

ASX ANNOUNCEMENT

28 APRIL 2017



BUSINESS UPDATE AND MARCH QUARTER CASHFLOW

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the third quarter ended 31 March 2017.

SUMMARY OF RESULTS

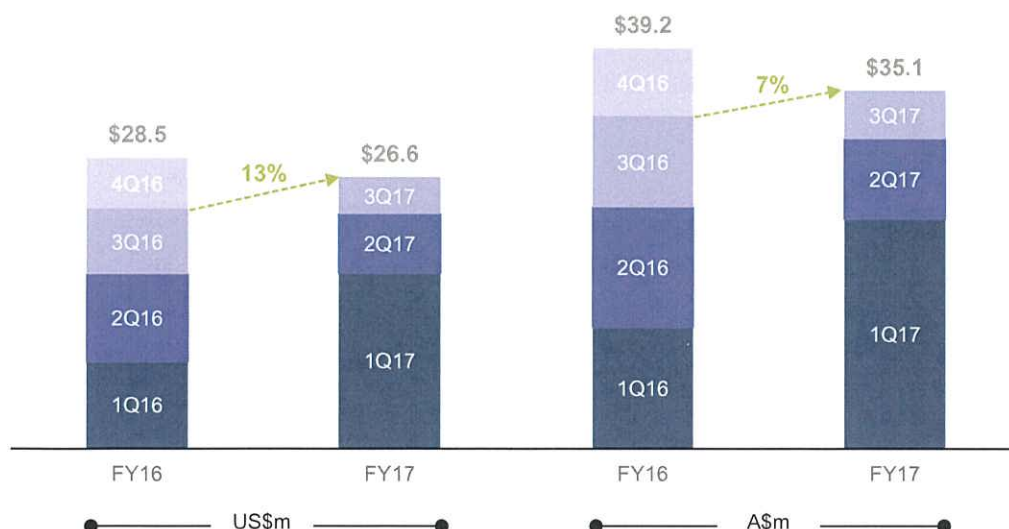
- **Record sales contracts executed of US\$26.6m** during FY17 year to date, up 13% over the same period in FY16
- US\$3.6m of new sales contracts executed in 3Q17
- **Contracted revenue backlog of US\$29.0m** (A\$38.0m) at 31 March 2017 to be recognised in 4Q17 and beyond, up 15% since 30 June 2016
- **Recognised revenue of A\$9.1m during 3Q17**, up 23% on 3Q16; recognised revenue during FY17 year to date of A\$27.7m, up 37% over the same period in FY16
- **Cash balance of A\$9.3m** at 31 March 2017

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

SALES AND CONTRACTED REVENUE PIPELINE

- Total value of contracts signed during FY17 year to date reached US\$26.6m (A\$35.1m), a 13% increase on the prior comparable period.
- Cogstate executed US\$3.6m of new sales contracts in 3Q17. As previously guided, the execution timing of new sales contracts is expected to continue to be lumpy.
- Cogstate management remains confident with the continued underlying growth trajectory of the Clinical Trials business.

SALES CONTRACTS EXECUTED



- At 31 March 2017, Cogstate had A\$65.1m^{1,2} of contracted Clinical Trials revenue to be recognised in FY17 and later years. Of that contracted amount, A\$33.1m is expected to be recognised in FY17, inclusive of the A\$27.1m already recorded.
- During FY17 Cogstate has grown the amount of contracted Clinical Trials revenue that will be recognised in the future, from A\$33.9m (US\$25.2m) at 30 June 2016 to A\$38.0m (US\$29.0m) at 31 March 2017, an increase of 12%.

CONTRACTED REVENUE TO BE RECOGNISED IN THE FUTURE



RECOGNISED REVENUE³

- Revenue of A\$9.1m achieved for 3Q17, resulting in record underlying revenue of A\$27.7m (excluding pass-through cost recoveries) for FY17 year to date (up 37% over the same period in FY16).

RECOGNISED REVENUE



Note: as per accounting standards, exchange rates at the end of the period are used for converting contracted revenue, while exchange rates at the point of execution and recognition are used for sales contracts executed and recognised revenue

- Cogstate received notification that one study had been put on hold and is expected to reinitiate in 2018. This contracted revenue (US\$2.4m) has been excluded from the analysis above and will be included when the study is reinitiated
- Contracts are denominated in US\$. Spot rate at 31 March 2017 has been used to calculate the A\$ equivalent. The rate used at 31 March 2017 was 0.769 and the rate used at 30 June 2016 was 0.743
- Recognised revenue for 2017YTD includes other revenue from Precision Recruitment, Sport/Brain Injury, Healthcare and other activities

OPERATING CASH FLOW AND BALANCE SHEET

- Net Operating Cash Outflow was A\$1.7m in 3Q17, reflecting the investment in operational, commercial and business development staff to support further growth.
- Cash balance of A\$9.3m at the end of the quarter was down from A\$11.2m at 31 December 2016 and 188% higher than at the end of March 2016 (A\$4.9m).
- Trade receivables at 31 March 2016 were A\$6.2m, slightly up from A\$6.1m at 31 December 2016, in line with the increase in recognised revenue since the last quarter.

