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**Managing Director's Address to Shareholders at the Annual Meeting of Members
held in Sydney on 7 November 2007**

THE YEAR IN REVIEW

I am very pleased to report that our company continues to take significant steps forward and was able to report record results for the Financial Year 2007. The key financial achievement was the profit of \$922,744 which compares to last years maiden profit of \$101,374. Revenue was \$4,902,325, an increase of 15.3% on the 2006 figure. The company remains cash flow positive, increasing cash and cash equivalents to \$1,581,522 (2006: \$1,301,877).

Cryosite is a unique company in the Australian market in having devised and executed a strategy of building a number of diverse logistics, biotechnology and consultancy based services around a core quality-driven business management platform. So, even though we are able to cater for individual customers with the cord blood service, we are also able to use the same core operational systems to provide a range of logistics and consultancy services to pharmaceutical and biotechnology companies, a broad range of research laboratories and the government sector. The company's results are a reflection of the accumulation of contributions from all of our services.

It is through the practical application of this strategy that we have been able to move quickly to identify, create and exploit new and diverse business opportunities. The establishment of the cord blood stem cell service in late 2001, rapid growth in the clinical trial service since 2004 and more recently the response to the current opportunity to manage the equine influenza vaccine logistics for the Australian government are good examples of the effectiveness of this strategy. We will continue to seek out and evaluate other potential business opportunities that can be exploited using this now well proven business model.

So, with that broad overview of the year's key achievements, I would like to briefly report on the operations of the individual service areas.

REVIEW OF OPERATIONS

Firstly, the cord blood stem cell service. We signed a record number of customers in the 2006/2007 financial year and importantly, the number of contracts received so far this year indicates that this trend will continue. We believe that this reflects an increasing level of interest in the service, the recognition of the potential value of storing a baby's cord blood and a growing awareness of its potential uses in the field of regenerative medicine. A review of the statistics shows that since we commenced the service in late 2001, a total of 630 obstetricians have collected cord blood for Cryosite customers, a figure that we estimate represents about two-thirds of all active obstetricians in Australia. The blood has been

collected from close to 250 hospitals across Australia. Cryosite currently has over 5,000 cord blood stem cell units banked for individual clients.

As I am sure you will know, Cryosite pioneered the private collection and storage of cord blood stem cells in Australia and although three competitors have entered the market since that time, Cryosite remains the company of choice with an estimated 45% to 50% market share. Cryosite's unique cord blood business model continues to differentiate it from our competitors, and with increasing regulatory barriers to entry for new entities, Cryosite is well positioned to continue to take advantage of its market leader status.

During the year Cryosite hosted the annual meeting of the Asia Pacific Cord Blood Bank Consortium. The meeting was held over two days in Sydney and was attended by representatives from the regions leading private cord blood banks, including banks from Taiwan, Singapore, Korea, Japan, Malaysia, Japan, India and Thailand, as well as the CEO of the USA Cord Blood Registry, the worlds largest private bank, as well as a senior representative from the Therapeutic Goods Administration. The meeting was very valuable for Cryosite and provided an insight into the overseas trends in new cord blood processing technologies, the widening potential clinical application of cord blood and the range of marketing strategies employed in the different countries.

The clinical trial logistics service has continued to perform well above expectations. As you may recall, we commenced the service in 2004 and since that time have established a reputation as a high-quality provider of highly reliable and customised services. The number of trials being managed has increased from around 100 in the 2006 to over 180 at present.

The client list for the clinical trails service includes an impressive number of well known names in the pharmaceutical industry, such as blue-chip pharmaceutical companies, Pfizer, Bristol Myer Squibb, Schering Plough, Janssen-Cilag, Boehringer Ingleheim, as well as most of the local and international contract research organisations.

