

BUSINESS UPDATE AND DECEMBER QUARTER CASHFLOW RECORD SALES PERFORMANCE AND INCREASED CASH BALANCE

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the second quarter ended 31 December 2016.

SUMMARY OF RESULTS

- **Record sales contracts executed** of US\$23m during 1H17, up 35% on 1H16
- **Record contracted revenue backlog** of US\$32m (A\$44m) at 31 Dec 2016 to be recognised in 2H17 and beyond, up 26% since 30 June 2016
- Recognised revenue of A\$18.5m during 1H17, up 43% on 1H16
- **Record operating cash inflow** of A\$6.7m for 2Q17, taking cash reserves to A\$11.2m
- **Positive 1H17 EBIT guidance** in the range of **A\$1.3m – A\$1.5m**

Note: Cogstate's sales contracts are denominated in US\$, but its functional currency is AUD\$. Figures in this release are quoted in both US\$ and AUD\$ where appropriate.

RECORD HALF FOR NEW SALES AND CONTRACTED REVENUE PIPELINE

- Cogstate executed US\$5.7m of new sales contracts in 2Q17.
- Total value of contracts signed during 1H17 reached US\$23.0m (A\$30.3m), a 35% increase on 1H16 and a new record for a half year.
- Cogstate management is very pleased with the underlying growth trajectory; given the long sales cycle of clinical trials, management expects some lumpiness in quarterly sales figures.

SALES CONTRACTS EXECUTED



- At 31 December 2016, Cogstate had A\$62.5m^{1,2} of contracted Clinical Trials revenue to be recognised in FY17 and later years. Of that contracted amount, A\$30.9m is expected to be recognised in FY17, inclusive of the A\$18.5m recognised in 1H17.
- As indicated by the strong book-to-bill result for the half, during 1H17 Cogstate grew the amount of contracted revenue that will be recognised in the future, from A\$33.9m (US\$25.2M) at 30 June 2016 to A\$43.9m (US\$31.7M) at 31 December 2016, an increase of 29%.

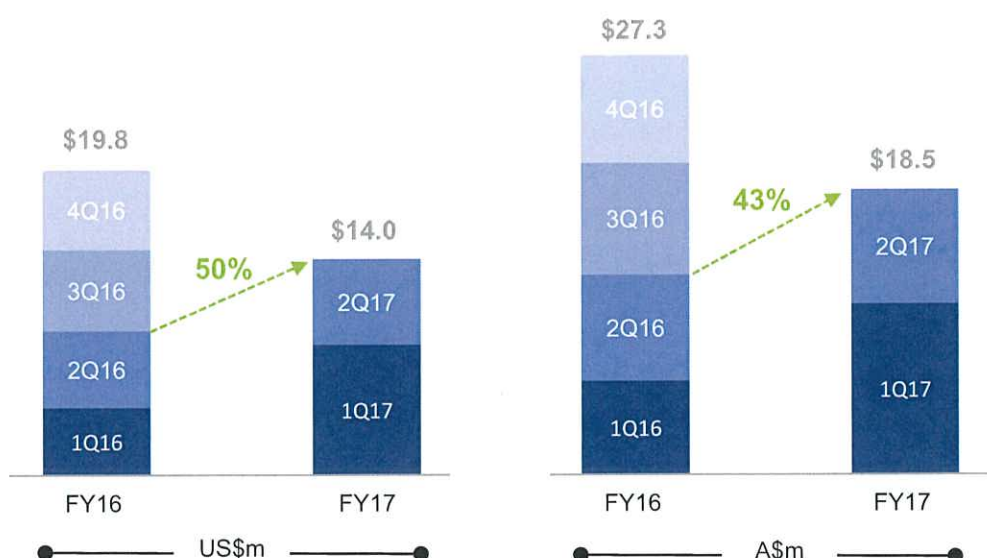
CONTRACTED REVENUE TO BE RECOGNISED IN THE FUTURE



RECORD HALF FOR RECOGNISED REVENUE

- Revenue of A\$7.5m achieved for 2Q17, resulting in record underlying revenue of A\$18.5m (excluding pass-through cost recoveries) for 1H17 (up 43% on 1H16).

RECOGNISED REVENUE



- New contract signings in 2Q17 of A\$7.8m¹ exceeded the A\$7.3m of Clinical Trials revenue booked in the same period representing a quarterly Book-to-Bill ratio of 1.07x. New contract signings have exceeded revenue in nine of the past ten quarters since 1Q15 (Book to Bill ratio >1x), indicating continued growth in the future revenue pipeline.

1. Cogstate received notification that one study had been put on hold and is expected to reinstate in 2018. This contracted revenue (US\$2.4m) has been excluded from the analysis above and will be included when the study is reinstated

2. Contracts are denominated in US\$. Spot rate at 31 December 2016 has been used to calculate the A\$ equivalent. The rate used at 31 December 2016 was 0.7236 and the rate used at 30 June 2016 was 0.743

RECORD OPERATING CASH FLOW AND STRENGTHENED BALANCE SHEET

- Net Operating Cash Inflow was A\$6.7m in 2Q17, reflective of the large receipts from customers during the quarter. Trade receivables at 31 December 2016 were A\$6.1m, down from A\$10.9m at 30 September 2016.
- Cash balance of A\$11.2m at the end of the quarter was 120% higher than at the end of December 2015.

