution;
 - G. any person breaches any Material Contract or any Material Contract is altered from the form presented in the due diligence process;
 - H. a Material Contract is terminated (whether by breach or otherwise), rescinded, altered or amended, without the prior consent of the Underwriter, or any such contract is found to be void, voidable or unenforceable;

- I. the Company or any of its subsidiaries or any Officer of the Company or a subsidiary contravenes any provision of the Corporations Act, the ASX Listing Rules or any other legislation of the Commonwealth of Australia or any State or Territory of Australia;
- J. any of the events listed in section 652C (1) or (2) of the Corporations Act occurs in relation to the Company or any of the Company's subsidiaries;
- K. the Company or any of its subsidiaries enters into any scheme of arrangement with its creditors or any class of them or indicates its intention of endeavouring to do so;
- L. the Company or any of its subsidiaries suspends payment of its debts or is insolvent within the meaning of section 95A of the Corporations Act;
- M. the Company or any of its subsidiaries is placed under official management or voluntary administration or into receivership or an official manager or administrator is appointed;
- N. an inspector is appointed pursuant to the Corporations Act to investigate all or any part of the affairs of the Company or any of its subsidiaries;
- O. the Company is in breach of any provision of the Underwriting Agreement;
- P. any warranty given by the Company under the Underwriting Agreement is not true or has ceased to be true;
- Q. any officer of the Company or any of its subsidiaries is charged with or convicted of any criminal offence involving fraudulent or dishonest conduct;
- R. the Company alters, or announces an intention to alter, its capital structure or its constitution without the prior consent of the Underwriter (such consent not to be unreasonably withheld);
- S. the Company or any of its subsidiaries gives security in favour of any person who is not a security holder at the date of the Underwriting Agreement;
- T. the Due Diligence Report is false or misleading in a material sense or there is a material omission from the Due Diligence Report;
- U. any material information supplied at any time by or on behalf of the Company to the Underwriter in respect of any aspect of the Company or any of its subsidiaries or the Offer is or becomes misleading or deceptive in a material sense;
- V. an outbreak of hostilities or an aggravation of hostilities occurs after the date of the Underwriting Agreement (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, any member of the European Union, the United States of America, Canada, the Peoples Republic of China (including the Special Economic Area of Hong Kong), the Russian Federation (excluding wars or hostilities within the Russian Federation), Indonesia, Singapore, Japan, India or Pakistan, but excluding the "war against terror" which has to date involved hostilities in Afghanistan including the involvement of Australia and the United States of America and others and also excluding an outbreak or an aggravation of hostilities in Afghanistan, Iran or Iraq.
- W. the Australian Government adopts or announces any change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investment in shares in Australia including but not limited to any change which is likely to materially affect interest rates;
- X. a material change in any regulation relevant to the Company or the Offer is made or announced;
- Y. by 10 Business Days after the Closing Date or such other longer period agreed by the Underwriter elapses after the date of the Prospectus ASX has not granted permission for the Shares to be Officially Quoted;
- Z. any permission of ASX referred to in paragraph Y is withdrawn, qualified or is made subject to any conditions other than Standard Conditions being;
 - 1) allotment and registration of all Shares in the register of Shareholders;
 - 2) dispatch of uncertificated security holding statements in respect of all Shares;
 - 3) dispatch of all refund cheques;
 - 4) provision to ASX of a distribution schedule of Shareholders;
 - 5) provision to ASX of a list of the top 20 Shareholders and the number of Shares and percentage of shareholdings held by each;
 - 6) implementation of ASX imposed standard restricted securities agreements and completion of the restricted securities requirements applicable to the Company set out in the ASX Listing Rules.
- AA. during the term of the Underwriting Agreement a breach of the Company's undertaking in that agreement, on making prejudicial statements, occurs;
- BB. the Company withdraws the Prospectus;
- CC. there is a significant change to the composition of the senior executives of the Company or of its board of Directors without the approval of the Underwriter (which approval may not be unreasonably withheld);
- DD. A judgement in an amount exceeding \$250,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 5 Business Days, or
- EE. any circumstance arises after the Prospectus is lodged a consequence of which is either that the

Company is required to repay the money received from Applicants (not including circumstances where the moneys did not accompany a Valid Application or the Company is otherwise entitled under the terms of the Prospectus to reject the Application) or to offer all Applicants an opportunity to withdraw their Applications and receive a refund of their Application Money.

