



MARKET RELEASE

5 February 2004

Cogstate Limited

Cogstate Limited has applied for admission to the official list of Australian Stock Exchange Limited and for quotation of its securities. It has been given a provisional ASX code. Provision of an ASX code and publication of the following information does not mean that the entity will be admitted or that its securities will be quoted.

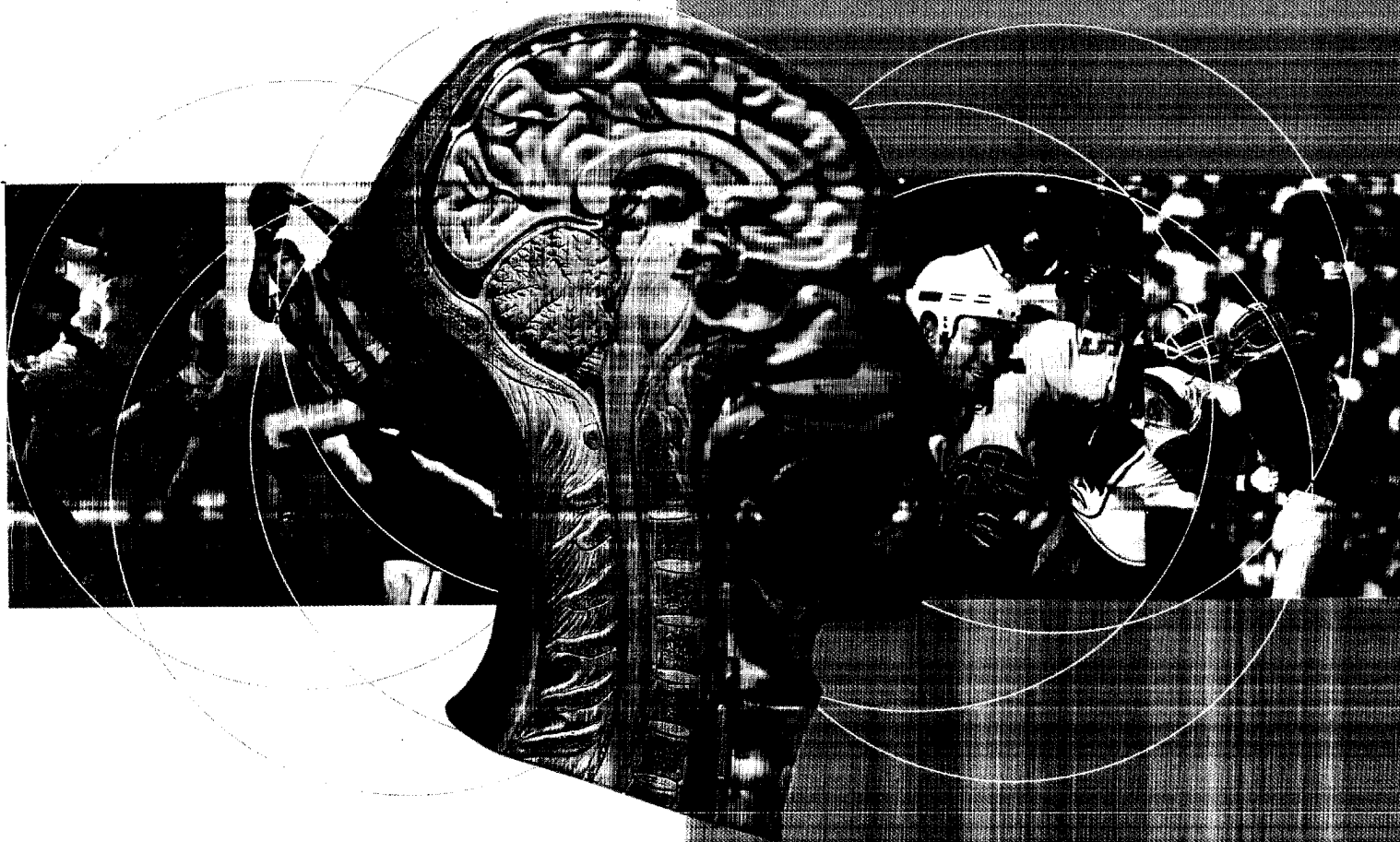
Pam Ross
Manager Company Announcements Office



CogState Limited ABN 80 090 975 723

Prospectus

A fully underwritten offer
for 11,000,000 Shares at
an issue price of \$0.50 to
raise \$5,500,000 with the
right to accept oversubscriptions
for a further 3,000,000 Shares



Underwriter and
Lead Manager



Financial
Advisors

Directors

Mr Martyn Myer	Chairman
Dr Peter Bick	Chief Executive Officer
Dr Geoff Brooke	
Assoc Prof Dr David Darby	
Mr Richard Morgan	

Company Secretary

Mr Andrew Lord

Registered Office and Principal Place & Business

51 Leicester Street
Carlton 3053

Underwriter and Lead Manager

Emerging Growth Capital Limited
Level 2, 52 Phillip Street Sydney 2000

Financial Advisor

Winstar Partnership Limited
Level 4, 22 Pitt Street Sydney 2000

Legal Advisor

Menzies & Partners
Level 9, 356 Collins Street Melbourne 3000

Auditors

Ernst and Young
120 Collins Street Melbourne 3000

Independent Accountant

Ernst and Young
120 Collins Street Melbourne 3000

Patent Attorney

Watermark
Ground Floor, The Glasshouse,
290 Burwood Road Hawthorn 3122

Independent Technology Consultant

Acuity Technology
Management Pty Ltd
83 Manning Road
Malvern East 3145

Share Registry

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street Melbourne 3000

IMPORTANT INFORMATION

This Prospectus is dated 3 December 2003.

A copy of this Prospectus was lodged with ASIC on 3 December 2003. Neither ASIC nor ASX, or any of their officers, take any responsibility for the contents of this Prospectus.

No applications for Shares will be accepted nor will Shares be issued on the basis of this Prospectus:

- earlier than seven days after the lodgement of this Prospectus with ASIC or any longer exposure period required by ASIC under section 727(3) of the Corporations Act 2001; or
- later than thirteen months after the date of this Prospectus.

This Prospectus has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any other country. The Shares the subject of this Prospectus have not been, nor will they be, approved by, nor registered with any regulatory authority of any other country.

This Prospectus does not constitute an offer to any person or in any jurisdiction in which it would not be lawful to issue this Prospectus.

The Company will place this Prospectus on the Company's website at www.CogState.com.

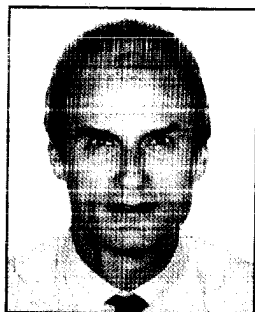
Investors can only apply for Shares using the Application Form attached to this Prospectus. The Application Form must not be circulated or handed on to prospective investors unless accompanied by a copy of this Prospectus.

This Document is important and should be read in its entirety. The Shares offered by this Prospectus should be considered as a speculative investment. You should consult your professional advisor about the contents of this Prospectus.

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CHAIRMAN'S LETTER



On behalf of the Board of CogState Ltd I am delighted to have the opportunity to commend this investment to you and look forward to welcoming you as a shareholder.

CogState Ltd is an Australian Company involved in both the diagnostic and therapeutic sectors of neuroscience.

The Company's key strengths include an experienced and skilled team, novel products, established markets, established sales and an established reputation. Additionally, credible professional and private investors have provided consistent continued support for the Company.

That support continues, via the commitment of certain existing shareholders to subscribe for a minimum of 10% of the Shares offered by this Initial Public Offering.

The CogState Diagnostics Division has developed, and is now marketing globally, a test of cognitive function. In the space of 2 years it has achieved sales to some of the worlds' largest pharmaceutical companies, including Pfizer, Johnson & Johnson, elite sporting bodies such as the Jockey Club of Great Britain, the Wallabies, the UK Rugby Union, Stanford University, Notre Dame University, as well as overseas government bodies, including the Centers for Disease Control in the United States.

CogState Ltd looks forward to expanding its sales team and capitalising on success to date.

The CogState Therapeutics Division has adopted the established business model of in-licensing specifically chosen central nervous system drugs for development, managing and funding the development of those drugs, and then seeking commercialisation partners. Key strengths of the Company are its demonstrated ability to find, evaluate, negotiate and close technology deals from around the world.

The Board and management have worked together cohesively to use their business and scientific skills in building both a diagnostic business and a therapeutic business.

From my experience in manufacturing industry I have learned the value of cash flow as an underlying basis for growth.

Revenue and cash flow are not factors normally associated with the terms biotech or neuroscience; CogState Ltd has a business model wherein revenues from its diagnostic products business stream are being used to offset, in part, expenses from its therapeutic projects to develop drugs that may benefit individuals with Alzheimer's disease and Parkinson's disease.

