



ASX Announcement

Melbourne, 29 July 2011

CogState

CogState (ASX:CGS) today provided further details of its financial results for the year ended 30 June 2011 along with an update in respect of progress that has been made over the last year in the sports and dementia screening markets.

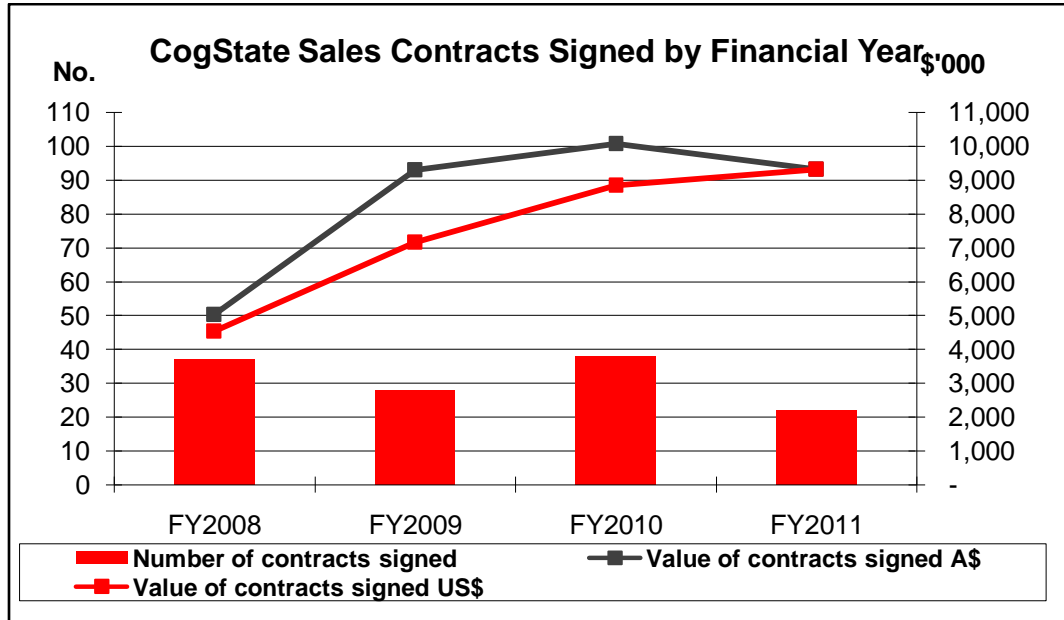
Highlights

- Strong second half sales performance provided a 5.4% increase in clinical trial sales contracts for the year
- US\$3.9m of contracted clinical trials revenue to be recognised in FY12
- Cost reduction strategy implemented to improve margins in clinical trials
- Axon Sports initial success in USA and Australia, but critical back-to-school sales period just commencing
- Validation of CogState technology as a useful tool in screening for dementia continues

Clinical Trials Sales Contracts

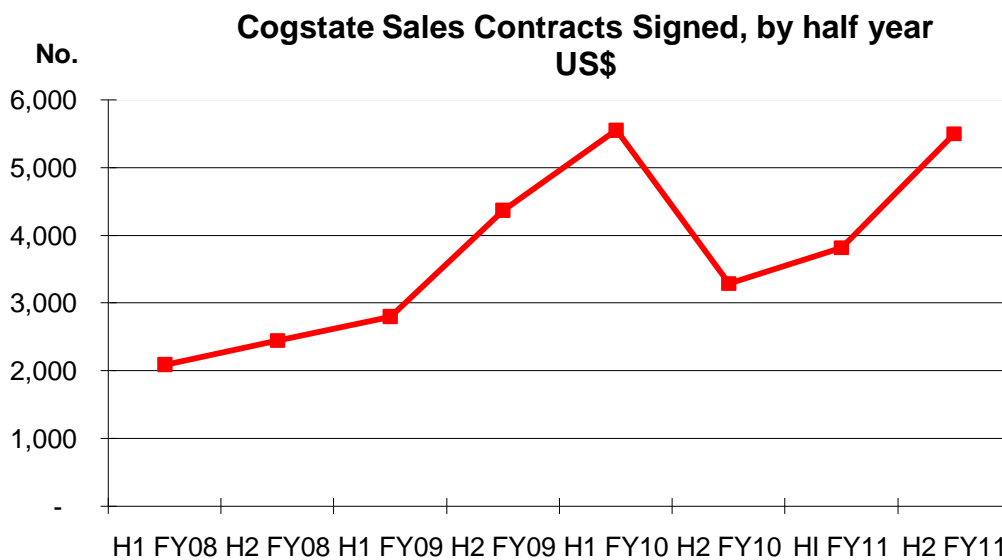
In the area of clinical trials, CogState signed sales contracts to the value of US\$9.3 million for the year to 30 June 2011, an improvement of 5.4% on the previous year.