Save in respect of EE above, the events listed above do not entitle the Underwriter to exercise its termination rights unless, in the reasonable opinion of the Underwriter, it has or could have a materially adverse affect on the prospects of the Offer or could give rise to a liability of the Underwriter under section 729 of the Corporations Act.

(b) *Archival and Cord Blood Storage/Storage and Distribution*

The Company has standard form agreements for and cord blood storage and archival storage, as follows:

- Cord Blood Storage Agreement
- Archival Storage Agreement
- Storage and Distribution Agreements.

These agreements set out the terms on which the Company will agree to store biological materials, in the case of archival storage, and the terms upon which it will agree to collect and store cord blood in the case of cord blood storage.

The Company has entered into Storage License and Service Agreements with entities including: Proteome Systems Limited; Sirtex Medical Limited; Agen Biomedical Limited and Fucell Pty Limited, which are not the standard form of the Company's Archival Storage Agreements.

Short term Storage and Distribution arrangements are conducted by Cryosite Distribution Pty Limited. These arrangements typically apply to substances used in clinical drug trials. Storage and Distribution Agreements are materially in the same form as the Archival Storage Agreement although adapted for the specific purpose.

(c) *ATCC Distribution*

The Company's wholly-owned subsidiary, Cryosite Distribution Pty Limited, has entered into an agreement with American Type Culture Collections, under the terms of which Cryosite Distribution Pty Limited has been appointed as sole and exclusive distributor of American Type Culture Collection's products in Australia and New Zealand for a 2 year term commencing on 13th January, 2002, subject to successive one year renewals thereafter. The Company has guaranteed Cryosite Distribution's payment obligations to American Type Culture Collections.

(d) *ICON Agreement*

Cryosite Distribution Pty Limited has entered into a Storage and Distribution Agreement with ICON Clinical Research Pty Ltd ("ICON") whereby ICON will deliver materials to Cryosite which Cryosite will store at specified temperatures and subject to the terms of the agreement from time to time arrange shipment of the material to parties specified by ICON.

(e) *Lease of Premises*

The Company leases its premises at 9 Sirius Road, Lane Cove NSW 2066. The Lease runs from 26th July, 2000 for a term of three years, with two options for renewal of two and three years respectively. The Lease contains the usual provision for a commercial lease.

(f) *Proposed Joint Venture*

The Company intends to enter into agreements with a third party to jointly own a new company (51% Cryosite and 49% third party) to promote the Company's cord blood business in Western Australia, South Australia and Northern Territory. At the date of this Prospectus no legally binding agreement has been entered into by the Company. An effect of the proposed agreement is that whilst the fees from collection, testing and processing of cord blood will be shared 51% Cryosite and 49% third party, all storage fees will be the property of Cryosite.

(g) *Emerging Systems/Cryobyte*

Cryosite has entered into a services agreement and a support agreement with Emerging Systems Limited, under the terms of which Emerging Systems Limited has provided to Cryosite an operational sample management system (known as "Cryobyte") and will provide to Cryosite accompanying support services.

9.9 Litigation

As at the date of this Prospectus, Cryosite is not involved in any material legal or arbitration proceedings nor, as far as the Directors are aware, are any such proceedings pending or threatened against the Company.

9.10 Intellectual Property

Cryosite operates in an industry where innovation, investment in new ideas and protection of the resulting intellectual property rights are important for success. The Company utilises a variety of intellectual property for its products and services, including patent, copyright, trade mark and trade secret laws.

