



ASX Announcement

Melbourne, Monday 21st January 2013

Business Update

Highlights:

- *Strong half year sales result for the Clinical Trials Business*
- *Upgrades earnings guidance for H1 FY13*

CogState Ltd (ASX.CGS) announced today the total value of clinical trials sales contracts signed in the half year ended December 31, 2012 was A\$8.7 million. This is the second highest half year result recorded by CogState, exceeded only by the December 31, 2011 half year of A\$10.2 million contracts signed.

CogState expects to report sales revenue of \$4.0 million for the quarter ended 31 December 2012, taking sales revenue to \$6.1 million for the half year. That revenue is largely derived from revenue recognised from milestone payments relating to clinical trials contracts that are currently underway or completed during the quarter.

Consequently, CogState is upgrading the profit guidance given at its AGM on 16 October 2012. Based on revenue of AU\$6.1 million to be recognised in the first half of FY2013, CogState is now forecasting a net loss after tax of AU\$0.5 million for the half year ended December 31, 2012. The previous forecast for this period was a net loss of approximately AU\$1.0 – AU\$1.2 million, based on recognised revenue of AU\$5 million.

“A stronger than expected result for the December quarter, in terms of new clinical trials sales contracts signed, has contributed to a material improvement in the overall result for the first half of this financial year. We previously stated that we expected a stronger performance in the second half of the financial year and we continue to hold that view. The improved outlook is supported by the high level of pre-sales activity that we are currently seeing in our clinical trials business,” said Brad O’Connor, Chief Executive Officer of CogState.

At 31 December 2012, CogState had A\$10.6 million of clinical trials revenue contracted that will be recognised in future periods (prior year: A\$9.2m). Of the contracted revenue, A\$4.75 million is expected to be recognised by 30 June 2013 (prior year: A\$3.79m).

Mr O’Connor commented further, “The indicators at this stage suggest that the second half of the financial year will be another strong half for new clinical trials contracts. All additional sales contract will add to the \$4.75 million of revenue already secured for the second half of the financial year.”

CogState also reported in the 4C cash holdings of \$4.26 million at the end of the December 2012 quarter, compared to \$3.45 million at the same time last year.

The net operating cash outflow for year to date was \$0.5 million, reflecting the significant investment that is being made in the Axon Sports business along with the investment in the Healthcare business as CogState prepares for the launch of the Cognigram product, in conjunction, with Merck, in Canada.

Further details:

	31 December 2012	31 December 2011
Clinical Trial Revenue contracted at 1 July	7,773,067	5,649,431
Contracts signed during the period *	8,656,901	10,207,247
Revenue recognised **	(5,710,709)	(6,863,232)
Foreign exchange fluctuation ***	(128,857)	250,316
Clinical Trials Revenue contracted at 31 December	<u>10,590,403</u>	<u>9,243,762</u>

* - Clinical trials contracts are predominantly denominated in \$US. The value of contracts signed has been converted to \$A at the exchange rates prevailing at 31 December.

** - Revenue is invoiced in the applicable currency of the contract, usually \$US. Revenue is converted at the spot rate on the date of invoice.

*** - Prevailing exchange rates - 01/07/2011 A\$1 = US\$1.06; 31/12/2011 A\$1 = US\$1.02; 01/07/2012 A\$1 = US\$1.02; and 31/12/2012 A\$1 = US\$1.04; .

Of the \$10,590,403 clinical trials contracted revenue at 31 December, a further \$4.75m is expected to be recognised by 30 June 2013 (prior year \$3.79m). Of the remainder of the contracted revenue, \$3.30m is expected to be recognised in the 2014 financial year, \$1.49m in the 2015 financial year and \$1.05m in the 2016 financial year.

For further information contact:

Kyahn Williamson
Buchan Consulting
+61 3 9866 4722 or 0401 018 828
kwilliamson@buchanwe.com.au

Brad O'Connor
CogState Chief Executive Officer
+61 3 9664 1300 or 0411 888 347
boconnor@cogstate.com

About CogState

CogState Ltd (ASX: CGS) is a multi-faceted cognitive assessment and training company, focused on the development and commercialisation of rapid, computerised tests of cognition (brain function). It has three distinct business units:

Clinical Trials: In the clinical drug trial market, CogState technology and associated services are used by pharmaceutical and biotechnology companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials. Since sales into the clinical trials market began in 2004, CogState has secured agreements with top pharmaceutical companies including Pfizer, AstraZeneca, Bristol-Myers Squibb, GlaxoSmithKline, Merck, Johnson & Johnson, Novartis, Lundbeck, Dainippon Sumitomo, Targacept, Otsuka, and Servier.

Axon Sports: The mission of Axon Sports is to “protect and train the athletic brain”. Axon’s focus is to research, develop and deliver cutting edge tools to assess, monitor and improve the athletic brain.

Axon has been developing sport specific training products, initially focussed on American football and baseball, and the resulting technologies have now been launched within a small number of elite US college programs. In addition, the first of Axon’s consumer iPad apps was launched in 2012.

In the area of sports related concussion, CogState’s technology has been used by a number of highly regarded institutions and sporting organisations around the world for almost 10 years. That technology is now marketed to consumers as Axon Sports. Current users of CogState/Axon Sports in Australia include, the AFL and NRL, whilst in the USA elite programs such as the NBA, WNBA, NHL as well as college programs such as University of Notre Dame, University of Michigan and University of Connecticut all use the Axon Sports system.

Healthcare: CogState’s efforts in the Healthcare market are initially focussed on providing tools to primary care physicians (General Practitioners) to assess cognition in patients and allow physicians to identify subtle changes that could be indicative of the early stage of a neurodegenerative disease, such as Alzheimer’s disease. In June 2012, CogState entered into an agreement with Merck Canada Inc. providing it with the exclusive right to market and promote the technology (marketed as Cognigram) to primary care physicians in Canada. First sales from Cognigram will occur in January 2013.