



ASX Announcement

Melbourne, 28 January 2009

CogState Reports First Profitable Half Year

Highlights:

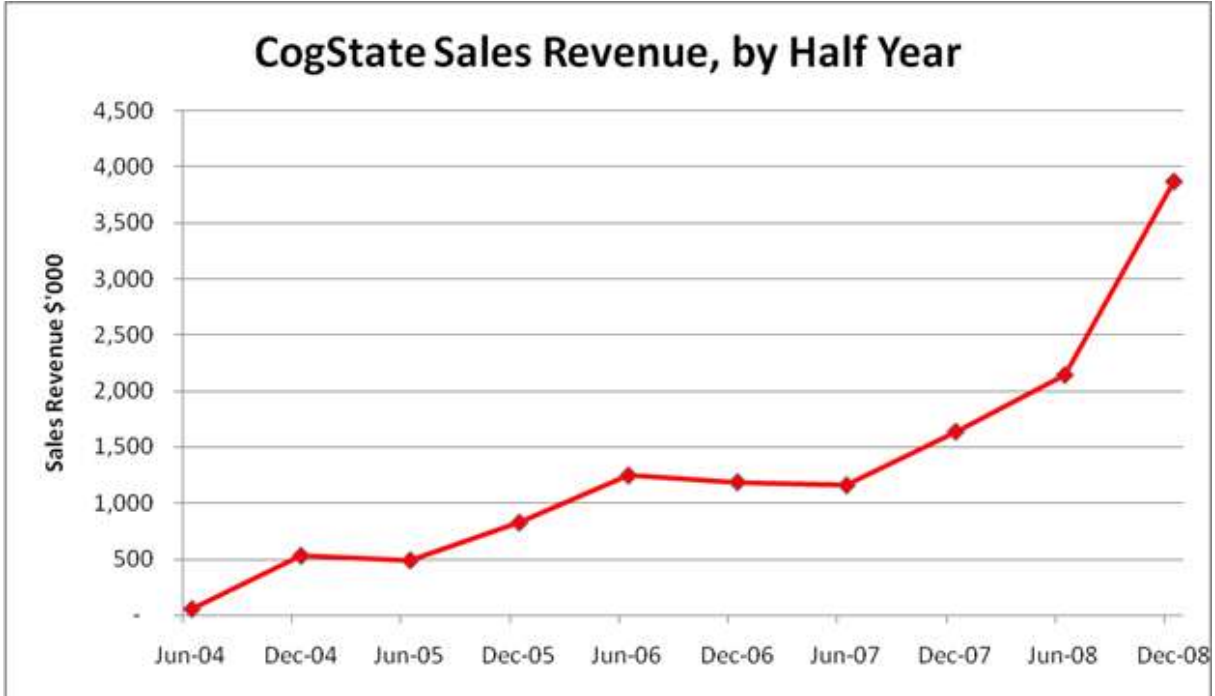
- **Expected half yearly net profit after tax of approximately \$1.2million - \$1.3 million**
- **\$3.87 million sales revenue for the half year (136% growth)**
- **\$6 million sales revenue for the 12 months ended 31 December 2008**
- **\$0.5 million net cash inflow from operations for the half year**
- **\$1.0 million net cash inflow from operations for the calendar year**
- **Approximately \$4m of cash and debtors as at 31 December 2008**

CogState Ltd (ASX:CGS) today announced a maiden profit result for the half year ended 31 December 2008. The expected Group net profit after tax is approximately \$1.2 million - \$1.3 million, although this amount is still subject to completion of the half-yearly review by the Group's auditors. Full details of the profit will be available upon release of the half year financial statements on 25 February 2009.