Cryosite has made applications for patents to protect its system and method for management of specimens consisting predominantly of Cryobyte, details of which are outlined in the Patent Attorney's Report at Section 6.2 of this Prospectus.

Cryosite is also the owner and licensee of copyright in certain computer programs and in its web site, in particular, "Cryobyte".

Cryosite uses two trademarks, "Cryosite" and "Cryobyte" and has lodged applications to register these trademarks. Neither of the applications has been examined at this stage. (See also the Patent Attorney's Report at Section 6.2 of the Prospectus).

Cryosite has developed methodologies and systems regarding its products and services, which comprise important confidential information and trade secrets for the Company.

Risks concerning the protection and utilisation of intellectual property are discussed in Section 5 and Section 6.2.

9.11 Key Executive Contracts

(a) *Executive Service Agreements*

Cryosite has entered into Executive Service Agreements with its Managing Director, marketing manager, financial controller and information technology and logistics manager.

The Managing Director's agreement is for a three year term ending in 2005 subject to earlier termination on three months notice. Each other agreement provides that the executive will be employed for a term of 3 years, which term will be automatically continue in force until either party gives one month's notice. The term of the agreement for each of the Marketing Manager and the Financial Controller ends in 2003. The term of the agreement for the Information Technology and Logistics Manager ends in 2004.

Each Agreement is terminable by the Company for cause.

In addition to salary and other employment-related benefits, each Executive is entitled to participate in any employee share scheme established by the Company. Each Agreement contains a provision restricting the Executive's involvement with competitors of the Company both during and after the Executive's employment with the Company.

The Company Secretary's agreement continues on a month to month basis subject to one month's notice by either the Company or the Company Secretary.

(b) *Access, Insurance and Indemnity Deeds*

Cryosite has entered into an Access, Insurance and Indemnity Deed with each of the Directors. Under the Deed, each Director acknowledges that the Company retains ownership of all copies of Company Records provided to the Director while a Director of the Company, including minutes of meetings of the board, and the Company agrees to keep at its registered office a complete set of Company Records for a period of 7 years from the date on which the Director ceases to hold office as a Director of the Company or the subsidiary. In addition, the Deed provides that the Company will use its best endeavours to obtain and maintain insurance cover for the benefit of each Director as an officer of the Company and any subsidiary to the extent permitted by law and to the extent such coverage is available in the market on financially prudent terms for the Company and will indemnify each Director against any liabilities incurred by each Director as an officer of the Company and each subsidiary to the extent permitted by law.

9.12 Directors' Interests and Benefits

Except as disclosed in this Prospectus, no Director or proposed Director of the Company and no firm in which a Director or proposed Director is a partner:-

- (a) has or has had any interest in the two year period ending on the date of this Prospectus, in the formation or promotion of the Company, the Offer contained in this Prospectus, or any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer contained in this Prospectus;
- (b) has received or is entitled to receive any benefit or sum for services rendered by that Director (or any firm in which the Director is a partner) in connection with the promotion or formation of the Company or the Offer contained in this Prospectus or to induce them to become, or to qualify as, a Director.

Interest in Securities

Directors are not required under the Constitution of the Company to hold any Shares in the Company.

No Director as at the date of this Prospectus has a relevant interest in any Shares or Options in the Company other than as set out below.

Director	NUMBER OF SHARES IN THE COMPANY IN WHICH DIRECTOR HAS A RELEVANT INTEREST	NUMBER OF OPTIONS IN THE COMPANY CURRENTLY HELD UNDER THE TERMS OF THE ESOP
Prof. R Penny AO	780,990	250,000
Dr P French	721,982	250,000
Mr Theo Onisforou	7,212,873	250,000
Mr G Milliken	780,990	312,500

The Directors may acquire Shares offered for subscription pursuant to this Prospectus.

