

Patient Capital

10 Years in Biotech

“Dick Pratt always told me that
it takes 15 years to build
a good business”



About me - Martyn Myer

- CogState Chairman and largest shareholder (19.9%)
- Founding shareholder of CogState, alongside GBS Ventures
- Bachelor and Masters degrees in Engineering, Masters in Business
- 15 years of executive roles in two hi-technology companies – CNC profile cutting machines and sophisticated smoke detection and security systems
- Executive roles included head of R&D, Sales & Marketing and Finance
- 20 years public company non-executive board experience in both large and small operating and non-operating companies
- 25 years private investment company non-executive board experience
- My passion is building things – companies, not-for-profits, medical research institutes, houses, motorbikes, steam trains



What drew me to CogState?

The excitement of the science and the personal reasons & connections

Dementia is a terribly debilitating condition that impacts the lives of an increasing number of individuals and their families – including my own



President 5 years

Non-executive Director 12 years

Director Fred Mendelsohn and I focused the old HFI on neuroscience and grew the Florey into the world's 5th largest center of neuroscience

Thus significant neuroscience background pre-dated CogState



Dr David Darby, co-founder CogState

50 year personal connection

Venture Capital investment facilitated by long-term relationship of friendship and professional respect

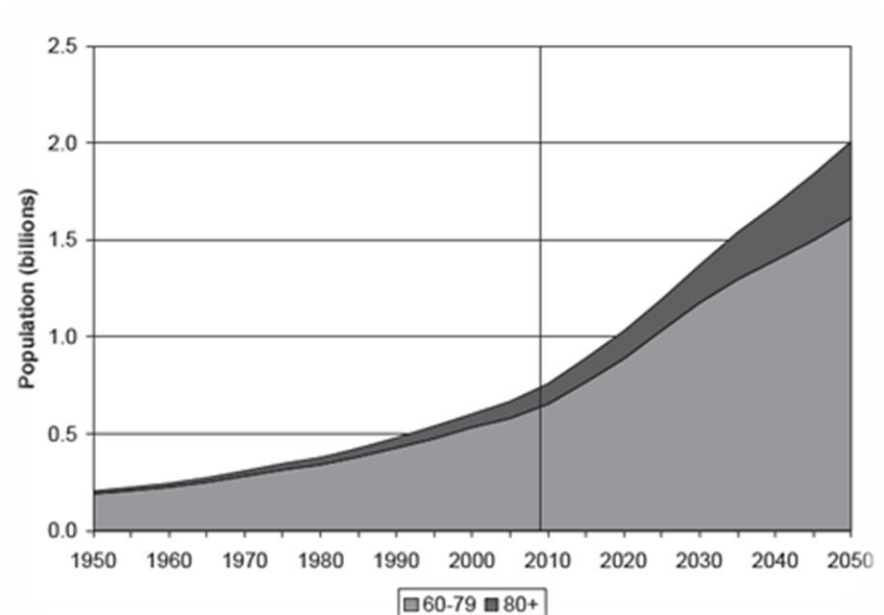
Commercial Market Opportunity Considerations

1. Baby boomers are aging, thereby creating a neuroscience demographic time-bomb

For the first time in history, people aged 65 and over will soon outnumber children under the age of 5.

By 2050, the U.N. estimates that the proportion of the world's population age 65 and over will more than double, from 7.6% today to 16.2%

2. Neuroscience itself has taken enormous strides over the last decade with new technologies including imaging, DNA decoding, etc



Source: United Nations, 2009



About CogState

Rapid, computerised tests of cognition (thinking)