Please read this Prospectus carefully. It contains detailed information regarding the operations of CogState Ltd, its strategies and objectives, financial position, and the potential risks associated with an investment in the Company.

The Board believes that an investment in CogState Ltd represents an excellent opportunity to become involved our endeavour to build a world class neuroscience diagnostic and therapeutic company.

I commend the Company and the opportunity it presents to you.

Martyn Myer

Chairman



CogState™ 

Investment Overview

INVESTMENT HIGHLIGHTS

Diversified Business Model

CogState Ltd's business is focused on both diagnostic and therapeutic products for neurodegenerative diseases. Two business streams diversify risk and enhance future opportunities.

Diagnostic Division Revenue Model - Developed Products Being Sold

Diagnostic product sales commenced in October 2001. The establishment of sales demonstrates the ability of the CogState Ltd team to achieve product commercialisation.

Validating Customers/ Global Sales

The number, broad geographic reach and nature of customers for the diagnostic products validate the technology.

Scalability and Low Cost of Goods

The Company's computer based diagnostic products are simple to use. They are delivered and analysed via the internet, allowing high margins and a potential for easy scalability.

Portfolio of R&D Targets

Two preclinical stage therapeutic projects are being pursued because of their fit to the Company's defined scientific and commercial parameters and their potential to fulfil unmet clinical needs.

Therapeutic Division Revenue Model

No upfront payments with negotiated milestone and royalty payments are payable to licensors in the two current projects. Upon the completion of early clinical drug development (at the end of Phase II), or earlier, CogState Ltd intends to partner with pharmaceutical companies to fund advanced clinical studies, and if successful, obtain milestone and royalty income streams.

CogState Ltd is continuing to assess new technologies with a view to their being in-licensed, in order to maintain two lead development projects.

Cohesive, Experienced Team

An experienced team at both board and management level with an established track record of working together.

Sound Investor Base

From its foundation CogState Ltd has been supported through several rounds of funding by private equity investors including The Australian Bioscience Trust which is managed by GBS Venture Partners Limited (formerly Rothschild Bioscience Managers Limited), Jolimont Ventures Limited, and Mr Martin Myer. The Company has received Australian Government grants, including a STARI grant and two Austrade Export Market Development Grants. In addition certain existing investors are subscribing for shares in the IPO.

OFFER SUMMARY AND KEY DATES

Offer Summary

CogState Ltd is seeking to raise \$5,500,000 through the fully underwritten Offer of 11,000,000 million new shares at an issue price of \$0.50 each with the right to accept oversubscriptions for a further 3,000,000 Share to raise an additional \$1,500,000.

Amount to be raised (excluding oversubscriptions)

Amount to be raised	\$5,500,000
Offer price per Share	\$0.50
Number of new Shares being offered under this Prospectus	11,000,000

Number of Existing Shares (immediately prior to the allotment of new Shares under the Offer).....	21,647,669
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Number of Existing Options (including Employee Options) (immediately prior to the allotment of new Shares under the Offer).....	6,369,790
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Total number of Shares immediately after allotment of new Shares under the Offer*	32,647,669
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Total number of Options immediately after allotment of new Shares under the Offer.....	6,369,790
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Indicative market capitalisation on quotation of the Company at the Offer Price*	16,323,835
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*assuming no oversubscriptions accepted.

Indicative Key Dates

Prospectus lodged with ASIC	3 December 2003
Opening Date	12 December 2003
Closing Date	16 January 2004
Expected date for dispatch of transaction confirmation statements	23 January 2004
Expected date for the quotation of the Company's shares on the ASX	28 January 2004

The Directors expressly reserve the right to vary the Offer dates. The Directors also reserve the right not to proceed with the offer. In that case application moneys will be returned without interest. In any event no Application Form for Shares will be accepted, nor will shares be issued until the expiry of a minimum period of seven days or any longer exposure period required by ASIC under section 727(3) of the Corporations Act, after lodgement of this Prospectus with ASIC.

INVESTMENT OVERVIEW

Business Overview

CogState Ltd was established in 1999 with headquarters in Melbourne. It is involved in neuroscience, particularly the development and commercialisation of products for neurodegenerative disorders and conditions, chosen because of the significant market opportunities this sector represents.

Diagnostic Division

CogState Ltd's diagnostic tools provide rapid and accurate measurement of cognitive function (decision making, problem solving, psychomotor function, learning and memory) for pharmaceutical companies, sporting organisations, medical practitioners and occupational health organisations.

The tests.

- are distributed and analysed via the internet,
- are independent of language and culture,
- provide an accurate measurement of change by comparing an individual's performance to themselves,
- do not require a skilled administrator,
- are sold on a per use basis,
- are cost effective.

First sales were achieved in October 2001.

Users now number over 50 and include major corporations such as Pfizer, Johnson & Johnson, elite sporting bodies such as the Australian Football League, South African Rugby Football Union and the Jockey Club of Great Britain. To date sales and marketing have been conducted on either a one-to-one basis or at industry conferences. CogState Ltd looks forward to expanding the extent and nature of the marketing and sales program.

Therapeutic Division

The Therapeutic Division is developing two drug projects, which have the potential to be used in the treatment of a number of neurodegenerative disorders including Alzheimer's disease and Parkinson's disease. The market for pharmacological treatments of neurodegenerative disorders is substantial and growing, with very few drugs available having the ability to prevent further decline in sufferers. The Company's strategy is to utilise internal resources and know-how to find, evaluate, negotiate and in-license compounds in the early preclinical stage of drug development that have the potential to treat these disorders. It is the intention of CogState Ltd to subsequently on-license these products to commercialisation partners.

CogState Ltd is continuing to assess new technologies and conduct due diligence and negotiations on an ongoing basis as a part of its normal business activities with a view to their being in-licensed so as to maintain at least two lead development projects. These new technologies include intellectual property to add to the portfolio of existing projects as well as novel project technologies both from Australia and globally. They include intellectual property and collaborations in the field of diagnostic products as well as therapeutic products.

Corporate Objectives and Strategy

- To use the skills and experience of management in both the distribution of diagnostic products and the development of therapeutic products in the field of neurological disorders and conditions.
- To channel a portion of the resources created by the diagnostic products to facilitate the development of the therapeutic products.
- To remain an organisation with low overheads by outsourcing the distribution of diagnostic products to maximise market penetration and to outsource the development of the therapeutic products against hard developmental milestones.

Purpose of the Offer

The purpose of the offer is to fund the expansion of marketing and sales of the existing CogState diagnostic products and to fund ongoing research and development and project management for the CogState Therapeutics Division. The funding will also assist CogState Ltd to retain the services of top calibre employees, to pay the costs of the offer, and to increase the Company's public profile, both domestically and overseas.

Board and Management

The Board of CogState Ltd has an outstanding mix of academic, research and development, commercialisation and venture capital experience.

Mr Martyn Myer, Dr Geoff Brooke and Associate Professor David Darby (who, with Professor Paul Maruff, was primarily responsible for conceiving and developing the diagnostic tests) have operated together as a cohesive Board guiding the growth of CogState Ltd since its foundation. Their skills and experience were supplemented by the addition of Richard Morgan to the Board in 2003.

CogState Ltd is led by Chief Executive Officer Dr Peter Bick who began working for the Company in mid 2001. His success in medicine, outsourced research services, venture capital, and his leadership of several life science organisations in the US and Israel have been invaluable in growing and expanding the CogState Ltd business.

Escrow Arrangements

ASX may, as a condition of granting CogState Ltd's application for Official Quotation of its shares, classify certain of its existing shares and options to take up unissued shares as restricted securities. Details of any such escrow restrictions will be disclosed prior to commencement of Official Quotation of CogState Ltd's Shares.

Financial Prospects, Dividend Policy and Risk Factors

CogState Ltd's financial prospects are dependent on many factors, including the expansion of sales in the case of CogState Ltd's diagnostics, and success in the continued development and then sale or out-licensing of drugs from the CogState Therapeutics Division. As a consequence of the stage of development of both Divisions, the Directors consider they are unable to provide reliable revenue, profit or cash flow forecasts to prospective investors. At this stage of its development, while generating revenue from sale of diagnostics, CogState Ltd continues to operate at a loss.

The payment of future dividends is dependent on the achievement of profitability and available cash. As CogState Ltd's current focus is expansion of revenue and development of the drug portfolio, the Directors consider that it will be unlikely to pay a dividend during this period of growth or in the foreseeable future.

Investment in CogState Ltd is subject to a number of risks (set out at page 96 of this Prospectus), and should be regarded as speculative.

Forward Looking Statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.