Remuneration

The Constitution provides as follows in relation to remuneration of Directors:

- (a) *Remuneration of non-executive Directors*
 - (i) The non-executive Directors will be paid for their services as Directors such remunerations not exceeding an aggregate maximum fixed sum per annum which is determined by a General Meeting to be divided among the Directors in such proportion and manner as the Directors determine or equally.
 - (ii) Remuneration payable by the Company to non-executive Directors is to be a fixed sum, and not by commission on, or percentage of, profits or operating revenue.
- (b) *Remuneration of Directors – extra services and payment of expenses*
 - (i) The Directors are also entitled to be paid or reimbursed for all travelling accommodation and other expenses properly incurred by them in attending, participating in and returning from meetings of Directors in connection with the business of the Company.

- (ii) If any Director performs extra services or makes any special exertions for the benefit of the Company, the Company may remunerate that Director by payment of a fixed sum determined by the Directors.

(c) *Payments on retirement or death of Director*

Subject to the Corporations Act and the Listing Rules, the Company may give a prescribed benefit including an exempt benefit to a person in connection with the retirement of a person from a prescribed office in relation to the Company.

(d) *Particulars Relating to Directors*

The Chairman, Theo Onisforou, is to receive \$40,000 per annum in Directors' fees. All non-executive Directors are to each receive \$20,000 per annum.

As at 31 December, 2001, the Directors at that date and their Director related entities were owed a cumulative total of \$143,134 in past Directors fees.

9.13 CORPORATE GOVERNANCE

The Board has formally adopted a Corporate Governance policy for the Company.

The policy is designed to encourage Directors to focus their attention on stewardship, accountability, risk management and codes of conduct and ethical standards.

The Board will establish a Corporate Governance and Audit Committee whose primary function is to oversee both external and internal audit arrangements. Particular emphasis is to be placed on the audit's scope, reviewing areas of significant risk, the quality of the of the audit process, the effectiveness of the annual audit and auditor performance.

That committee will also review financial and accounting policies, significant transactions, including related party transactions and the effectiveness of internal controls.

9.14 Interests of Experts and Advisers

Other than as set out in this Prospectus, no expert, promoter, the Underwriter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner has, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts, whether in cash or shares or otherwise, have been paid, or agreed to be paid, to any expert, promoter, the Underwriter or any other person named in this Prospectus as performing a function in an professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor to any firm in which any of those persons is or was a partner, in the 2 year period ending on the date of this Prospectus, for services rendered by that person in connection with the promotion or formation of the Company or the Offer.

Hanbury Capital Limited has acted as Corporate Advisor to the Company in relation to the Offer. The Company has agreed to pay Hanbury Capital Limited \$53,000 plus G.S.T. for its services as Corporate Advisor. Further amounts may be paid in accordance with Hanbury's normal time-based charge out rates.

Ernst & Young has acted as the Independent Accountant in relation to the Offer. As the Independent Accountant, Ernst & Young have been involved in undertaking due diligence inquiries in relation to financial matters, and have prepared an Independent Accountant's Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay \$160,000 plus G.S.T. for these services. The fees in respect of its role as Independent Accountant are the only fees payable by the Company to Ernst & Young at the date of this Prospectus.

Ernst & Young was appointed as Auditor to the Company on 17th October, 2001.

Clayton Utz has acted as Solicitors to the Company in relation to the Offer and in that capacity Clayton Utz has been involved in undertaking Australian due diligence enquiries in relation to legal matters (apart from tax and certain intellectual property rights) and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay Clayton Utz \$370,000 plus G.S.T. for these services up to the date of this Prospectus. Further amounts may be paid in accordance with Clayton Utz's normal time-based charge out rates.

Southern Cross Equities Limited has acted as Underwriter in relation to the Offer. The Company has agreed to pay to Southern Cross Equities Limited the fees and commissions and indemnities set out under the heading "Underwriting Agreement" in Section 9.8 of this Prospectus. The Underwriter has given and has not withdrawn its written consent to be named in this prospectus as Underwriter in the form and context in which it is named. The Underwriter has not authorised or caused the issue of any part of this prospectus. Accordingly, subject to the Corporations Act, the Underwriter makes no representation regarding, and takes no responsibility, for any statements in or omissions from any part of this Prospectus.