We measure changes in the thinking of an individual, over time

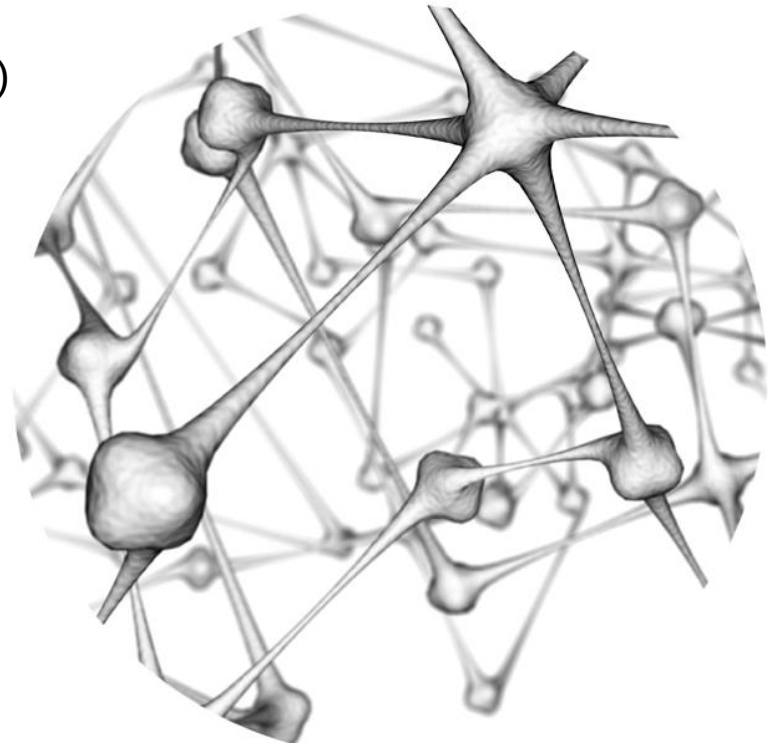
Founded in 1999 and listed on the ASX in 2004

Head office in Melbourne, office in Connecticut, USA as well as UK sales presence

Expertise in neuro-science, large pharma operations, and software development

Three market opportunities:

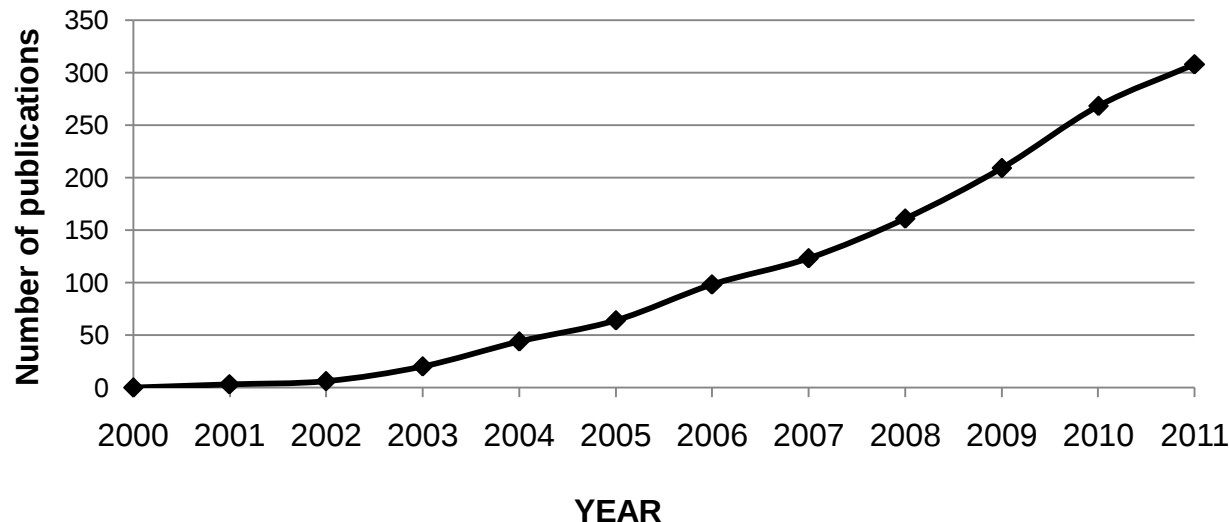
- Clinical drug trials (currently generating US\$8-9m revenue p.a.)
- Concussion management in Sport
- Dementia screening