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Details of the Offer

DETAILS OF THE OFFER

The Offer

Conditionally upon the reconstruction of its capital as set out in clause 2 on page 110 (so that CogState's capital structure immediately prior to allotment of Shares pursuant to the Issue is as projected herein), CogState Ltd is offering 11 million new fully paid ordinary Shares at an issue price of \$0.50 per Share under this Prospectus. The new shares will rank equally in all respects with all then issued ordinary shares.

Share Allocations, Firm Commitments and Allotment

Priority allocation will be given to Applicants who are existing shareholders and/or who have given a firm commitment to apply for shares to the Underwriter, Emerging Growth Capital Limited.

Certain existing shareholders and directors have committed in advance to subscribe for a minimum of 2 million new shares at the Offer Price under the Offer. Details of these commitments are set out at page 118 of this Prospectus.

CogState Ltd will proceed to Allotment of Shares once the Offer closes subject to the it's capital having been reconstructed as set out herein. The Closing Date of the Offer may vary.

The Directors in consultation with the Underwriter reserve the right to reduce the allocation of Shares to any Applicant below that applied for or to reject any Application.

Pending the allocation and allotment of Shares under the Offer, all Application Moneys will be deposited into a separate bank account to be held in trust for so long as the money is liable to be repaid under the Corporations Act. Surplus application moneys will be returned to the relevant Applicants within 14 days after the Closing Date. No interest will be paid on Application money returned.

Successful Applicants will be notified in writing of the number of Shares allotted to them as soon as practical after the Closing Date.

Application Forms

Attached to this Prospectus is an Application Form for use by all Applicants.

Minimum Application

The minimum application is 4,000 Shares and, thereafter, in multiples of 1,000 shares.

Payment for Shares

The issue price of the Shares is payable in full on application. Cheques in Australian currency must be made payable to "CogState Ltd Share Subscription Account" and crossed "Not Negotiable".

Lodgment of Applications

Applicants who receive a firm offer should return their completed Application Forms to the Underwriter or Broker from whom they received their firm allocation of Shares.

Applicants who receive a general offer should return their completed Application Forms and Application Monies to any of:

The Share Registry
ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne, Vic 3000
Telephone: 1300 55 44 74

The Underwriter

Emerging Growth Capital Pty Ltd
52 Phillip Street
Sydney, NSW 2000 Telephone: (02)9251 0300

The Company
CogState Limited
51 Leicester Street
Carlton Vic 3053
Telephone: (03) 9349 1300

Opening and Closing of the Issue

The Issue will close on the Closing Date that is 5.00pm (AEST) on Friday, 16 January 2004.

Overseas Shareholders

This Prospectus does not constitute an offer to any person or in any jurisdiction in which it would not be lawful to issue this Prospectus.

Nominees applying for Shares on behalf of overseas residents are responsible for ensuring that an Application for Shares does not breach any regulation applicable to any such overseas resident.

Lodgment of Application Forms accompanied by the relevant application moneys will be taken by CogState Ltd to constitute a representation from the Applicant that no breaches of any such regulations have occurred. Applicants who are nominees or who are persons proposing to act as nominees should seek independent advice as to how they should proceed.

Taxation and Stamp Duty Implications

Applicants should seek their own independent advice in relation to matters relating to the operation of taxation and stamp duty laws. CogState Ltd is unable to give advice on taxation matters generally, as each Applicant's position will relate to their own specific circumstances. Applicants should satisfy themselves of possible taxation consequences of purchases and sales of securities by consulting their own professional tax advisers.

Acceptance of Applications for Shares

If an Application Form is not completed properly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. CogState Ltd's decision as to whether to treat an Application as valid or how to construe it will be final.

Allotment

Directors reserve the right to accept or reject (in whole or in part) any Application received.

Where no allotment or issue of Shares is made or the number of Shares allotted is less than that applied for, all surplus Application Moneys will be refunded in full without interest. The surplus Application Moneys will be refunded not later than 14 days after the close of the Offer.

Minimum Subscription

The minimum subscription is \$5,500,000 being the Underwritten Amount pursuant to the Underwriting Agreement.

Electronic Prospectus

If you have received this Prospectus as an Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Underwriter or CogState Ltd at the address on page 10 and you will be forwarded, free of cost, either a paper copy or a further electronic copy of the Prospectus as requested by you.

Notwithstanding that you may receive this Prospectus electronically, there is no facility for Applications to be accepted electronically. The Application Form in this Prospectus must not be circulated or handed on to prospective investors unless accompanied by a copy of this Prospectus (whether received electronically or in paper form).

CogState Ltd reserves the right not to accept an Application for Shares from a person that it has reason to believe that, when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or if any of those documents were incomplete or altered. In such case, the Application Moneys received will be dealt with in accordance with Section 722 of the Corporations Act.

Stock Exchange Listing

Application for Listing on ASX

Application will be made to Australian Stock Exchange Limited (ASX) within 7 days after the date of this Prospectus for CogState Ltd to be admitted to the Official List of ASX and for quotation of the shares on the stock market maintained by ASX.

Allotment of Shares to Applicants will occur as soon as practicable after the Closing Date. It is the responsibility of Applicants to determine their allocation of shares prior to trading in those shares. Any Applicants who sell shares before they receive their shareholding statements will do so at their own risk.

It is expected that trading on the stock market conducted by ASX will commence as soon as practicable after allotment of the Shares and despatch of transaction confirmation statements. If CogState Ltd has not been admitted to the Official List of ASX within 3 months of the date of the issue of this Prospectus then all Application Moneys will be refunded in full. Interest will not be paid on Application Money refunded.

Escrow and Restricted Securities

ASX may, as a condition of granting CogState Ltd's application for Official Quotation of its shares, classify certain of its existing shares and options to take up unissued shares as restricted securities. If so, prior to the Official Quotation of CogState Ltd's Shares, the holders of the restricted securities will be required to enter into restriction agreements with CogState Ltd and an escrow agent. The terms of any such restriction agreement will be as determined by ASX in accordance with the Listing Rules of ASX. Any such restriction agreements or escrow agreements will prohibit the transfer of effective ownership or control of those securities subject to those restrictions for such period as ASX may determine, unless the written consent of ASX is obtained to any such transfer.

Whilst any decision as to imposition of escrow restrictions under the Listing Rules will be made by ASX, CogState Ltd expects that 16,763,775 shares and 4,941,026 options, out of the total of 21,647,669 shares and 6,369,790 options on issue immediately prior to allotment of Shares under the Offer, will be subject to escrow restrictions imposed by ASX.

Additionally, and by agreement with the Underwriters, all shareholders as at the date hereof are required by the Underwriter to sign voluntary escrow agreements under which all of their shares are subject to voluntary escrow and are restricted from sale for a period of 6 months as set out at page 105.

CHESS

CogState Ltd will apply to be admitted to participate in the Clearing House Electronic Subregister System ("CHESS"), in accordance with ASX Listing Rules. On admission to CHESS, CogState Ltd will operate an electronic issuer-sponsored sub-register and an electronic CHESS subregister. The two sub-registers together will make up CogState Ltd's principal register of shares.

CogState Ltd will not issue certificates to shareholders. Shareholders who elect to hold shares on the issuer-sponsored subregister will be provided with a transaction confirmation statement (similar to a bank account statement), which sets out the number of Shares allotted to the shareholder under this Prospectus.

For shareholders who elect to hold the shares on the CHESS sub-register, CogState Ltd will issue a transaction confirmation that sets out the number of Shares allotted to the shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of CogState Ltd) will provide shareholders with a holding statement that confirms the number of shares held.

A holding statement (whether issued by CHESS or CogState Ltd) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS subregister or Shareholder Reference Number in the case of a holding in the issuer-sponsored subregister. Following distribution of these initial holding statements to all shareholders, a holding statement will also be provided to each securityholder at the end of any subsequent month during which the balance of that securityholder's holding of securities changes.

Rights and Liabilities Attaching to Shares

The rights and liabilities attaching to Shares are detailed at page 111.

Speculative Nature of Offer and Projects

This Prospectus and the projects in which CogState Ltd has invested should be considered as speculative given the nature of the risks discussed at page 96 of this Prospectus.

Tax File Numbers

It is not necessary for Applicants to quote their tax file number.

Enquiries

If you have any enquiries as to the terms of the Issue please contact either the Broker from whom you received the Prospectus or the Underwriter at the address set out at page 10.

Underwriting, Commission and Fees

The Issue (excluding oversubscriptions) is conditionally underwritten by Emerging Growth Capital Pty Ltd on the terms set out at page 100.

CogState Ltd will pay commission of 4% and a 2% management fee as set out therein.

Summary Capital Structure

On completion of the capital reconstruction and other matters referred to in Section 2 under the heading "Additional Information at page 110 and on the issue and allotment of Shares under this Prospectus, CogState Ltd will have 32,647,669 Shares on Issue and 6,369,790 unlisted options (assuming no over-subscriptions are accepted). If the full amount of permitted over subscriptions is subscribed the number of shares on issue would increase to 35,647,669.