Davies Collison Cave, Patent & Trade Mark Attorneys, has acted as Patent Attorney to the Company and has performed work in relation to due diligence inquiries on intellectual property matters and has provided the Patent Attorney's report. In respect of this work, the Company has agreed to pay Davies Collison Cave, Patent & Trade Mark Attorneys, \$3,245 for these services to the date of this Prospectus. Further amounts may be paid in accordance with its usual time-based charge out rates.

Dr Peter French and Professor Ronald Penny, both Directors of and founding shareholders in Cryosite, have provided the Scientific Report included in Section 6.1 of this Prospectus. No fee has been paid or will be paid by the Company in respect of the preparation or inclusion of this report in this Prospectus or otherwise.

9.15 Experts and Advisors, Consents and Disclaimers

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than as specified in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Ernst & Young has given its written consent to the inclusion in this Prospectus of its Independent Accountant's Report in Section 8 of this Prospectus in the form and context in which it is included and has not withdrawn its consent prior to lodgment of this Prospectus with the ASIC.

Davies Collison Cave, Patent & Trade Mark Attorneys, has given its written consent to the inclusion in this Prospectus of its Patent Attorney Report dated 28 February, 2002 in the form and context in which it is included and has not withdrawn its consent prior to the lodgment of this Prospectus with the ASIC.

Dr Peter French, a Director and founding shareholder in Cryosite, has given his written consent to the inclusion in this Prospectus of the Scientific Report in the form and context in which it is included and has not withdrawn his consent prior to the lodgment of this Prospectus with the ASIC.

Professor Ronald Penny, a Director and founding shareholder in Cryosite, has given his written consent to the inclusion in this Prospectus of the Scientific Report in the form and context in which it is included and has not withdrawn his consent prior to the lodgment of this Prospectus with the ASIC.

9.16 Expenses of the Offer

The total expenses of the Offer payable by the Company are estimated at approximately \$848,000. These expenses include underwriting commission, independent accountant fees, legal fees, corporate adviser's fees, printing, advertising and other miscellaneous expenses.

9.17 Privacy Disclosure

Cryosite collects information about each Applicant in the Application for the purposes of processing the Application and, if the Application is successful, to administer the successful Applicant's shareholding in the Company. Each Applicant agrees, by submitting an Application Form, that for these purposes, Cryosite may use the information about the Applicant and may disclose it to the Underwriter, Brokers to the Offer, Share Registry, Cryosite's agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires Cryosite to include information about the Shareholder (including name, address and details of the securities held) in its public register. The information contained in Cryosite's public register must remain there even if that person ceases to be a Shareholder. This information may also be disclosed by Cryosite to the Underwriter, Brokers to the Offer, Share Registry, Cryosite's agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and regulatory authorities.

If an Applicant does not provide Cryosite with the information requested in the Application, that Application will not be processed.

Tax File Numbers

The collection and use of TFNs is strictly regulated by tax and privacy laws and guidelines. It is not compulsory to quote a TFN. But, if an Applicant does not, then, to the extent that any dividends or other taxable distributions paid by Cryosite remain unfranked, tax will be required to be withheld by Cryosite from those dividends or taxable distributions at the rate of 48.5% (being the maximum personal marginal rate plus the Medicare Levy). Cryosite is required to report the details of any withholding to the Australian Taxation Office.

Under the Pay As You Go ("PAYG") tax regime, investors who acquired their share investment in the course or furtherance of an enterprise carried on by them, may quote their ABN instead of their TFN.

Non-resident investors will be deemed to have quoted a TFN (even where they do not possess one), where the dividend or taxable distribution paid to them is subject to non-resident dividend withholding tax at the rate prescribed in the regulations, or the relevant Double Tax Agreement.

If an Applicant elects to disclose a TFN to Cryosite, then Cryosite may not disclose it to a third party, except to the extent required to comply with the taxation law.

How can you access and correct your personal information?