Cogstate's Scientific Validation

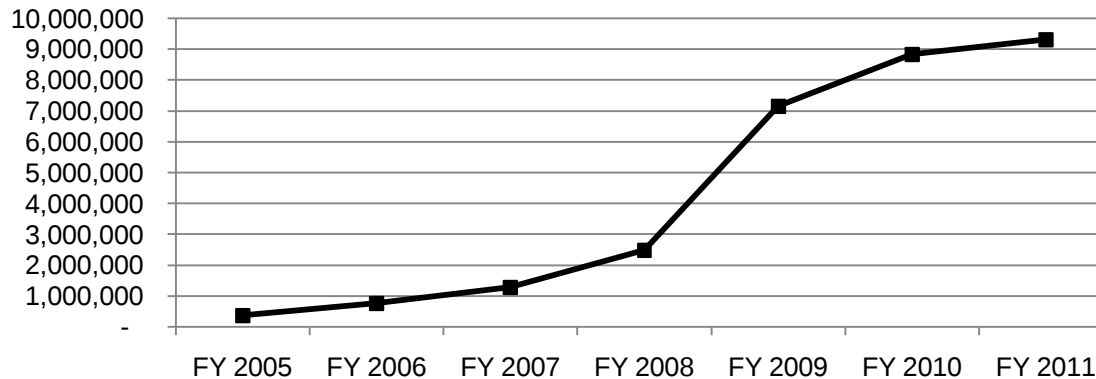
- Peer reviewed papers are CogState's prime marketing material
- CogState business opportunities are driven by the quality of our science
- At this time, with over 300 publications validating our technology, we are well placed to pursue opportunities
- Publications are vital for not only the clinical trials business, but also concussion management and dementia screening opportunities

CogState Peer Reviewed Publications, Cumulative



Clinical Trials: Commercial Validation

**CogState Clinical Trial Sales Contracts
US\$, per annum**



Customers now include:

- Pfizer
- Astra Zeneca
- GlaxoSmithKline
- Merck
- Sunovion
- Astellas
- Novartis
- Bristol Myers Squibb
- Johnson & Johnson
- Servier
- Lundbeck
- Targacept

**CogState is now operating
in over 800 clinical trial sites
around the world in over 40
languages**



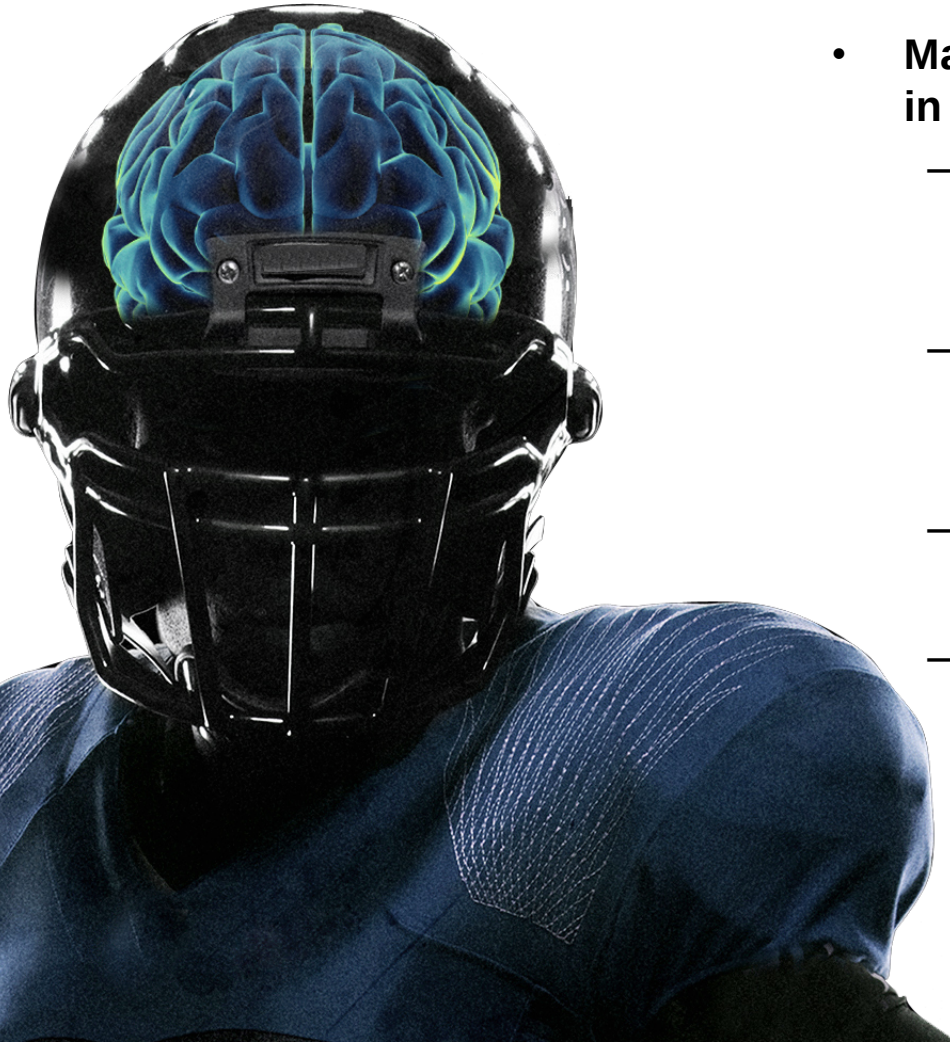
I've had to be patient until now



- Clinical Trials Revenue US\$8m FY11
 - Sales growth continues
 - Cost reduction strategies implemented June 2011
- FY11 result negatively impacted by strong A\$
- But Operating break even result
- And third consecutive year of positive cash flow
- But Market cap = \$11.3m is less than
- Contributed equity over time - \$14.3m
- Clearly the investment return (to-date) for me has not been positive