	Shares on issue under this Prospectus	% of Shares allotment	Issued options
Securities on issue immediately prior to the Closing Date	21,647,669	66.7%	6,369,790
New Shares to be issued pursuant to the Offer	11,000,000	33.3%	Nil
Total securities on issue on completion of the offer (excluding over- subscriptions)	32,647,669	100%	6,369,790

Use Of Funds

CogState Ltd intends to use the funds raised in the Offer, as follows:

Use of Funds	Underwritten Amount (\$5,500,000) \$'s	Inclusive of over-subscriptions (\$7,000,000) \$'s
Sales and marketing of diagnostics	2,886,182	3,600,958
Therapeutic development projects		
Alzheimer's disease	218,246	898,633
Parkinson's disease	227,760	227,760
Therapeutic Indirect Overhead Costs	170,266	186,720
Operating Expenses	1,320,926	1,320,926
Costs of the Offer	676,620	765,003
	5,500,000	7,000,000

The primary use of funds can be seen to relate to sales and marketing of the diagnostics with additional funds which may be raised from the oversubscriptions being applied as to part for that purpose but primarily in relation to the development of CogState Ltd's Alzheimer's disease project.

The Directors consider that on completion of the Offer CogState Ltd will have sufficient working capital to carry out its Objectives and Strategies as outlined in this Prospectus.

The Directors do not presently anticipate additional sources of funding to be required within the next 2 years unless this is required by reason of successful development of an existing project or the acquisition of any major additional project in the Therapeutics Division. The use of funds statement assumes no revenue from any sales of diagnostic products notwithstanding that CogState Ltd does derive revenues from those sales.

However, as the CogState Ltd business develops expenditure may be made in a manner not consistent with that stated as, depending on the nature of the development of its business and taking into account new acquisitions and project development: which may differ from present expectations, the specific allocation of funds may vary from those anticipated uses shown above.

COGSTATE HISTORY

Associate Professor David Darby, a behavioural neurologist from Melbourne University, was a founder of CogState Ltd in 1999.

CogState Ltd grew from the challenges that Professor Darby, Professor Maruff and Dr Collie had faced in their clinical research and clinical practice over the prior decade. They reasoned that diseases of the brain could be detected much earlier if there was objective evidence of decline in cognitive function rather than with conventional approaches where cognitive performance was assessed only when individuals suspected something was wrong and where the results of this assessment were compared to normative data (population statistics).

Drs Collie, Darby and Maruff proposed it would be more effective to have some objective measure of cognitive function in people before they became ill. This would provide a baseline for any subsequent assessments.

They designed a technology that could assess reliably the extent to which cognitive function had changed, could be used for individuals from different cultural, language, educational and social backgrounds and was cost effective in terms of test delivery, data analysis and communication of results. To achieve this, Professor Darby resigned his position in clinical practice and founded the Company.

Professor Paul Maruff subsequently resigned his tenured position in academia to work with CogState Ltd and Dr Alex Collie was recruited immediately upon completion of his doctoral studies. After 20 months of operation, Dr Peter Bick was recruited to lead the further development of CogState Ltd and its products.

Approximately 18 months after being founded CogState Ltd diversified by founding the Therapeutics Division to seek, license and develop drugs for the treatment of neurodegenerative diseases. CogState Ltd has consummated two licensing deals and now has one drug project under development at the preclinical stage for the treatment of Alzheimer's disease and one drug project in the preclinical phase of development for the treatment of Parkinson's disease.

From its foundation CogState Ltd has been supported through several rounds of funding by private equity investors including The Australian Bioscience Trust which is managed by GBS Venture Partners Limited (formerly Rothschild Bioscience Managers Limited), Jolimont Ventures Limited, and Mr Martyn Myer.

CogState Ltd has also qualified for specific Australian Government funding in the form of a START grant and two Austrade Export Market Development Grants.

INDUSTRY SECTOR OVERVIEW

Cognitive Diagnostics: Targets and Markets

The main targets for the CogState Ltd diagnostic program are clinical and sports settings or industries in which there is a procedure or a risk of injury to, or illness of, the brain.

Currently, investigations of brain injury or illness occur usually when an individual has been affected and these require investigation with lengthy, time consuming tests, given by psychologists and developed primarily for people from North American, Western European or English cultural and educational backgrounds.

For subtle brain disease, procedures, or injury CogState Ltd diagnostic tools are more reliable, sensitive, and time and cost effective than conventional approaches because the technology detects brain dysfunction by comparing the cognitive performance of individuals to themselves.

Because CogState Ltd's diagnostics can be used rapidly, distributed widely and are not affected by social, language or educational background their application in the target markets can result in high quality and cost effective care of individuals.

The aim is to have all individuals at risk of brain injury or disease assessed using one of the CogState Ltd's diagnostic products.

If an injury, procedure or illness then subsequently occurs CogState Ltd's diagnostics can be used to assist in the identification (and ongoing management) of the problem.

CogState Ltd's diagnostic technology is sensitive to abnormal brain function because analysis focuses on the detection of change. To detect change a CogState Ltd diagnostic product is administered at least twice to each individual, once at baseline and then again after some time has passed, a drug has been administered or a sports or occupational injury has occurred. Individuals who are then injured should continue to use one of the CogState Ltd diagnostic products until they recover. For example, an athlete who has been concussed may be re-assessed on three to four occasions after injury to monitor recovery. In settings such as pharmaceutical trials where cognitive change must be monitored carefully the number of assessments completed by each individual can increase considerably. For example, in Phase I pharmaceutical trials, individuals can perform from 2 to 8 tests in a day. These assumptions are the basis of the figures provided in the Estimated Annual Use column in Table 1.

Table 1. Current Estimated Market Size for Cognitive Function Testing

TECHNOLOGY	FUNCTION	MARKET	INDICATIVE STATISTICS	ESTIMATED ANNUAL USE
CogState	To detect the direct or indirect effects of drugs or devices on the brain	Pharmaceutical and medical device companies	150,000 people enrolled in clinical trials annually ⁽¹⁾	6-8 tests per patient enrolled in phase I or II trials, 2-5 tests per patient enrolled in Phase III or IV trials
CogSport	To assist with decisions about when an athlete should return to play following a sports-related head injury	Sports teams through elite amateur and junior levels	300,000 sports-related concussions per year ⁽²⁾ . 30,000,000 children playing contact sports in USA ⁽³⁾	1 test per annum per individual at risk (eg, all school rugby players), 2 or 3 tests per athlete following a concussion
CogHealth	To detect subtle deterioration in thinking in people whose age increases their risk for brain disease	People aged over 50	122 million people by 2050 over the age of 50 ⁽⁴⁾	1 test per annum per individual aged over 50, 2 to 3 tests per annum in individuals who have become ill
CogSafe	To assist with decisions about when an employee should return to duty following a work-related injury	Industries where physical or emotional injury or illness is common	1,504,000 head injuries per annum in USA private industry ⁽⁵⁾ (rate = 0.11/100 full time equivalent workers)	1 test per annum per individual at risk (eg, all construction workers), 2 and 3 tests per annum per injured individual

(1) Survey of drugs in current clinical trials by mechanism of action and study phase. CenterWatch Clinical Trials Listing Service. Available at <http://www.centerwatch.com/professional/cwpipeline/> Accessed on November 12 2003.

(2) National Institute of Health. Conference on sports injuries in youth: surveillance strategies, 1991. Bethesda, Maryland: National Institute of Health, 1992; NIH publication no. 93-3444.

(3) Centers for Disease Control and Prevention (CDC). Sports-related recurrent brain injuries. United States. MMWR 1997;46(10):224-7.

(4) Hebert et al. Arch Neurol. 2003; 60: 1119-1122.

(5) Bureau of Labor Statistics Workplace Injuries and Illnesses in 2001. United States Department of Labor 2002. USDL publication 02-687.

Central Nervous System Therapeutics: Targets and Markets

The two main targets for the CogState Ltd therapeutic program are Alzheimer's disease and Parkinson's disease. Both are progressive degenerative diseases of the brain whose incidence increases dramatically as people become older.

Alzheimer's disease is currently the eighth largest cause of death in the USA (behind heart disease, cancer and diabetes) while the risk of death is 2.5 times higher in people receiving treatment for Parkinson's disease than in people of the same age without Parkinson's disease. In addition, both Alzheimer's disease and Parkinson's disease place large economic burdens on society with the annual direct and indirect per patient costs in the USA estimated to be US\$25,000 for Parkinson's disease and between US\$45,000 to US\$1,000 for Alzheimer's disease.

Currently, there are no drugs that cure either disease. The estimated pharmaceutical markets for each of Alzheimer's disease and Parkinson's disease are shown in Table 2.