An Applicant or Shareholder has a right to seek access to the information that Cryosite holds about that person subject to the exceptions in the Privacy Act 1988. A fee may be charged for access. That person also has a right to ask Cryosite to correct any Personal Information (as that term is defined in the Privacy Act 1988) that it holds about you, which you believe is inaccurate, incomplete or out of date.

Access and correction requests must be made in writing to the Cryosite registered office.

9.18 Directors' Responsibility Statement

The Directors state that they have made all reasonable inquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiry and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the issue of this Prospectus and have not withdrawn that consent, before lodgment of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

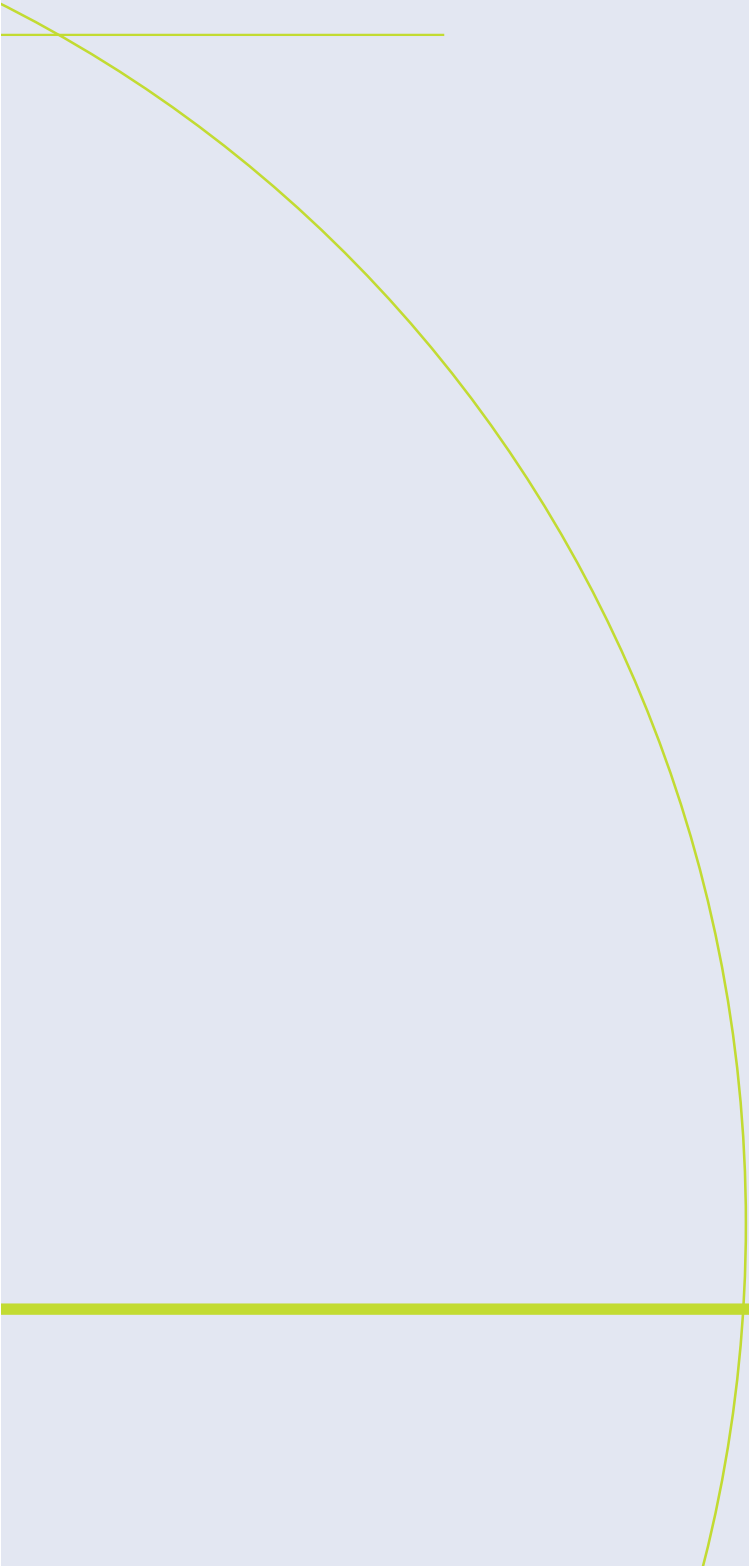
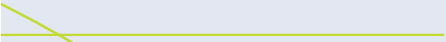
This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to investors or their professional advisers.