POSITIVE EBIT ACHIEVED

- Cogstate expects to report EBIT in the range of A\$1.3m – A\$1.5m for 1H17.
- In achieving positive EBIT, all software development costs have been expensed in line with company policy. Intangible Assets remain unchanged from 30 June 2016.

OTHER DEVELOPMENTS

- Cogstate remains focused on growth in Clinical Trial opportunities, as well as preparing for launch in the Healthcare market.
- Cogstate welcomed George Hunnewell as Chief Operating Officer and Frank Cheng as President of Healthcare during the quarter. The new senior executives will be attending institutional investor roadshows in late January/early February 2017 alongside Brad O'Connor, CEO.
- Cogstate notes that its functional currency will change to US dollars from 1 July 2017 onwards, bringing reporting into line with the fundamentals of Cogstate's business (approximately 98%+ of Cogstate's revenues and 80%+ of costs are in US dollars).

FUTURE ASX ANNOUNCEMENTS

- Cogstate plans to release its Appendix 4D and Half Year Report for the period to 31 December 2016 on Thursday 23 February 2017.

Quarterly Report – 31 December 2016

Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	31-Dec-16 A\$ million	30-Sep-16 A\$ million	31-Dec-15 A\$ million
<u>Revenue</u>			
Clinical Trials revenue	7.27	11.00	6.45
Other Revenue (incl. Precision Recruitment)	0.19	0.09	0.44
Sub-total	7.46	11.09	6.89
Pass-through Cost Recoveries	1.61	0.51	1.51
Total Revenue	9.07	11.60	8.40
<u>Receivables</u>			
Opening balance	10.85	5.26	6.14
Closing balance	6.09	10.85	6.62
Net Increase/(Decrease) in Receivables	(4.76)	5.59	0.48
<u>Payables</u>			
Opening balance	(3.62)	(4.75)	(2.80)
Closing balance	(4.06)	(3.62)	(4.54)
Net Increase/(Decrease) in Payables	0.44	(1.13)	1.74
<u>Cash Flow</u>			
Cash receipts from customers	15.29	6.90	7.36
Cash payments to employees	(5.72)	(7.46)	(4.38)
Cash payments to suppliers	(2.90)	(1.95)	(2.00)
Cash receipts, non-trading	0.01	0.00	0.03
Net Operating Cash In/(Out) Flows	6.68	(2.51)	1.01
Net Investing Cash In/(Out) Flows	(0.44)	(0.17)	(0.80)
Net Financing Cash In/(Out) Flows	0.33	0.00	0.51
Foreign exchange movement	(0.06)	(0.10)	0.25
Net Increase/(Decrease) in cash held	6.51	(2.78)	0.97

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Cogstate Limited

ABN

80 090 975 723

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	15,289,481	22,192,663
1.2 Payments for		
(a) Staff costs (incl R&D)	(5,722,908)	(13,170,441)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(261,646)	(415,253)
(d) leased assets	(233,397)	(509,483)
(e) administration and corporate costs	(1,425,438)	(2,383,873)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14,184	33,129
1.5 Interest and other costs of finance paid	(1,879)	(5,088)
1.6 Income taxes paid	(119,244)	(163,284)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Accounting & Audit	(65,834)	(100,740)
Computer costs	(282,067)	(524,175)
Legal costs, including patent costs	(50,923)	(73,736)
Listing fees & Associated costs	(40,292)	(62,496)
Travel Costs	(432,299)	(647,903)
1.9 Net cash from / (used in) operating activities	6,675,541	4,169,320

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(436,267)	(608,981)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(436,267)	(608,981)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	333,200	335,600
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	333,200	335,600

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,696,848	7,471,284
4.2	Net cash from / (used in) operating activities (item 1.9 above)	6,675,541	4,169,320
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(436,267)	(608,981)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	333,200	335,600
4.5	Effect of movement in exchange rates on cash held	(57,249)	(155,150)
4.6	Cash and cash equivalents at end of quarter	11,212,073	11,212,073

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	8,380,742	1,830,436
5.2	Call deposits	2,831,331	2,866,412
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,212,073	4,696,848

6. Payments to directors of the entity and their associates

	Current quarter \$A
6.1 Aggregate amount of payments to these parties included in item 1.2	70,000
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1 Loan facilities	500,000	Nil
8.2 Credit standby arrangements	N/A	N/A
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
Bank overdraft and Credit cards (unsecured)		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Staff costs (incl R&D)	(6,379,777)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(322,910)
9.4 Leased assets	(195,625)
9.5 Administration and corporate costs	(1,352,266)
9.6 Other (provide details if material)	
Accounting & Audit	(63,365)
Computer costs	(278,153)
Legal costs, including patent costs	(32,721)
Listing fees & Associated costs	(70,699)
Travel Costs	(312,916)
9.7 Total estimated cash outflows	(9,008,432)

+ See chapter 19 for defined terms.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: _____
(Director/Company Secretary)

Date: 23 JAN 2017

Print name: CINDY TILLEY

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the a