With the enormous growth in the proportion of people over 65 years expected as the baby boomer generation ages, the number of individuals with Alzheimer's disease or Parkinson's disease, and the consequent costs to society are all predicted to increase dramatically.

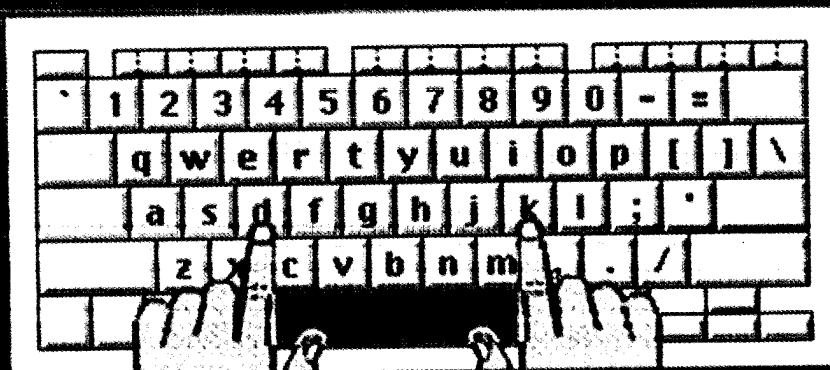
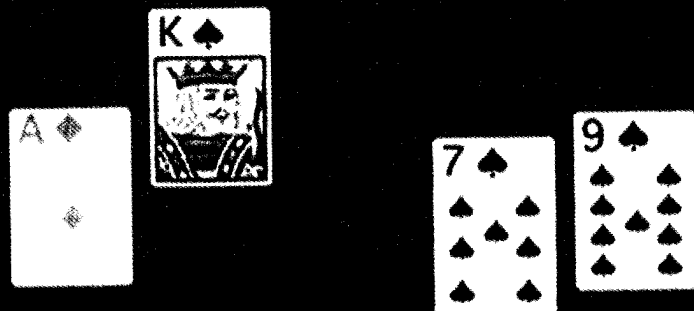
Table 2. Current Estimated Markets for Medicines for Alzheimer's Disease and Parkinson's Disease.

Disease	Prevalence in individuals aged over 65 years	Patient Population Worldwide (developed countries)	Recent Annual Sales of existing treatments worldwide (\$US)
Alzheimer's Disease	~1 in 15 ⁽¹⁾	8 million ⁽¹⁾	\$1.6 billion ⁽¹⁾
Parkinson's Disease	~3 in 100 ⁽²⁾	3.6 million ⁽²⁾	\$1.1 billion ⁽²⁾

* increasing to about 1 in 2 for all dementia conditions, of which Alzheimer's disease represents 70%, by the time people reach the age of 85 years

(1) Fillit H. Economics, Pharmacoeconomics and drug discovery for dementias. *Drug Discovery Today* 7, 15 August 2002

(2) Shapira AVA. Science medicine and the future: Parkinson's disease. *British Medical Journal*, 318, 1999: 311-314.



CogState™ 

Diagnostics

COGSTATE DIAGNOSTICS

The Product

CogState Ltd's Diagnostics are a series of computerised tools designed to measure changes in an individual's cognitive performance.

Therefore they can be used to assist clinicians with decisions about the effects of disease, drugs, trauma, environmental factors or mood states (stress, depression) on brain function.

CogState Ltd has developed four distinct diagnostic products, - (CogState, CogSport, CogHealth & CogSafe) from the same broad based technology platform and which service four distinct needs.

The technology platform is designed to provide a rapid and reliable answer to the question, "Is this person's cognitive ability different compared to what it was the last time he or she was assessed using the same CogState Ltd diagnostic product?"

Because CogState Ltd's diagnostic products are delivered and accessed via the internet, any individual with internet access, a computer and the internet can use the technology. The tasks are designed to assess the stability/change of three main types of

cognitive function: attention; executive function and memory. Each of CogState Ltd's diagnostic tasks is constructed as a game that uses playing cards as the stimulus material.

Three of the diagnostic products (CogState, CogSport and CogHealth) have already begun to be marketed and sold internationally. Sales of these products commenced in 2001. Total sales for the year ended 30 June 2003 were \$292,772.

A further diagnostic product, CogSafe, has been developed and is awaiting commencement of marketing.

A single test requires about 15 minutes to complete, which includes the different but integrated segments of the CogState test battery. An example of different tests, the simple rules that govern what the patient is required to do, how patients must respond and the cognitive function assessed on the CogHealth test, are provided in Table 3.

RULE	RESPONSE	COGNITIVE FUNCTION	COGNITIVE DOMAIN
1. Is it there?	Yes	Simple detection	Attention
2. Is it red?	Yes or no	Simple Identification	Attention
3. Does it match the previous card?	Yes or no	Working memory	Executive function
4. Has any card moved to the target location?	Yes	Spatial attention	Attention
5. Have you seen this pair of cards before?	Yes or no	Associative learning	Memory

Table 3: Summary of Types of Cognitive Function assessed by Individual Tests in the CogState Diagnostic Test Battery.

The test can be repeated as many times as the individual or their supervising clinician wishes. The computer analysis of results is delivered automatically to the user or clinician within approximately 2 minutes of that person connecting to the internet and emailing the test data to CogState Ltd's web server. This means that test analysis can occur at any time of the day or night for individuals from any part of the world.

The only personal details collected by CogState Ltd are the individual's password, account number (generated by an email request), age, gender, language and handedness.

CogState Ltd has worked to ensure that the data analysis and data base software it has developed complies with privacy legislation. Therefore CogState Ltd can ensure confidentiality in its analysis and reporting systems.

The test is free to download and practice or complete. Customers are charged whenever an analysis report is generated and sent. Contracted customers receive a report detailing the results of performance in each of the tasks in the diagnostic battery for each assessment conducted with the test.

Typical sales to date have been to large organisations that contract on a "price per use" basis. There are currently four CogState Ltd diagnostic products, each detailed in the following section.

CogState

CogState is sold to research organizations that include pharmaceutical and medical device companies, private and government research institutions and academic institutions.

CogState is used in two ways. First, it can be used as a primary measure of cognition in the study of drugs or devices designed to affect the central nervous system. Secondly, CogState can be used to measure whether there are side effects of drugs or devices designed primarily to affect physiological systems other than the central nervous system (for example in the case of medications under development for the treatment of hay fever or incontinence).

In research institutions or universities CogState can be applied to study the effects of drugs in healthy individuals as well as in individuals with different medical conditions, to study the natural course of disease and to understand normal development.

Total CogState sales for the year ended 30 June 2003 were \$127,979. Existing Customers include Pfizer and Johnson & Johnson.

A sales agreement has also been entered into with the Centers for Disease Control (a US government agency) located in Atlanta, Georgia.

The Centers for Disease Control is one of the pre-eminent medical research organisations in the world.

Potential customers for CogState include pharmaceutical companies, medical device companies and academic institutions. CogState presently has representative who regularly visit major pharmaceutical and biomedical companies in Europe and the US for the purpose of selling CogState for use in clinical trials.

Because the adoption of new technologies by research organizations and companies is enhanced by independent assessments of the scientific integrity of that technology, CogState Ltd also fosters and promotes pure scientific research that uses the diagnostic test and results in publications in international peer reviewed scientific journals and presentations at international medical conferences. There are currently more than 20 such studies being undertaken utilizing CogState at universities and hospitals in Australia, Canada, United States, Europe and South Africa. There are more than 30 scientific publications and conference presentations that have arisen from company staff and independent research.

CogSport

The CogSport test is packaged with a set of world's best practice concussion management guidelines⁽¹⁾ developed in association with Associate Professor Paul McCrory, Neurologist, Sports Physician and President of the Australasian College of Sports Physicians. CogSport is sold to sports teams and organizations internationally as a complete concussion management system.

The use of CogSport to detect subtle changes in cognitive function allows sports physicians to make objective and accurate decisions about the recovery of brain function after sports-related concussion.

CogSport allows sporting organizations to comply with current best practice concussion management procedures.

It is now recognised that athletes may be at increased risk of permanent brain damage if they return to play before a concussion has fully resolved. Many sporting organizations and teams are now highly motivated to comply with these concussion management guidelines to avoid the risk of future legal claims or lawsuits for negligence.

Where it is adopted for use, CogSport is administered to all athletes prior to the beginning of the sporting season, and re-administered to any athlete who is concussed during the season. Recovery is indicated when the athlete's post-concussion performance has returned to his or her own baseline levels, and at this time the athlete's physician would normally advise them that they can return to training or competition.

The potential market for CogSport consists of every athlete participating in contact sport world-wide.

This market can be broken down into the following major segments, being:

- (1) High Schools and Universities;
- (2) Elite or professional sporting organizations; and
- (3) Amateur and community sporting organizations.

Every year in the United States alone, there are 3.2 million regular participants in High School and University contact sport and 12.3 million individuals participating regularly in community contact sport.

