



CogState Limited
ABN 80 090 975 723

**Appendix 4D Information and Condensed Half-Year Financial
Report**

For the half-year ended 31 December 2010

CORPORATE INFORMATION

ABN 80 090 975 723

Directors

Mr Martyn Myer AO (Chairman)
Mr Brad O'Connor (Chief Executive Officer)
Mr Richard Morgan
Mr David Simpson
Dr Michael Wooldridge
Mr Richard van den Broek (Appointed 26 August 2010)

Company Secretary

Claire Newstead-Sinclair

Registered Office

Level 2
255 Bourke Street
Melbourne Vic 3000

Share Register

Link Market Services
Level 1, 333 Collins Street, Melbourne, Victoria, 3000
Telephone: 1300 554 474

Stock Exchange Listing

CogState Limited shares are listed on the Australian Stock Exchange.
Market code: CGS

Solicitors

Clayton Utz
333 Collins Street
Melbourne
Vic, 3000

Bankers

National Australia Bank
Level 3, 330 Collins Street
Melbourne
Vic 3000

Auditors

Ernst & Young
8 Exhibition Street
Melbourne
Vic 3000

Internet Address

www.cogstate.com

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Appendix 4D Information**Reporting period: 1 July 2010 to 31 December 2010****Reporting corresponding period: 1 July 2009 to 31 December 2009***(Appendix 4D item 1)*

	31 Dec 2010	31 Dec 2009	
Revenue <i>(Appendix 4D item 2.1)</i>	\$4,180,171	\$5,136,711	18.6% decline
Profit/(Loss) after tax attributable to members <i>(Appendix 4D item 2.2)</i>	(\$895,244)	\$526,623	270.0% decline
Net Profit/(Loss) for the period attributable to members <i>(Appendix 4D item 2.3)</i>	(\$895,244)	\$526,623	270.0% decline

Dividends / Distributions*(Appendix 4D items 2.4, 2.5 and 2.6)*

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2010.

Explanation of Revenue and Profit*(Appendix 4D item 2.6)*

	31-Dec-10	31-Dec-09
Sales to customers	3,953,495	5,103,567
Fair value gain on derivatives	163,067	-
Interest received	63,609	33,144
Revenue <i>(Appendix 4D item 2.1)</i>	4,180,171	5,136,711
Operating Profit (Earnings, before interest paid, grant income, tax, foreign exchange gain/loss and termination fees)	(181,527)	930,513
Share of loss in joint venture	(381,010)	-
Termination fees	(92,368)	(238,472)
Foreign exchange gain/(loss)	(300,366)	(143,027)
Profit/(loss) on disposal of assets	(8,490)	6,695
Interest paid and tax benefit/(expense)	68,517	(29,086)
Net Profit/(loss) for the period attributable to members <i>(Appendix 4D item 2.2 & 2.3)</i>	(895,244)	526,623

Explanation of Revenue and Profit (continued)

Total revenue declined by 18.6%, compared to the previous corresponding half year, driven by a decline in the number of signed sales contracts during the half (2010: US\$3.82m; 2009:US\$5.55m). Additionally, the stronger Australian dollar relative to the US dollar has decreased the amount of recognised revenue derived from both sales contracts in place at 1 July 2010 as well as those signed throughout the half year.

Measured in Australian dollars, CogState recorded a 22% decrease in sales to customers compared to the previous corresponding half year. However, on a constant currency basis, the decrease in revenue was 14%, as shown below:

	US\$ Revenue	A\$ Revenue
31 December 2010 half year	\$3.7m	\$4.0m
31 December 2009 half year	\$4.3m	\$5.1m
% decrease in sales revenue	14%	22%

Earnings before interest expense, grant income, tax, foreign exchange gain/loss and termination fees decreased 120% from the previous corresponding period, primarily due to the decrease in sales revenue.

Direct costs of conducting trials increased 9.6% from the previous corresponding period (2010: \$ 1.92m; 2009: \$1.76m). The increase in direct costs can be attributed to an increase in direct employee numbers; direct employees totalled 18 at 1 July 2009 and have increased steadily to 24 by 31 December 2010. CogState does have a North American office and therefore a portion of direct costs are US dollar denominated, allowing CogState to benefit from a reduction in those costs when measured in Australian dollars. However given that the majority of CogState costs are incurred in Australia, the lower US dollar has not significantly reduced direct costs.