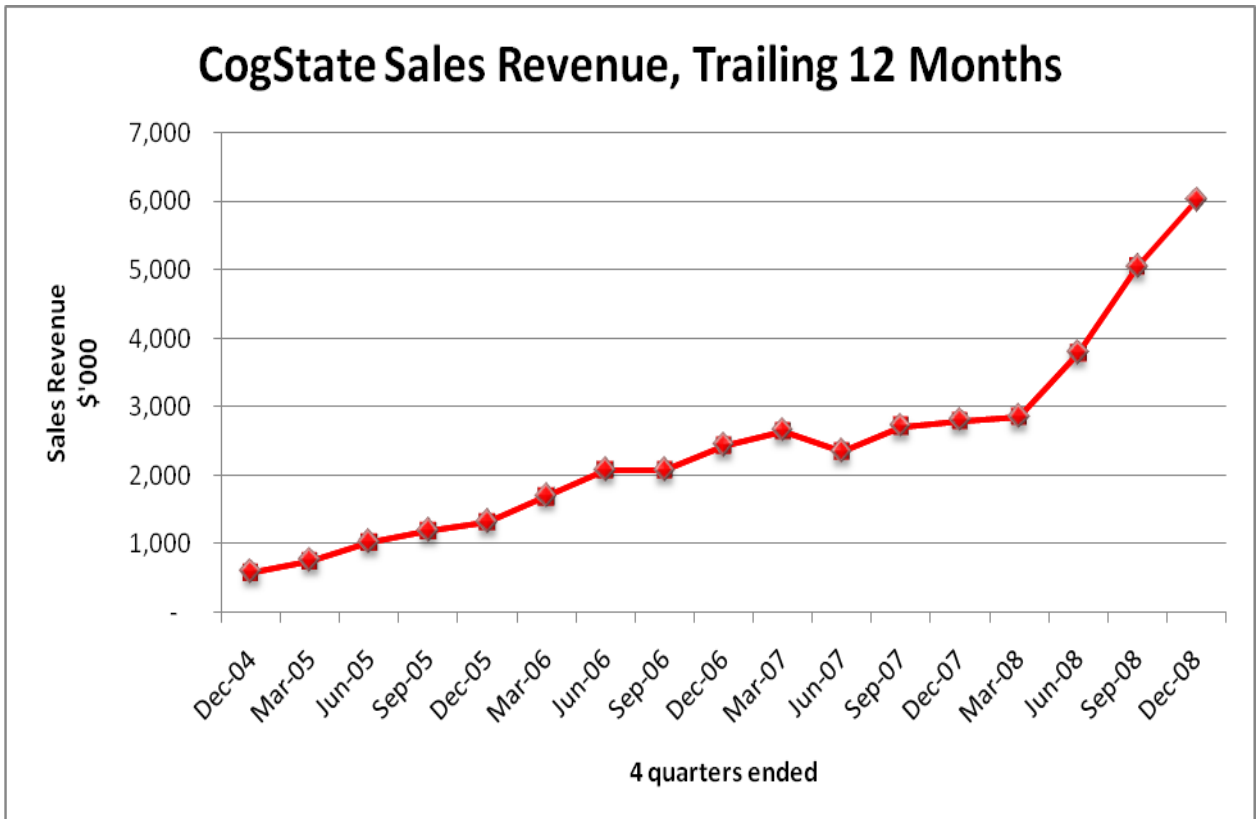
The profit result, which exceeded guidance provided at the CogState AGM in October, was driven by sales revenue of \$3.87 million for the half year. Revenue for the half year grew by 136% compared to the half year ended 31 December 2007 (\$1.64 million).

Sales growth was driven predominantly by the continued acceptance of the CogState technology for use in larger, later stage clinical drug trials. CogState began making regular sales of its technology into clinical drug trials in 2004. Initial interest was for use in smaller phase I trials, where CogState could be evaluated in a low cost, low risk manner. Customer satisfaction with the performance of the CogState technology and services has resulted in the use of CogState in a number of phase II and III trials by new and existing clients in the past year.

The phase II and III trials, often conducted over two or more years, provide more revenue to CogState per trial. CogState's milestone based revenue recognition model mean that the larger trials generate revenue over the life of the contract, thereby providing CogState with a contracted future revenue base. Along with the impact of new contracts that were signed during the half year just finished, the CogState sales result also reflects the impact of larger contracts signed during the June 2008 financial year, which continued to generate revenue into the current financial year.



The revenue result continues CogState's trend of revenue growth. Revenue recorded for the 12 months to 31 December 2008 exceeded \$6 million, a 59% improvement on the \$3.8 million revenue recorded for the twelve months to 30 June 2008.





Favourable Foreign Exchange Conditions

CogState's profit was also enhanced by favorable foreign exchange conditions. CogState's sales contracts are denominated in US dollars and therefore the falling Australian dollar, relative to the US dollar, has increased the value of sales contracts and associated revenues.

At 30 June 2008, CogState had on hand contracts that would generate almost A\$2 million of revenue in future periods. CogState also had trade debtors of A\$0.6 million due from customers at 30 June 2008. These figures were calculated at prevailing exchange rates that were in the order of US\$0.95 per A\$1.00. The falling Australian dollar has resulted in a significant increase in revenues and cash receipts from those contracts and outstanding debtors balances.