⁽¹⁾ These guidelines were defined in November 2001 at the 1st International conference on concussion in sport, and adopted by international groups including the International Olympic Committee (IOC) Medical Commission, the International Ice Hockey Federation (IIHF), the International Rugby Board (IRB) and FIFA, the world soccer governing body.

Total CogSport sales for the year ended 30 June 2003 were \$164 793. Current users of CogSport that have entered into yearly or seasonal contracts, and current customers include: elite sports teams from the Australian Football League, Australian Rugby Union, South African Rugby Football Union, Australian National Rugby League, English and Scottish Rugby Football Union, Canadian Football Union, United Kingdom Rugby Football League, United Kingdom Amateur Boxing Association as well as all of the 1400 jockeys in the Jockey Club of Great Britain.

Institutions include University athletic teams from the universities of Calgary and Montreal, McGill University and the University of Notre Dame, together with sports medicine practices in Scandinavia, United Kingdom, USA, Australia and South Africa.

Sales have also been made to several high schools in the USA (which represents, through the sheer number of participants, the

As with CogState, representatives from CogState Ltd regularly attend major sports medicine conferences and sell CogSport into the markets referred to above. CogState Ltd is now evaluating a number of potential regional distributors for the CogSport product in order to expand sales.

CogState Ltd realises the importance of conducting world-class research and development to support the CogSport product in the sports concussion market.

CogHealth

CogHealth is designed to be used as part of an annual physical examination in patients over the age of 50 in order to detect early Alzheimer's disease (sometimes called mild cognitive impairment or MCI).

The CogHealth test can therefore identify individuals in whom there is degeneration in brain function through its sensitivity to change in cognitive performance over time. The benefit of early detection is that treatment can be initiated immediately and individuals can make decisions about their life and lifestyle while they are still able. Importantly CogHealth can also be used to reassure people in whom there is anxiety or concern over memory loss (such as people with a family history of Alzheimer's disease).

Alzheimer's disease is a neurodegenerative disease in which there is death of brain cells that are vital to memory, speech, understanding and other mental abilities. The main symptoms of Alzheimer's disease include memory loss, delusional thinking, language deterioration, poor judgment, indifferent attitude and agitation. Eventually patients with Alzheimer's disease become totally dependent on full time care of their families and normally require admission to a nursing home or other facility.

CogState Ltd has published data in peer reviewed journals and continues to collect new data to support the utility of CogHealth as an annual screening tool. Alzheimer's Australia has actively collaborated with CogState Ltd in the promotion of CogHealth in this market.

The challenge for CogState Ltd is now to disseminate:

- a) that the test exists
- b) where individuals can take the test
- c) how much the test costs
- d) that the test is reliable
- e) how its results can benefit the individual and, most importantly,
- f) how the test can be used in a broad market to make money for the distributor of the test.

Currently pilot programs are underway domestically which include:

- Workshops on the methods for detecting cognitive change in patients over 50 delivered to 16 of the 28 Victorian General Practice Divisions
- Acceptability and usability analysis programs in general medical practices where individuals over the age of 50 have been offered annual cognitive screening.
- The establishment of pilot memory clinics at the Epworth and Delmont private hospitals in Melbourne where individuals can undergo a complete memory or cognitive check-up.
- Partnership with pharmaceutical companies such as Pfizer Australia, Janssen-Cilag and Lundbeck Australia in delivering workshops on the identification and treatment of cognitive and memory change to neurologists, psychiatrists and general practitioners.
- Partnerships and distribution arrangements

CogState Ltd has recently signed a letter of intent to form the basis for a formal distribution agreement with Health Communication Network Limited (HCN) to provide the test to medical practitioners who subscribe to the HCN Medical Director(tm) service.

Currently subscribers to Medical Director include approximately 85% of Australia's GPs, who receive a quarterly CD update for use in practice management and administration. It is the intention of the Company to also include educational, advertising and promotional material in Medical Director which should assist general practitioners to use CogHealth.

CogSafe

The CogSafe product has been branded and is being developed for use in occupational health and safety environments.

It is intended that organizations such as insurers, unions and employers would be able to use the product to:

- a) manage return to work decisions for employees on sick leave because of injury or illness (including stress related disorders)
- b) monitor the effects of work environment on employee health and work effectiveness; and,
- c) evaluate suitability and fitness for specific kinds of work.

No sales have been made with this product as yet, but validating studies are currently underway as are discussions with potential distributors who work in the area of occupational health and safety.

New Developments

CogState Ltd is conducting due diligence and negotiations on an ongoing basis on new technologies which are being considered for in-licensing.

As and when any such transactions are finalised they will be announced and, if they are finalised during the Offer Period, a supplementary prospectus will, if necessary, be issued by CogState Ltd in satisfaction of its obligations under the Corporations Act.

Intellectual Property

The "method" patent PCT/AU01/00924 entitled "Psychological testing method and apparatus" with a priority date of 27 July 2000 aims to protect the core novelty of the interactive instruction by simulation and aims to protect all the possible variations of test presentation format (eg. cards, dice, dominoes, etc) which might be used to elicit cognitive performance measures in a game-like context.

This patent aims to prevent other companies from copying the real-world user-friendly interface and cultural independence of the product: which are at the heart of its global applicability and worldwide market potential.

The "use" patents were lodged separately initially on 11 May 2001 (Australian Provisional Patent PR4924 entitled "Diagnosis and monitoring of early progressive cognitive impairment") and 5 Sept 2001 (Australian Provisional Patent PR7516 entitled "Treatment of minimal progressive cognitive impairment").

These have been combined into a single patent

"~~Diagnosis and monitoring of early progressive cognitive impairment~~ function" filed on 10 May 2002 with the US patent office claiming an international priority date of 11 May 2001.

This patent aims to prevent the use of cognitive tests (specifically those with features similar to CogState Ltd's products) to detect any form of cognitive impairment (defined broadly) and to monitor changes in this cognitive impairment, whether worsening or through improvement.

It should be noted by Applicants that these patent applications are not yet granted. Applicants should have regard to the risk factors detailed at page 96.

Competition

Neuropsychological testing is the mainstay of the current assessment of brain function in medicine and science.

Typical assessments include standard tests of alertness, attention, intelligence, memory, language, visuospatial skills and reasoning (eg. The Wechsler Adult Intelligence Scale Revised (WAIS-R), the Wechsler Memory Scale (WMS), the Rey Auditory Verbal Learning Test (RAVLT), the Trail Making Test Part A and B, (TMTA, TMTB) the Symbol Digit Modalities Test (SDMT), the Mini Mental State Examination (MMSE). (These are grouped as conventional tests on Table 4).

Most conventional competitive neuropsychological assessment batteries require trained personnel, several hours to perform, and interviewer administration and interpretation. They are generally designed for the assessment of cognitive function on a single occasion. Therefore they cannot be repeated on the same patient with short intervals between assessments or remotely, which limits their ability to be used repeatedly in normal people to detect early or subtle change. In addition, conventional approaches to

the identification of cognitive impairment in older people are generally suitable only for individuals who speak English fluently. Hence, they are inappropriate for screening populations for early cognitive impairment. More sensitive, objective and culturally independent methods are clearly required. While there exist currently a number of neuropsychological tests that are also administered using computers, most of these are designed according to the conventional principles described above and so are not sensitive to cognitive change.

CogState Ltd's tests have been designed specifically to overcome the deficiencies of other tests in their ability to be applied internationally, rapidly and reliably for the assessment of cognitive change. Table 4 lists a series of simple features that improve the ability of a test to detect change. The features of CogState Ltd's diagnostic tests are compared to other computerised and conventional tests on these points. The table shows that there is no other product that contains all of the features of CogState Ltd's diagnostics technology.

Table 4: Comparative Analysis by CogState Ltd of CogState Diagnostic Tests and known Competitors.

TEST CHARACTERISTIC	CogState ⁽¹⁾	CDR	CANTAB	COGNITIVE THERAPEUTICS	COGSCREEN	IMPACT	HEAD MINDER	BRC	CONVENTIONAL TESTS
Uses standard equipment	Yes	No	No	No	No	No	Yes	No	Yes
Independent of English language	Yes	Yes	Yes	No	No	No	No	No	No
Anyone can administer	Yes	No	No	No	No	No	No	No	No
Automated data analysis	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Automated report generation	Yes	No	No	No	Yes	Yes	Yes	Yes	No
Sensitive to subtle change in individuals	Yes	No	No	No	Yes	No	No	No	No
Published in Peer-reviewed Journals	Yes	Yes	Yes	No	No	Yes	No	No	Yes

CDR = cognitive drug research test battery, CANTAB = Cambridge automated neuropsychological test battery, BRC = Brain Resource Company cognitive test battery. Paper and pencil refers to a general analysis of the features of conventional cognitive tests. COGSCREEN is a competitive product and should not be confused with the Company's products. CONVENTIONAL TESTS includes a variety of tests using handwritten materials and methods including MMSE (mini mental scale examination).