Each Director has consented to lodgment of this Prospectus with ASIC and has not withdrawn that consent.

10. GLOSSARY

The following words and expressions have these meanings in this prospectus, unless the context otherwise requires:

\$ or A\$	Australian dollars
Applicant	A person who makes an Application.
Application	A valid application to subscribe for Shares made under this Prospectus.
Application Form	A form, (including an electronic copy of a form) accompanying or attached to this Prospectus, (including the electronic form of this Prospectus) pursuant to which Applicants apply for Shares
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited, ACN 008 624 691
ASX Listing Rules	The official listing rules of ASX as they apply to Cryosite from time to time and as amended, re-enacted, replaced or superseded
ATCC	The American Type Culture Collection
Board	The Board of Directors of Cryosite
Broker to the Offer	The broker listed on the inside front cover of the Prospectus.
Business Day	Monday to Friday (inclusive), except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CHESS	Clearing House Electronic Subregister System
Closing Date	The date on which the Offer closes.
Company	Cryosite Limited, ABN 86 090 919 476
Constitution	The Constitution of the Company
Corporations Act	Corporations Act, 2001 (Commonwealth)
Cryogenic Storage	The storage of materials in liquid nitrogen at temperatures below -140°C.
Cryosite	Cryosite Limited, ABN 86 090 919 476
Cryosite Distribution	Cryosite Distribution Pty Ltd ACN 099 301 881, a wholly owned subsidiary of Cryosite Limited
Cryostorage	Freezing at temperatures at or below – 80°C
Directors	Each Director of Cryosite from time to time
EBIT	Earnings before net interest and income tax
Expiry Date	The date 13 months after the date of this Prospectus
Haematopoietic Stem Cells	Stem cells originating from the blood system which have the capacity for both replication and differentiation and can give rise to various precursors of different blood cells and possibly cells of other tissues.
ISO/IEC 17025	An international standard setting out the criteria for a quality management system for a laboratory that is harmonised and linked to ISO 9001 : 1994 and ISO 9002 : 1994.
NATA	The National Association of Testing Authorities
Offer	The offer of 8,500,000 Shares under this Prospectus
Offer Price	The application price of \$0.40 per Share.
Official List	The Official List of the ASX
Official Quotation	Quotation of Shares on the Official List
Opening Date	The date on which the Offer opens
Prospectus	This prospectus dated 12 March, 2002
Related Body Corporate	Has the meaning given in the Corporations Act
SCH	Securities Clearing House
SCH Business Rules	The SCH Business Rules issued by ASX Settlement and Transfer Corporation Pty Limited, ACN 008 504 532
Share	An ordinary share in the issued capital of Cryosite
Shareholder	A person who holds Shares
TGA	The Therapeutic Goods Administration
Ultra-low temperature Storage	The storage of materials in mechanical freezers at a temperature of between –40°C and –86°C.
Underwriter	Southern Cross Equities Limited, ABN 87 071 935 441
Underwriting Agreement	The Agreement dated 12 March, 2002 between the Company and the Underwriter to underwrite the Offer.



°cryosite

The image features a solid blue background. On the left side, there is a large, semi-circular shape with a purple-to-white gradient, outlined in yellow. Several thin yellow lines are scattered across the page: a horizontal line with a small circle at its left end, a vertical line, and two large, sweeping arcs that intersect the purple shape. The word "cryosite" is written in white lowercase letters in the lower-left quadrant, with a small yellow circle above the 'c'.

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