Other indirect operating costs are consistent with the previous corresponding period (2010:\$2.44m;2009: \$2.45m).

Employment costs of \$2.67m (2009: \$2.45m) accounted for 63.5% of operating expenditure (total direct trial costs and indirect operating costs, 2009:58.2 %).

The Net Loss After Tax for the period was \$0.90m, a decline of \$1.43m on the previous corresponding period (2009: \$0.53m profit). The decline in NPAT can be attributed to the reduction in sales, share of joint venture loss (\$0.38m), and an increase in foreign exchange losses (\$0.16m). These three factors combined to reduce profit by \$1.37m compared to the previous corresponding period.

Foreign exchange losses for the half year ended 31 December 2010 totalled \$0.30m (2009: losses of \$0.14m).

Net Tangible Assets Per Security

(Appendix 4D item 3)

31-Dec-10	31-Dec-09
8.8 cents	8.0 cents

COGSTATE LIMITED

CONDENSED HALF-YEAR REPORT – 31 DECEMBER 2010

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DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2010.

This half year report covers the consolidated entity comprising CogState Limited and its subsidiary, CogState Inc. and its subsidiary CogState Sport Inc. (the Group).

DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Martyn Myer AO (Chairman, Chairman of the Audit Committee)
Mr Brad O'Connor (Chief Executive Officer)
Mr Richard Morgan
Mr David Simpson
Dr Michael Wooldridge
Mr Richard van den Broek (appointed 26 August 2010)

REVIEW AND RESULTS OF OPERATIONS

CogState's primary market is cognitive testing in clinical trials. In this market, CogState's technology and associated services are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials conducted by pharmaceutical, biotechnology, nutraceutical and functional food companies.

CogState conducts its operations from offices in Australia, the USA and the UK.

Revenue from the provision of cognitive testing services for the half year ended 31 December 2010 (\$3.95m) decreased 22.5% compared to the half year ended 31 December 2009 (\$5.10m). However, on a constant currency basis, the decrease in revenue was 14%, as shown below:

	US\$ Revenue	A\$ Revenue
31 December 2010 half year	\$3.7m	\$4.0m
31 December 2009 half year	\$4.3m	\$5.1m
% decrease in sales revenue	14%	22%

The Net Loss After tax for the period was \$0.90m, a decline of \$1.43m on the previous corresponding period (2009: \$0.53m profit). The loss before income tax was \$0.97m, a decline of \$1.52m on the previous corresponding period (2009: \$0.55m profit).

The decline in performance resulted from a decline in the number of new contracts signed in the current period, in addition to a stronger Australian dollar relative to the US dollar. In the current period, USD\$3.82m of contracts were signed as compared to the previous period where USD\$5.55m were signed. Foreign exchange losses for the period were \$0.30m compared to losses of \$0.14m for the corresponding period last year. These losses arose mainly on the Group's \$US-denominated trade debtors and \$US bank accounts and included both realised and unrealised losses.

Non-operating contract termination fees of \$0.09m were paid in respect of the termination of a sales and marketing agreement. The contract termination fees represent revenue sharing on a small number of sales contracts that would have been payable by CogState under the sales and marketing agreement.

DIRECTORS' REPORT (continued)

Other operating costs (excluding, termination costs, foreign exchange movements, interest expense and gain on sale of assets) are consistent with the previous corresponding period (2010: \$2.44m; 2009: \$2.45m).

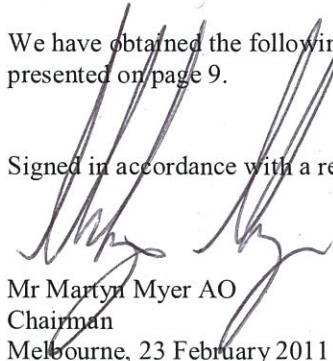
Employment costs of \$2.67m (2009: \$2.45m) accounted for 63.5% of total direct trial costs and operating costs (2009:58.2%).

Full time equivalent employees at 31 December 2010 totalled 40 (inclusive of the 24 direct employees), compared to 30 full time equivalent employees at 31 December 2009.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young, as presented on page 9.

Signed in accordance with a resolution of the directors.