The half year profit result includes foreign exchange gains in excess of A\$0.6 million.

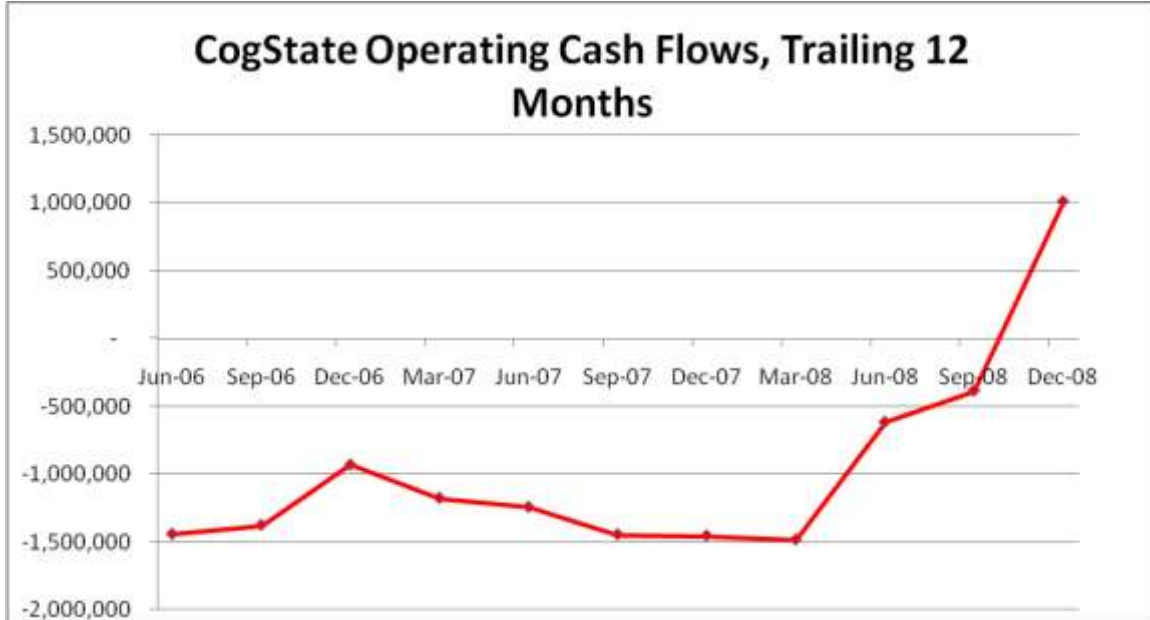
CogState will continue to benefit from the favourable foreign exchange conditions through increased A\$ margins, until such time as we see an increase in the value of the Australian dollar, relative to the US dollar. CogState sales contracts are denominated in US dollars, providing CogState with an increase in the value of revenue receipts (when measured in Australian dollars).

The foreign exchange rate benefits were somewhat offset by an increase in the costs of CogState's US operations, when measured in A\$.

Operating Cash Inflow

CogState also released today its quarterly cash flow report in respect of the quarter ended 31 December 2008.

In addition to recording a profitable accounting result for the half year to 31 December 2008, CogState recorded a significant operating cash inflow for both the half year and the full year ended 31 December 2008. For the half year, net cash inflows from operations totaled \$0.5 million while, for the full year, net cash inflows from operations exceeded \$1 million.



As at 31 December 2008, CogState held combined cash and debtors of \$4 million, made up of cash reserves of \$2.8 million and trade debtors of \$1.2 million. Of total trade debtors, 90% was less than 30 days old and within normal trading terms. All debtors at 31 December 2008 were considered collectible.

About CogState

CogState Ltd (ASX: CGS) specialises in the development and commercialisation of rapid, computerised tests of cognition (brain function). The tests are sold to pharmaceutical, biotechnology, nutraceutical and functional food 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 organisations including Pfizer, AstraZeneca, GlaxoSmithKline, Merck, Abbott Laboratories, Centres for Disease Control (USA), ALZA Corporation (a member of the Johnson and Johnson group), Lundbeck and Organon USA. CogState is currently expanding its existing activities in the US and European clinical trial markets. For additional information:

Brad O'Connor
Chief Executive Officer
CogState Ltd.
03 9664 1300
Mob: 0411 888 347
boconnor@cogstate.com