⁽¹⁾ Analysis applicable to each of CogState, CogSport, CogHealth and CogSafe.

BRC is a company listed on the ASX which also tests brain function, but has a business model involving the sale of capital goods and services which are at a specific hospital location and which take several hours to complete. The centrepiece of the proprietary technology appears to be brain electroencephalography (EEG) methods for recording and analysis of complex algorithms aimed at arriving at a general conclusion about brain function on a single visit.

Barriers to entry for new competitors

Although there is a risk that new products will be developed that compete directly with CogState Ltd's diagnostic products there are significant barriers to entry for such products.

This is because CogState Ltd has:

- Patents, which protect the unique game-like features of the test
- Know-how, in that the developers of CogState Ltd have scientific and business credentials as well as a track record in delivering outcomes for customers.
- First mover advantage, where customers have already begun committing baseline data to the CogState Ltd data base. CogState Ltd's existing users would have to abandon their data and switch to a new system.
- High quality global customers that know and understand the technology.
- Validating studies published in peer reviewed scientific journals. The lead-time for publication can be greater than one year.
- Adoption by key opinion leaders in the various markets. Experts in different fields of medicine are already supporting CogState Ltd diagnostic products.
- An established data base of studies that demonstrate its appropriateness, usability, reliability and validity.

Any new product would have to demonstrate superiority across many market segments.

Regulatory Environment

CogState Ltd's cognitive tests are exempt from regulatory control as they include a disclaimer that they are to be used in conjunction with other techniques that together constitute a complete medical evaluation and can be used to assist medical evaluation but not make medical diagnoses.



CogState™ 

Therapeutics

COGSTATE THERAPEUTICS

CogState Ltd is currently developing two therapeutic projects, each potentially having the ability to provide treatment for diseases that have substantial world market opportunities.

Whilst CogState Ltd is focused on developing these projects it is cognisant of the risks associated with drug development so it continues to review and evaluate other in-licensing opportunities that have specific applications in neurodegenerative disorders with the aim to ensure that at least two lead drug development programs are in place.

Business Model

The business model for the therapeutics division is to identify and in-license drug candidates at an early stage in preclinical drug development, apply the key competencies of the CogState Ltd team to develop the projects through early preclinical stages or through the end of early clinical testing (Phase II) and then seek partnerships with large pharmaceutical companies to develop the drugs to market.

In partnership deals with large pharmaceutical companies CogState Ltd will seek licence fees as well as milestone and royalty payments consistent with industry practice. CogState Ltd's aim is that, by carrying out development work on individual projects, it will access those fees and payments at a higher rate than the rate payable to licensors of the same technology by CogState Ltd.

This business model has been adopted because:

(I) It allows CogState Ltd to choose development projects that fit with its business strategy and to ensure that the opportunity for success. These parameters include:

- A likely mechanism of action has been identified, which ideally indicates the compounds may affect disease progression rather than just palliate (partially relieve) symptoms.
- The Compounds are likely to be able to affect brain cells after oral administration.
- The Compounds have potential to provide a long term competitive advantage.
- A long patent life.
- The Compounds are focused on central nervous system diseases and disorders.
- The Intellectual property rights are secured by patent applications and licensing agreements.

(II) Large pharmaceutical companies are seeking to license in development projects rather than rely only on internal discovery or early stage development to optimise use of their skills and resources on later stage development, marketing, distribution and sales.

(III) This "license in - develop - license out" business model has achieved success in international markets. By adopting this licensing model (rather than internal drug discovery), CogState Ltd has the potential to participate in the substantial upside (in the form of milestone and royalty payments) associated with executing a licensing agreement with a strategic partner without undertaking a significant internal research and development program.

Table 5. Schematic of CogState Ltd's preferred Business Model for Development of Therapeutic Drug Entities

Responsible Party	Inventor	CogState 			Pharmaceutical Company	Pharmaceutical Company
	In-License to CogState*	Project manages Outsourced Lead optimisation Pharmacology Toxicology	Project manages Outsourced Initial human trials	Project manages Outsourced Efficacy human trials	Out-License to Pharma	
	Small Milestone \$ & Royalties				Premium Milestone \$ & Royalties	
Stage	Research Laboratory	Pre-Clinical Chemistry and Animal experiments	Phase I Clinical trials	Phase II Clinical trials	Phase III Clinicals	Phase IV Marketing
estimated time	1-5 years	16 - 24 months	12 - 18 months	18 - 24 months	2 - 5 years	Until patent expires
estimated Cost	\$0.5 - \$2 mill	\$1.4 - \$2 mill	\$0.5 - \$0.75 mill	\$1.4 - \$2 mill	\$20 - \$80 mill	n.a.
Number of patients	None	None	20-80 (Healthy volunteers)	60-200	1000-3000	n.a.

* CogState identifies opportunity, conducts diligence, examines strength of IP, evaluates competitive advantages in market analysis.

IND= Permission from Government bodies to start human testing

NDA= Marketing Permission from Government bodies

CogState Therapeutics Division Projects

Two main therapeutic projects focused within two areas of neurodegenerative disease are being undertaken currently: Alzheimer's Disease and Parkinson's Disease.

Project I: Alzheimer's Disease Project

This project is presently focused around compounds licensed from Taisho Pharmaceutical Co Limited ('Taisho'), a major Japanese pharmaceutical company.

The project is directed at modifying the angiotensin 4 (AT4) receptors, which are found predominantly in areas of the brain that are believed to be crucial for memory formation and are also implicated in Alzheimer's disease (ie, the hippocampus).

Studies conducted in animal models of memory loss and Alzheimer's disease show that drugs that stimulate brain AT4 receptors can overcome the memory deficits induced by surgical or chemical disruption of the hippocampus.

More importantly, research has shown that stimulation of AT4 receptors may act to overcome the brain damage that gives rise to memory and learning impairments by promoting the re-organization of the cells that provide the structure for neurons (the extracellular matrix).

This re-organization is also associated with the clearance of a chemical called A β protein from the brain (The accumulation of A β is believed to correlate with the severity of dementia).

Therefore it is believed from the literature that stimulation of AT4 receptors could both improve memory and modify the disease process in people with Alzheimer's disease.

The series of compounds in this project are still in the preclinical stage of development and no human data has therefore been obtained. CogState Ltd plans to develop a lead molecule and subsequently conduct a preclinical drug development programme in this research arena of AT4 receptor stimulation.

At present this research is focused on the compounds licensed from Taisho but the scope of the programme is planned to expand beyond its current scope, as may be necessary, to achieve development of a lead molecule which has both high affinity and high activity for the AT4 receptor.

Competition

There are no drugs on the market that deliver a cure for Alzheimer's disease, but there are prescription drugs approved by the US Food and Drug Administration to treat the cognitive symptoms. These treatments belong to a class of drugs called either cholinesterase inhibitors or NMDA receptor antagonists, however they only produce modest improvement in patients with Alzheimer's disease.

Four drugs that improve the symptoms of Alzheimer's disease have been approved by the Food and Drug Administration (USA) and have a total market of over US\$1 billion.

Three of these drugs operate by increasing the amount of a brain chemical called acetylcholine by inhibiting the enzyme that degrades acetylcholine in the brain. The fourth acts by inhibiting receptors for the brain chemical glutamate (NMDA receptors) and thereby seeks to protect brain cells against the toxic effects of high glutamate levels.

Project II: Parkinson's Disease

This project was licensed from Brain Research Limited, a company associated with Professor Shlomo Yehuda from Bar Ilan University in Israel.

Scientists believe that the primary pathology in Parkinson's disease, which manifests as disordered movement, is a deficiency of a brain chemical called dopamine in the brain, particularly in an area called the substantia nigra.

Parkinson's disease tends to occur more frequently in people aged between 65 and 80 years, and is associated with a mortality rate 2.0 to 2.9 times higher than for those without the disease when followed over a period of approximately 9 years.

The aim of the project is to increase dopamine available to brain cell levels by increasing levels of the metabolic precursor to dopamine, tyrosine.

Generally tyrosine cannot efficiently cross from the blood into the brain. However, Professor Yehuda had developed a mechanism that could increase the amount of tyrosine in the brain by attaching tyrosine molecules to an essential fatty acid that can act as a carrier molecule. Experimental results suggest that Cog0392, the tyrosine-fatty acid molecule combination (n-linoleic acid tyrosine, NLT) is absorbed orally and distributed easily to the brain. Cog0392 may therefore deliver tyrosine directly to the brain and increase levels of brain dopamine (deficient in persons suffering from Parkinson's disease). Both n-linoleic acid and tyrosine are non-toxic, and are currently consumed by humans separately as dietary supplements. A small human clinical trial of Cog0392 (the combined version of these supplements) conducted in Israel produced no side effects with a low dose of Cog0392 being administered in healthy adults.