OTHER DEVELOPMENTS

- In January 2017, Dr. Richard Mohs and Jane McAloon were appointed as Independent Non-Executive Directors to the Cogstate Board. Dr. Richard Mohs' extensive neuro-science knowledge and Jane McAloon's invaluable commercial experience are highly complementary skill sets that further strengthens the leadership of Cogstate.
- Cogstate remains focused on accelerating the commercial success of its Clinical Trials division and preparing for entry into the Healthcare market. Further investment in operational and commercial staff continues, and is reflected in full-time equivalent employee numbers increasing to 158 at 31 March 2017 (from 130 at 30 June 2016 and 152 at 31 December 2016).
- Cogstate remains positive on its growth opportunities, with limited impact expected from recent unsuccessful research studies in the US. Management expects investment into Alzheimer's Disease research by major pharmaceutical companies to continue, given the pressing need for solutions to the condition and potential market opportunity. Cogstate continues to work closely with leading industry players to support their clinical trials and further enhance the power of our solutions.
- 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).

Quarterly Report – 31 March 2017
Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	31-Mar-17 A\$ million	31-Dec-16 A\$ million	31-Mar-16 A\$ million
<u>Revenue</u>			
Clinical Trials revenue	8.92	7.27	7.14
Other Revenue (incl. Precision Recruitment)	0.22	0.19	0.15
Sub-total	9.14	7.46	7.29
Pass-through Cost Recoveries	0.45	1.61	0.70
Total Revenue	9.59	9.07	7.99
<u>Receivables</u>			
Opening balance	6.09	10.85	6.62
Closing balance	6.18	6.09	6.23
Net Increase/(Decrease) in Receivables	0.09	(4.76)	(0.39)
<u>Payables</u>			
Opening balance	(4.06)	(3.62)	(4.54)
Closing balance	(3.81)	(4.06)	(3.72)
Net Increase/(Decrease) in Payables	(0.25)	0.44	(0.82)
<u>Cash Flow</u>			
Cash receipts from customers	7.81	15.29	8.29
Cash payments to employees	(6.78)	(5.72)	(4.82)
Cash payments to suppliers	(2.76)	(2.90)	(4.02)
Cash receipts, non-trading	0.02	0.01	0.00
Net Operating Cash In/(Out) Flows	(1.71)	6.68	(0.55)
Net Investing Cash In/(Out) Flows	(0.36)	(0.44)	(0.18)
Net Financing Cash In/(Out) Flows	-	0.33	0.33
Foreign exchange movement	0.12	(0.06)	0.24
Net Increase/(Decrease) in cash held	(1.95)	6.51	(0.16)

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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 March 2017

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	7,809,354	30,002,017
1.2 Payments for		
(a) Staff costs (incl R&D)	(6,781,647)	(19,952,088)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(225,648)	(640,901)
(d) leased assets	(193,716)	(703,199)
(e) administration and corporate costs	(1,791,278)	(4,175,151)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17,748	50,877
1.5 Interest and other costs of finance paid	(3,299)	(8,387)
1.6 Income taxes paid	(7,167)	(170,451)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Accounting & Audit	(80,410)	(181,150)
Computer costs	(74,501)	(598,676)
Legal costs, including patent costs	(36,864)	(110,600)
Listing fees & Associated costs	(20,148)	(82,644)
Travel Costs	(325,255)	(973,158)
1.9 Net cash from / (used in) operating activities	(1,712,831)	2,456,489

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(362,363)	(971,344)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(f) property, plant and equipment	-	-
	(g) businesses (see item 10)	-	-
	(h) investments	-	-
	(i) intellectual property	-	-
	(j) 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	(362,363)	(971,344)

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	-	-
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	-	-

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 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	11,212,073	7,471,284
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,712,831)	2,456,489
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(362,363)	(971,344)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	335,600
4.5	Effect of movement in exchange rates on cash held	119,528	(35,622)
4.6	Cash and cash equivalents at end of quarter	9,256,407	9,256,407

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	5,788,298	8,380,742
5.2	Call deposits	3,468,109	2,831,331
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)	9,256,407	11,212,073

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	95,959
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
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	2,045,000	12,122
8.2 Credit standby arrangements	88,784	88,784
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 (\$500k)
Credit cards (\$45k)
Trade finance facility (\$1.5m)
Bank Guarantee (\$89k)

9. Estimated cash outflows for next quarter	\$A
9.1 Staff costs (incl R&D)	(6,810,763)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(58,858)
9.4 Leased assets	(255,851)
9.5 Administration and corporate costs	(1,195,901)
9.6 Other (provide details if material)	
Accounting & Audit	(67,394)
Computer costs	(421,561)
Legal costs, including patent costs	(24,720)
Listing fees & Associated costs	(42,791)
Travel Costs	(254,759)
9.7 Total estimated cash outflows	(9,132,598)

+ 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: CN Sinclair Date:28 April 2017.....
Company Secretary

Print name: CLAIRE NEWSTROM-SINCLAIR

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