Mr Martyn Myer AO
Chairman
Melbourne, 23 February 2011

Auditor's Independence Declaration to the Directors of CogState Limited

In relation to our review of the financial report of Cogstate Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

A handwritten signature in blue ink, appearing to read 'Joanne Lonergan'.

Joanne Lonergan

Partner

23 February 2011

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

		Consolidated	
	Note	31-Dec-10	30-Jun-10
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,420,559	3,092,436
Trade and other receivables	6	1,569,813	1,623,471
Other current assets		249,707	270,639
Derivative financial instruments		135,914	-
Total Current Assets		4,375,993	4,986,546
Non-current Assets			
Plant and equipment		1,103,090	1,235,907
Intangible assets		401,584	401,584
Investment in joint ventures		121,047	562,719
Deferred tax assets		1,519,122	1,457,530
Total Non-current Assets		3,144,843	3,657,740
TOTAL ASSETS		7,520,836	8,644,286
LIABILITIES			
Current Liabilities			
Trade and other payables		815,193	1,131,457
Derivative financial instruments		-	27,152
Provisions		408,226	405,923
Deferred tax liabilities		9,981	20,790
Total Current Liabilities		1,233,400	1,585,322
Non-current Liabilities			
Provisions		36,853	38,007
Total Non-current Liabilities		36,853	38,007
TOTAL LIABILITIES		1,270,253	1,623,329
NET ASSETS		6,250,583	7,020,957
EQUITY			
Contributed equity		14,333,820	14,303,130
Accumulated losses		(9,454,318)	(8,559,074)
Reserves		1,371,081	1,276,901
TOTAL EQUITY		6,250,583	7,020,957

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

		Consolidated	
	Note	31-Dec-10	31-Dec-09
		\$	\$
Continuing Operations			
Sale of services	3(a)	3,953,495	5,103,567
Finance revenue	3(a)	63,609	33,144
Revenue		4,017,104	5,136,711
Cost of sales	3(b)	(1,924,613)	(1,755,338)
Gross profit		2,092,491	3,381,373
Other income		-	6,695
Fair value gain on derivative	3(a)	163,067	-
Employee benefits expense	3(c)	(1,367,337)	(1,436,074)
Depreciation and amortisation expense	3(d)	(26,135)	(14,800)
Occupancy expenses		(155,799)	(82,219)
Marketing expenses		(54,901)	(48,707)
Accounting and auditing expenses		(164,457)	(86,181)
Administrative expenses	3(e)	(395,807)	(398,752)
Legal expenses		(18,823)	(28,811)
Travel expenses		(224,870)	(262,253)
Third party research and development expenses		(16,194)	(5,378)
Sales Commissions		(453)	(76,245)
Finance costs	3(f)	(18,867)	(15,613)
Net foreign exchange gain/(loss)		(300,366)	(143,027)
Non-operating contract termination fees	3(g)	(92,368)	(238,472)
Other expenses		(8,490)	-
		(589,309)	551,536
Share of losses in joint venture		(381,010)	-
Profit/(loss) from continuing operations before income tax		(970,319)	551,536
Income tax benefit (expense)		75,075	(24,913)
Profit/(loss) from continuing operations after income tax		(895,244)	526,623
Net profit for the period		(895,244)	526,623
Total comprehensive income/(loss) for the period		(895,244)	526,623
Earnings per share (cents per share)			
- basic for profit attributable to ordinary equity holders		(1.35)	0.80
- diluted for profit attributable to ordinary equity holders		(1.35)	0.76

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated			
	Issued Capital	Retained earnings	Other Reserves	Total
		\$	\$	
As at 1 July 2009	14,197,010	(10,196,689)	935,857	4,936,178
Profit / (loss) for the period	-	526,623	-	526,623
Total	14,197,010	(9,670,066)	935,857	5,462,801
Exercise of options	14,695	-	-	14,695
Cost of share-based payment	-	-	173,310	173,310
As at 31 December 2009	14,211,705	(9,670,066)	1,109,167	5,650,806
As at 1 July 2010	14,303,130	(8,559,074)	1,276,901	7,020,957
Profit / (loss) for the period	-	(895,244)	-	(895,244)
Total	14,303,130	(9,454,318)	1,276,901	6,125,713
Exercise of options	30,690	-	-	30,690
Cost of share-based payment	-	-	94,180	94,180
As at 31 December 2010	14,333,820	(9,454,318)	1,371,081	6,250,583