Last year I reported on the agreement with Animal Health Australia to prepare a vaccine logistics master plan that would form the basis of response planning for the management and distribution of a range of animal vaccines in the event of an exotic disease outbreak in Australia. The master plan was completed in June this year and work had commenced on the preparation of the first of the disease-specific plans for foot and mouth disease when, as you will no doubt be well aware, equine influenza was diagnosed in Australia. In mid-September a decision was made by the relevant authorities to commence a selective vaccine programme and so the first batch of 30,000 doses of EI vaccine doses was delivered to Cryosite for processing and interim storage prior to shipping to the various local disease control centres around Australia. This was followed-up shortly afterwards by a further shipment of 100,000 doses in early October.

Given the short timeframe that we had to have this project up and running, I am very pleased to report that the confidence that we had in our operating systems was more than justified as we have been able to deliver all services required by our customers within a technically complex and extremely fluid and politically sensitive environment. We expect to continue to manage the vaccine supply until at least the middle of next year when we expect a decision will be made by the relevant authorities on the future management of the disease.

The ATCC distribution service is continuing to work well and to make a valuable contribution to the overall results. We have made significant improvements at the customer service level through the use of a new software application that integrates the order processing and invoicing functions. We have also made a number of improvements to the importation procedure that has resulted in shorter order completion cycle times.

As part of the distribution agreement with Chart Inc. the Cryobyte LS software was supplied to, and successfully installed in sites in the UK and India. We are also running a number of beta test sites in Australia. However, we anticipate a delay in the full scale marketing of the software in all of Chart's markets until we can confirm if any changes are required to ensure that the product fully complies with the differing regulatory requirements for software development in individual European jurisdictions.

A major achievement this year was in obtaining a USA patent to complement the previously awarded Australian patent.

Going Forward

The directors and management team continue to be very confident about the outlook for the company. The company is about to sign a lease for new premises. Cryosite has operated from the current premises since the start of operations in December 2000, and since that time has expanded from the original biorepository storage model to being the provider of a diverse range of specialist services that were not envisaged at that time, these include the cord blood stem cells and clinical trial services.

Both the change in the nature of the business and the scope of the operations has resulted in the need for a considerable amount of extra space. The new premises, located in South Granville comprise approximately 1,900 sqm compared to the current space at Lane Cove of 830 sqm. As well as the added space, the new premises are of an appearance and design that more appropriately reflects the image that we would like to project to our customer base and to the regulatory authorities.

We have a Development Application for the change of use of the building and will commence the fit-out of the premises as soon as possible. We expect to commence the relocation around Easter 2008 and for this to be completed by June 2008.

In the cord blood area, we are focussed on maintaining our leading position in the processing and storage of cord blood and as part of this focus, we are soon to commence the evaluation and validation of the latest automated processing technology. If successful, the new technology will have the benefits of reducing total processing costs, improving the quality and consistency of banked stem cells, and significantly increasing our processing capacity and scalability.

We are confident that demand for all of our services will continue to enjoy the more than acceptable growth rates during the year. The cord blood service is expected to continue to perform well in spite of the fact that we now have three competitors. Our initiatives regarding the introduction of automation and the potential for family banking will ensure a healthy future for this area of our business.

As far as the clinical trial logistics service is concerned, we also predict a bright future. Australia continues to be a desirable place in which to conduct clinical trials for a number of very sound reasons, including having a sophisticated and well managed health system, efficient transport systems, a racially diverse population, high-quality medical researchers and clinical support staff and most importantly, lower costs. It has been estimated that clinical trials conducted in Australia are about 35% more economical to manage than in the USA and Europe. Therefore, we look forward to continuing the momentum that we have built up in trials over the past three years.

Competitive Environment

We expect that most areas of our business will be subject to increasing competition. We firmly believe that the most effective way of coming out on top in this environment is to continue to develop our service quality so as to continue to demonstrate a clearly defined advantage to our existing and prospective customers. The ability to offer customers very customised and professional services to the highest level of quality is a key part of our competitive strategy.

Shareholder support

The Board and Management are grateful for the continuing support and interest in the company by the shareholders. We remain confident that the Company is well positioned to take advantage of both the growth in the research and biotechnology activity in Australia, and the increased acceptance of outsourcing of non-core logistics by organisations involved in research clinical trials in Australia and New Zealand.

Gordon Milliken
Managing Director