

ASX ANNOUNCEMENT

27th June 2019

Trading Update and Staff Restructure

In 2018 the company announced that it would cease the marketing, selling, collection and processing of Cord Blood and Tissue and strategically focus its growth on the development of its core Clinical Trials Logistics operations. To achieve this refocus there has been considerable structural change within the company. While these changes have produced revenue growth, the company has yet to return to an operating profit. The operating loss disclosed in the half year report to shareholders has continued into the second half of the year.

It is important that the company continues streamlining its internal processes and systems to better match and align with its clients' requirements. As a result, the company has reassessed its operating systems and has decided to write off the historical carrying value of previous software development costs of approximately \$300k.

This write off, the continuing ongoing operational loss and the inclusion of the ACCC fine, included in the half year accounts, will result in an estimated non-audit adjusted loss for the full year after tax of approximately \$1.5m.

The Company is also announcing a number of staff changes:

Mark Byrne, after 2 years as CEO, has decided to reduce his workload to spend more time with his family and travel. Mark joined Cryosite in June 2016 as CFO and stepped up to CEO in July 2017 when the company was facing some difficult challenges. Over the last 2 years, Mark has guided the company through significant changes and the board wish to thank him for his contribution to date. The company is delighted that Mark has agreed to accept a new part time role of COO - Finance and Administration and will continue to work closely with the board. Mark will step down from the CEO on the 30th September 2019 and commence his new role in October 2019.

The Company has also recently made the position of Business Development Manager redundant.

The current non-executive chairman, Mr Bryan Dulhunty, will now take on an executive role, effective immediately.

As both a retention aid and incentive to build the company's profitability over the medium term, Mr Dulhunty is to be granted 1.3m premium priced options and company staff a further 1.3m premium priced options. These options are exercisable at 6 cents per share which is approximately 135% of the 30 day traded volume weighted average. The options will vest in 2 years based on the operational parameters of returning to profitability and positive cash flow within 2 years and a continuous service condition must be met. The options will expire in 5 years. The objectives are designed to ensure the successful long-term future of the Company and growth in the share price.

In relation to the options to be issued to the director Bryan dulhunty, there is a restriction on settlement as they have been granted without shareholder approval and therefore settlement will be restricted to on market purchase pursuant to ASX Listing Rule 10.15B. Shareholder approval will be sought at the 2019 AGM and, if received, this restriction may no longer apply

An Appendix 3B is expected to be released to the market on 8th July following the receipt of accepted invitations to this offer.

The Executive Chairman will receive the following remuneration package:

- Chairman's fees of \$75k plus 9.5% superannuation
- A company associated with the Chairman will receive \$25k for provision of company secretarial services as well as \$50k for his executive role. The Chairman will also receive a grant of 1.3m premium priced options as set out above.
- The Executive Chairman will also be offered a bonus incentive up to a maximum of \$150k only payable if the service and vesting conditions applicable to the premium are met.

On Behalf of the Board

Bryan Dulhunty
Chairman