CogState sales contracts are denominated in US dollars. The Australian dollar value of sales contracts signed in FY2011 was impacted negatively by the strong Australian dollar. The graph below shows the impact that the rising value of the Australian dollar has had on CogState sales contracts:



CogState recorded its strongest half year sales result in the period 1 January 2011 to 30 June 2011. Sales contracts signed in the second half of the financial year totalled US\$5.5 million, compared to US\$3.8 million in the first half of the year.

The graph below clearly shows the increased activity recorded in the second half of the 2011 financial year.



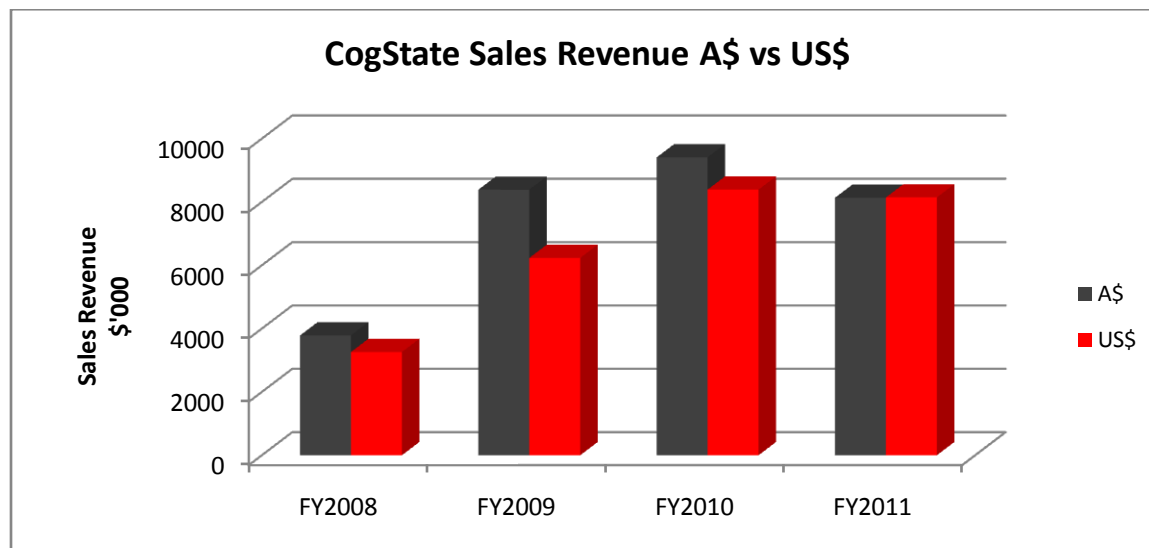


Contracted Sales Revenue – FY11 and Beyond

As a result of the increased value of sales contracts signed in the second half of FY11, CogState is well placed for an improved financial performance for the 2012 financial year. As at 30 June 2011, CogState had US\$5.5 million (FY10: US\$3.8m) of contracted revenue that will be recognised in future periods, of which US\$3.9 million (FY10: US\$3.0m) is expected to be recognised in the coming financial year.

Clinical Trials Sales Revenue

Notwithstanding the increase in the value of sales contracts signed during the 2011 financial year, CogState recorded a decrease in recognised sales revenue of for the 2011 financial year. Measured in Australian dollars, CogState recorded A\$8.1 million revenue, a 14% decrease on the previous year (A\$9.5 million). However, when measured in US dollars, the decrease was 3% (FY11 US\$8.1m compared to FY10 US\$8.4m)



Cost Reduction Implemented

The stronger Australian dollar has reduced profit margins at CogState. Therefore in June 2011, CogState undertook a restructure which reduced headcount by 13 people (28% of total headcount) resulting in a gross annual cost saving of over \$1 million inclusive of wages and on-costs. The \$0.2 million restructure costs associated with termination of employment of the 13 staff were fully expensed in June 2011. The benefit of the cost savings from the restructure will be seen in the 2012 financial year results.