My Patience Will Be Rewarded



- **Management of Concussion in Sport**
 - Market opportunity developing driven by legislation and community awareness/concern
 - USA leading, with Australia and the rest of the world close behind
 - Significant revenue opportunity FY2012 and beyond
 - Currently, the market values this opportunity at zero, or worse



Sport Concussion Market for CogState



State Concussion Legislation

● Passed ● Pending ● None



State progress can change quickly.
This map is intended to be reflective of activity.

- CogState has had a small number of Sport customers since 2003 - elite teams (eg. AFL, international Rugby)
- In the USA, State based legislation has been introduced over the last 18 months that requires concussion management programs for High Schools and Colleges (see map)
- The market requires a consumer focused product
- Axon Sports was launched in the USA in Aug 2010 as a joint venture, bringing together CogState technology with sports marketing expertise from Nike
- Revenue will ramp up with new school year in USA : August – October 2011

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axon SPORTS
POWERED BY COGSTATE

Axon Sports provides online cognitive assessment tools that aid the evaluation and management of sports-related concussions. ▶

PREVIEW TEST

BEFORE YOU BUY, TAKE A TOUR OF AN AXON SPORTS SAMPLE TEST ▶

GET STARTED

ANSWER A FEW SIMPLE QUESTIONS TO ENROLL ▶

BUY NOW

ALREADY ENROLLED? BUY A SINGLE TEST OR MULTI-PACK OPTION ▶

LEARN MORE

CONCUSSION MANAGEMENT EDUCATIONAL MATERIALS ▶

DOCTORS / ATHLETIC TRAINERS



Find answers to your FAQs about baseline tests and sports-related concussion management.

SCHOOLS / COACHES



Register to access our online toolkit. It's filled with ideas and documents to help you put together a concussion management program!

PARENTS / ATHLETES



We've posted six new videos on Concussions and Baseline tests.


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www.axonsports.com

Sport: Initial Success In USA



- Mayo Clinic will offer Axon Sports tests to every High School student in Arizona
- Announced in and first sales in June 2011
- Offered to over 100,000 athletes
- 2011-12 school year
- Mayo Clinic purchasing tests from Axon Sports but will provide the tests at no cost to the students