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated	
		31-Dec-10	31-Dec-09
		\$	\$
Cash flows from operating activities			
Receipts from customers		3,583,801	4,787,084
Payments to suppliers and employees		(4,081,420)	(4,721,958)
Net cash flows from/(used in) operating activities		(497,619)	65,126
Cash flows from investing activities			
Interest received		60,693	37,979
Purchase of property, plant & equipment		(84,855)	(520,418)
Proceeds from sale of property, plant & equipment		2,553	9,494
Net cash flows used in investing activities		(21,609)	(472,945)
Cash flows from financing activities			
Proceeds from issue of shares		30,690	14,695
Interest payments		(6,558)	(4,173)
Net cash flows from financing activities		24,132	10,522
Net increase/(decrease) in cash and cash equivalents		(495,096)	(397,297)
Net foreign exchange differences		(176,781)	(87,848)
Cash and cash equivalents at beginning of period		3,092,436	3,030,395
Cash and cash equivalents at end of period	5	2,420,559	2,545,250

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by CogState Limited and its controlled entity during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in accounting policy

All accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2010.

The Group has not elected to early adopt any new Standards or amendments that are issued but not yet effective.

2. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (deemed the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided (i.e. cognitive testing). Discrete financial information is reported to the executive management team on at least a monthly basis.

Types of products and services

The types of products and services sold in this half-year are the same as those disclosed in the annual financial report for the year ended 30 June 2010.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Fair value gain on derivative
- Interest expense
- Non-operating termination fees
- Foreign exchange gain/loss
- Profit/loss on disposal of assets

The following table presents revenue and profit information regarding the only operating segment of cognitive testing for the half-years ended 31 December 2010 and 31 December 2009.

2. SEGMENT INFORMATION (continued)

	Continuing Operations	
	Cognitive Testing	
	31-Dec-10	31-Dec-09
	\$	\$
Half Year ended 31 December		
Revenue		
Sales to external customers	3,953,495	5,103,567
Revenue from operations	3,953,495	5,103,567
Unallocated Revenue – fair value gain on derivative	163,067	-
Unallocated Revenue – interest income	63,609	33,144
Segment Revenue	4,180,171	5,136,711
Result		
Operating profit/(loss)	(181,527)	930,513
Share of loss in JV	(381,010)	-
Non operating termination fees	(92,368)	(238,472)
Foreign exchange gain/(loss) realised & unrealised	(300,366)	(143,027)
Profit/(loss) on disposal of assets	(8,490)	6,695
Segment result	(963,761)	555,709
Unallocated Expense - Interest expense	(6,558)	(4,173)
Profit/(loss) before tax	(970,319)	551,536
Income tax benefit/(expense)	75,075	(24,913)
Profit/(loss) for the six months	(895,244)	526,623

3. REVENUE AND EXPENSES

		Consolidated	
		31-Dec-10	31-Dec-09
		\$	\$
(a) Revenue			
Sale of services		3,858,133	5,057,132
Sale of tests		95,362	46,435
Total sales		3,953,495	5,103,567
Other Revenue			
Fair value gain on derivative		163,067	-
Bank interest receivable		63,609	33,144
		4,180,171	5,136,711
(b) Cost of sales			
Direct project costs		(80,123)	(392,526)
Direct employment expenses		(1,300,240)	(1,011,867)
Direct depreciation		(183,442)	(164,090)
Direct travel		(272,293)	(92,823)
Direct freight		(88,515)	(94,032)
		(1,924,613)	(1,755,338)
(c) Employee benefits expense			
Employment expenses included in Cost of Sales			
Direct employment expenses		(1,300,240)	(1,011,867)
Other indirect employment expenses			
Wages and salaries		(1,256,225)	(1,245,646)
Long service leave provision		(16,932)	(17,118)
Share based payment expense		(94,180)	(173,310)
		(1,367,337)	(1,436,074)
Total employment expenses		(2,667,577)	(2,447,941)
(d) Depreciation and amortisation expense			
Direct depreciation expense included in Cost of Sales			
Direct depreciation		(183,442)	(164,090)
Other indirect depreciation expenses			
Depreciation and amortisation expense		(26,135)	(14,800)
Total depreciation and amortisation expenses		(209,577)	(178,890)