During the 2012 financial year, CogState expects to add approximately \$0.35 million of USA based costs to operating expenditure relating to additional roles within the clinical trial business. CogState will continue to seek to align its cost base with its US dollar denominated sales income.



After taking into account the additional costs associated with these new roles, net operating cost reductions in respect of the 2012 financial year are expected to be in the order \$0.65 million.

Axon Sports Progress

CogState is aggressively pursuing the commercialisation of its technology in the sports area through its joint venture, Axon Sports.

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

Within the USA, the appropriate management of sports-related concussion is being mandated at high school and college level by state based legislation. The map below shows the progress of legislation through the various states:



The key sales period for Axon Sports is the back-to-school period commencing August 2011. Significant sales effort is being exerted currently to maximise opportunities over the coming 3-5 months.

Significant initial success has been achieved by Axon Sports.

In the USA last month, the Mayo Clinic in Arizona announced that they will be providing baseline cognitive tests to all high school students in the State of Arizona (approx 106,000 students) at no cost to the individual. The Mayo clinic will purchase test credits from Axon Sports and then provide the system to the athletes. The Axon Sports system was chosen after a review of the all available testing systems.



In Australia, Axon Sports has also achieved significant success in a relatively short time. On the back of CogState's existing relationship with the AFL, Axon Sports has partnered with Toyota to provide the Axon Sports test to 130 football clubs as part of Toyota's "Good For Footy" program. The sponsorship by Toyota in Australia will make the Axon Sports test available to approximately 25,000 athletes in 2012 at no cost to the athlete.

Dementia Screening Progress

CogState has also made significant progress over the last year in the area of dementia screening. CogState is working to commercialise its technology as a tool for clinicians to assist in the identification and treatment of Alzheimer's disease and other types of dementia.

Alzheimer's disease is a progressive neurodegenerative disease affecting more than 37 million people worldwide. It is the most common type of dementia in the elderly. The economic and health impacts of Alzheimer's disease is expected to intensify as the average age of populations increase.

CogState is participating in a large study called the Australian Imaging, Biomarkers and Lifestyle (AIBL) study which is being run in conjunction with a number of bodies including the CSIRO, Alzheimer's Australia, Neurosciences Australia, Mental Health Research Institute of Victoria and others. AIBL is a prospective longitudinal study of aging comprised of patients with Alzheimer's disease, Mild Cognitive Impairment and healthy volunteers. Already the AIBL study has provided additional data showing that performance on the CogState tests is abnormal in adults with clinically defined Alzheimer's disease and also those who have been shown to be at risk for Alzheimer's disease because they meet agreed clinical criteria for mild cognitive impairment.

In addition, in other studies, CogState has been able to identify otherwise healthy older adults whose cognitive function is deteriorating over time. When tested with new biomarkers for cerebral amyloid, such as Pittsburgh compound B (PIB), we have shown a strong correlation between declining cognitive performance as measured by the CogState tests and a positive result when tested for cerebral amyloid.

In July 2011, CogState co-founder, Dr David Darby took an academic position at the Florey Neurosciences Institutes to continue his work in community screening research utilising CogState technology. Dr Darby will continue as a consultant to CogState after ceasing full-time employment in July 2011.

CogState has initiated very early stage discussions with two large international pharmaceutical companies with the aim of making the CogState technology available to clinicians as a low cost, non-invasive, screening tool that could be provided within a clinician's surgery.



About CogState

CogState Ltd (ASX: CGS) specialises in the development and commercialisation of rapid, computerised tests of cognition (brain function). To date, CogState has commercialised its technology in two markets – clinical drug trials and concussion management in sport.

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, Otsuka, and Servier.

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. Current users include, University of Notre Dame, University of Michigan, English Rugby League, English Jockey Club, and a number of national and international Rugby League and Rugby Union clubs. In Australia, both the AFL and NRL have mandated computerised cognitive testing, using CogState.

CogState has established a joint venture in the USA, called Axon Sports, to market its concussion management technology. Axon Sports has an exclusive license to market and sell the CogState technology in the area of sports and related concussions within North America (USA, Canada, Mexico).

For further information:

Brad O'Connor, Chief Executive Officer, CogState Ltd.

Ph: 03 9664 1300 Mob: 0411 888 347 boconnor@cogstate.com