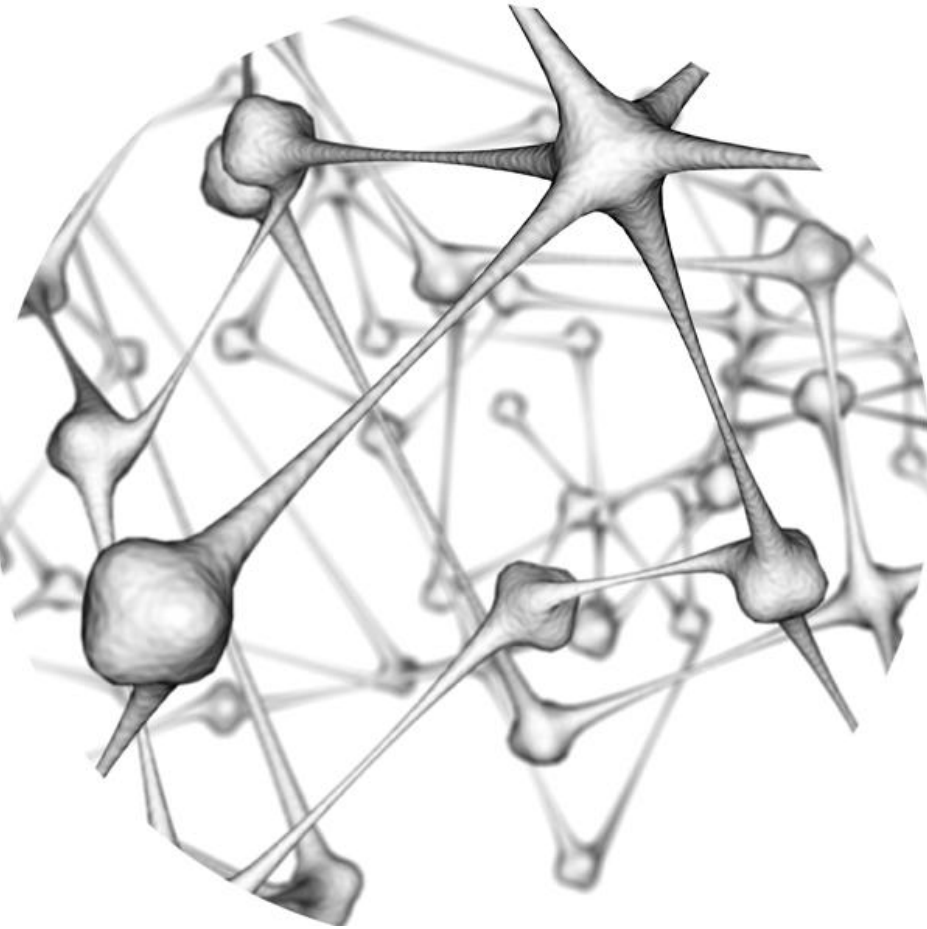


Sport: Initial Success in Australia



- Toyota will provide the Axon Sports test to 130 football clubs as part of its “Good For Footy” program
- Over 25,000 grassroots footballers will have access to the test for the 2012 year, at no cost
- Announced at the Australian International Motorshow – July 2011
- Launched by AFL CEO Andrew Demetriou and Toyota Senior Executive Director, Sales & Marketing, David Buttner

My Patience Will Be Rewarded



Community Dementia Screening – the big one!

- Disease modifying drugs will be available in the future
- Early diagnosis, via screening, will be critical – refer ICAD conference going on right at this moment – Paris (CGS has 4 scientists in attendance)
- An enormous opportunity that dwarfs even the sports concussion opportunity

Dementia Screening

Key drivers for the acceptance of cognitive screening by Primary Care Physicians:

1. **USA Health care reform**

- part of an overall reform of Medicare (USA)
- New Annual Wellness Visit, provided to Medicare recipients
- Includes compulsory cognitive screening from 1 Jan 2011
- CogState is currently having discussions with two large pharma companies on the opportunities in community based dementia screening

2. **Advancement of disease modifying AD drugs**

- Estimated to be 75-100 experimental therapies in clinical testing according to Alzheimer's Association USA
- Bapineuzumab (Pfizer/J&J) 14 phase III trials ongoing with initial results expected Q4 2012

Summary: Three Business Segments Provide Enhanced Opportunity

	Clinical Drug Trials	Concussion Management	Dementia Screening
Description	Quantify the effects of drugs on human subjects in drug trials	Web based test to assist in management of sports concussion. Axon Sports JV in USA Distributors include Eastbay and Mayo Clinic	Web based test designed to detect first signs of cognitive decline associated with Alzheimer's disease and other dementia
Customers	Pharmaceutical and Biotech companies	Athletes, parents, schools, doctors, sports teams	Appropriate for annual assessment of everyone over the age of 50 (Estimated by 2012 over 100m people in USA will be >50)
Current Revenue	US\$8-9m p.a.	Commenced operation August 2010	Currently in R&D
Est. USA Market Size	US\$200m p.a.	US\$150-275m p.a.	>US\$500m p.a.

Lessons Learnt

- Medical software business development requires long term investment, similar to drug development and hence patient capital
- CogState's Clinical Trials business:
 - Has achieved vital scientific validation, but it has taken time
 - Commercial validation from big-pharma has taken time
 - Lumpy revenue with no annuity type characteristic
 - Generates cash flow to fund ongoing R&D
 - Big drugs trials need extensive servicing, so the challenge is to create efficient technology based systems
- Annuity type mass market opportunities – sports concussion management and community dementia screening – provide greater earnings potential but the commercial market opportunity has been slow to materialise
- Successfully integrating a cognitive screening tool into the mass markets requires development of sales and marketing channels – CogState has and will partner to develop these channels

My Other Patient Capital Investment



Whare Kea Lodge & Chalet, Wanaka
www.wharekealodge.com





Martyn Myer
Chairman

www.cogstate.com