3. REVENUE AND EXPENSES (continued)

	Consolidated	
	31-Dec-10	31-Dec-09
	\$	\$
(e) Administrative expenses		
General administration expenses	(69,250)	(77,062)
Computer expenses	(27,829)	(7,836)
Communications expenses	(38,971)	(54,754)
Insurance expenses	(114,319)	(125,856)
Web hosting expenses	(19,695)	(16,073)
Quality control	(2,492)	-
Parking expenses	(1,705)	(1,496)
Entertainment	(14,741)	(18,915)
ASX and share registry fees	(43,209)	(41,960)
Financial consultants	(63,596)	(54,800)
	<u>(395,807)</u>	<u>(398,752)</u>
(f) Finance costs		
Finance charges paid on banking facilities	(12,309)	(11,440)
Interest Expense	(6,558)	(4,173)
	<u>(18,867)</u>	<u>(15,613)</u>
(g) Non operating item – contract termination fees		
Contract termination fees	<u>(92,368)</u>	<u>(238,472)</u>

These fees were incurred as a consequence of the termination of an outsourced project management contract and were payable by CogState to a supplier of contract management services. These fees were incurred outside of the normal operating activities of the Company.

Further contract termination fees arising from this matter are expected to be payable in future years. The presently-estimated amounts of the future payments are:

Year ending 30 June 2011:	\$25,000
Year ending 30 June 2012:	\$30,000

4. SIGNIFICANT ITEMS**Impairment of intangible assets**

The current half year loss is an impairment indicator. Therefore we have assessed the impact based on value in use calculations. These calculations use cash flow projections based on actual operating results and the three year business plan. A terminal value is then calculated based on the growth rate to extrapolate cash flows beyond the three year forecast period. Projected cash flows, including the terminal value, are discounted using the applicable market discount rate.

We have determined no impairment has been incurred to 31 December 2010.

5. CASH AND CASH EQUIVALENTS

For the purposes of the half year statement of cashflows, cash and cash equivalents are comprised of the following:

	Consolidated	
	31-Dec-10	31-Dec-09
	\$	\$
Cash at bank and in hand	493,474	805,221
Short-term deposits	1,927,085	1,740,029
Total cash and short term deposits	<u>2,420,559</u>	<u>2,545,250</u>

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31-Dec-10	30-Jun-10
	\$	\$
Trade Receivables ¹	1,569,813	1,624,012
Allowance for Doubtful Debts	-	(541)
	<u>1,569,813</u>	<u>1,623,471</u>

¹Trade receivables are non-interest bearing and are generally on 30-60 day terms.

A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. No doubtful debt provision has been recognised as at 31 December 2010 (30 June 2010: \$541) as no such evidence exists.

7. ISSUED CAPITAL

The following options were exercised and shares issued in the half year ended 31 December 2010:

Date of Exercise	Shares Issued	Exercise Price	Total
27-Jul-10	100,000	\$0.1027	\$10,270
27-Jul-10	50,000	\$0.1900	\$9,500
29-Sep-10	50,000	\$0.2100	\$10,500
29-Sep-10	4,070	\$0.1027	\$420
Total	204,070		\$30,690

8. COMMITMENTS AND CONTINGENCIES

The changes in commitments and contingent liabilities since 30 June 2010, are from repayment of operating leases. No new commitments or contingent liabilities have arisen.

9. EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2011, CogState invested a further \$251,671 in Axon Sports LLC.

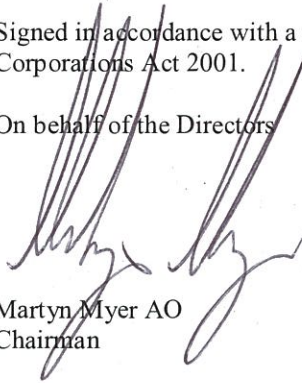
DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Martyn Myer AO
Chairman



Bradley O'Connor
Chief Executive Officer

Melbourne, 23 February 2011

To the members of CogState Limited

Report on the half-year Financial Report

We have reviewed the accompanying half-year financial report of CogState Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CogState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

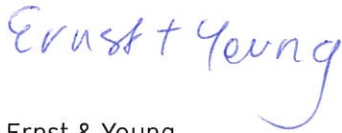
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CogState Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Joanne Lonergan'.

Joanne Lonergan
Partner
Melbourne
23 February 2011