Proof of concept studies conducted in animal models of dopamine dysfunction indicate that when injected Cog0392 does indeed cross from the blood into the brain and can modify behavioural abnormalities that arise as a consequence of damage or disruption to brain cells that release dopamine.

Competition

With the exception of experimental surgery to insert brain cells from foetuses into the brains of patients suffering from Parkinson's disease, all treatment currently available for Parkinson's disease is symptomatic only.

Currently companies such as Dupont, Merck, Roche and Novartis have products in this market area.

The dopamine precursor, levodopa (L-dopa) is the treatment most often used for Parkinson's disease. It is normally combined with a dopa carboxylase inhibitor to reduce peripheral side effects and enhance absorption.

Other drugs for Parkinson's disease include drugs that mimic the actions of dopamine on the synapse. These drugs have good efficacy and usually lower side effects than L-dopa (bromocriptine, pergolide, pramipexole, ropinirole, cabergoline). The actions of dopamine can also be facilitated by drugs that inhibit the enzymes which metabolise the dopamine (Selegiline).

Finally, there is a class of drugs that inhibit the peripheral metabolism of dopamine by the enzyme catechol-O-methyltransferase (COMT). However, because the side effects of drugs that modulate the brain dopamine system are considerable, such drugs are prescribed for the symptoms of Parkinson's disease only when the symptoms interfere with daily function.

On average the annual cost of medication per patient with Parkinson's disease is approximately \$US850. It is estimated that Parkinson's disease affects 1 million people in North America alone and therefore this area represents a large potential market worldwide.

Experts' Reports

To assist Applicants generally CogState Ltd has commissioned a series of independent reports which are included in this Prospectus in their entirety. Those reports should be read carefully by all Applicants for Shares.

In brief the reports are:

Independent Accountant's Report

The Financial Statements for CogState Ltd for the year ended 30 June 2003 have been audited by Ernst & Young who, in relation thereto, have given an unqualified audit report. Ernst & Young have prepared their Independent Accountant's Report on the basis of those audited accounts and their report is set out at page 65 of this Prospectus. That report includes a Proforma Statement of Financial Position based on the Issue being completed in accordance herewith and on the assumptions otherwise more particularly set out therein.

Independent Patent Attorney's Report

Watermark have prepared an independent Patent Attorney's Report after review of the Patents in which CogState Ltd has an interest, whether through acquisition or otherwise pursuant to the terms of the Licensing Agreements and other material agreements described at pages 100 to 110 and their report is set out at page 49 of this Prospectus. Watermark have reviewed the Company's intellectual property generally and have commented upon the status of the various patent families relating to CogState Ltd's products.

Independent Technology Report

Acuity Technology Management Pty Ltd has prepared an independent expert's report on technology in relation to CogState Ltd's products and projects (both diagnostic and therapeutic) and the markets in which those products are sold, or in respect of which therapeutic products are sought to be developed. Its report is set out at page 36 of this Prospectus and should be read in its entirety.

In discussing the CogState Diagnostic Tests, the report states:

"The real value of the tests lies in their ability to measure change in cognitive function, even over short periods of time, using a subject as his own control rather than testing in comparison to others or to pooled data from multiple individuals. The results are not biased by a subject's previous exposure to the test. The technology purports to be uninfluenced by cultural background, language, and educational level and the experience of the developers and users of the tests attest to this."

and further that:

"Conventional cognitive testing methods that rely on response and attention commonly have constraints in both their delivery, requiring skilled personnel to administer and grade the test, and the background of subjects due to language, education and cultural limitations. The CogState tests are not constrained by these barriers. They may be delivered remotely and could be used for assessing ill, injured or fatigued individuals in remote regions."

In commenting on CogState Ltd's diagnostic products in the detection of Central Nervous System diseases the report states:

"It is the Company's intention that CogHealth will become a routine test for the early detection of AD in all individuals over 50 years of age and younger persons where there is a family history of the condition. Routine testing will identify individuals in whom there is degeneration of cognition. Other forms of brain impairment resulting from, for example, stroke, substance abuse and physical injury may also be evaluated using the test."

"Annual population testing, even if applied to a small percentage of individuals over the age of 50 in developed nations, correlates to a potential market of the order of hundreds to thousands of millions of dollars."

In discussing the use of the CogState Diagnostic tools for use in clinical trials the report points out that:

"There are an estimated 13,000 clinical trials in progress in the US at any particular time comprising hundreds of thousands of patients. A similar number could be expected in Europe and the rest of the world. Drug companies may be interested in utilizing CogState in every trial involving a drug targeting behavioral and mental diseases, nervous system diseases, and other drugs that could potentially cross the blood brain barrier representing more than 10% of clinical trials."

In relation to CogSport the report confirms:

"The market is potentially every serious athlete who is competing in a sport where there is risk of head injury, including amateur clubs and school sporting teams, with the test being performed routinely to establish a baseline and following head injuries such as concussion. There are an estimated 1.5 million traumatic brain injuries in the US annually including 300,000 as a consequence of sports activity. In most sports-related instances, sufferers recover full cognitive ability in a matter of days to weeks while 15% of mild brain injuries carry negative consequences for a year or more. CogSport is a test that can reliably ascertain an injured person's suitability to return to sports activity. Considering the numbers of individuals that regularly engaged in sport, the potential market is sizeable."

Finally, in relation to the CogState Diagnostic products the report identifies the primary difficulty in treating cognitive disorders: namely, the inability to diagnose these diseases at an early stage, when records:

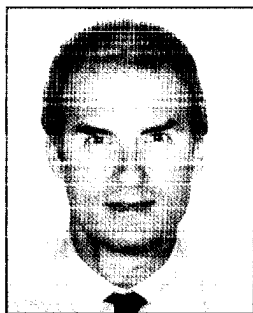
"One of the problems in dealing with AD is the difficulty in diagnosing the condition and early identification is the key to effective management. Early intervention translates directly to savings in healthcare expenditures. It is estimated that only three out of five sufferers are diagnosed with the condition. "Paper-and-pencil" tests, despite their many deficiencies, have been useful in demonstrating that early decline in cognitive function is a reliable predictor of the onset of AD. Primary care physicians make the majority of diagnoses of AD and the availability of a reliable and rapid on-line test that can be undertaken in the clinician's surgery, that is not influenced by the subject's background or the clinician's skill, will greatly facilitate early diagnosis."



CogState™ 

People

Directors



**Martyn Myer, BMEng,
MESC, MSM**
Chairman

Mr Myer is Chairman of CogState Ltd. Mr Myer is also a board member of Coles Myer Ltd and Diversified United Investments Ltd. He is Vice President of the Howard Florey Institute of Experimental Physiology and Medicine. At the Howard Florey Institute he has participated in the transition of the Institute's research focus towards diagnostic and therapeutic neuroscience, including a focus on degenerative brain diseases. Mr Myer obtained his Master of Science in Management at MIT in Boston, and his Master of Engineering Science at Monash University, Melbourne.



**Dr Peter Bick MBBS, MBA,
MD (US), ABPN(Psych)
MRCS LRCP, BSc, MAICD**
Chief Executive Officer
and Director

Dr Bick qualified in medicine from the University of London, Royal Free Hospital and completed a residency and Board Certification in Psychiatry at SUNY, (Syracuse, New York) and MMHC (Harvard, Boston). He joined Bristol-Myers (London and Brussels) to conduct CNS clinical research trials on new pharmaceutical products under development. He continued this activity at Pfizer (New York), where he was part of the team which submitted Sertraline (Zoloft) for a NDA in the US. Whilst at Pfizer he obtained an MBA at Columbia University and assumed a role at Pfizer in appraising the licensing of new chemical entities. Dr Bick then joined Quintiles Inc to open a new office for this Contract Research Organization in California and was subsequently promoted to President of Quintiles Inc. As a venture capitalist, he has approved investments and sat on the boards of CombiChem (acquired by DuPont), R2 Technologies, and Vangard Medical (now Vernalis, (SEI VER). He subsequently assumed a role as President and CEO of Influence, a urology medical device Company, which was later successfully sold to American Medical Systems (NASDAQ:AMS). Immediately before joining CogState Ltd as CEO, Dr Bick co-founded Artemis (a breast cancer medical device Company) and NeuroGesx (a neuropharmacological Company) for the treatment of epilepsy.

Dr Geoff Brooke MBBS, MBA
Non-Executive Director

Dr Brooke is a Director of GBS Venture Partners Ltd (formerly Rothschild Bioscience Managers Ltd) and has over sixteen years of venture capital experience in both the US and Australia. GBS manages \$150M in life science venture funds. Dr Brooke was formerly President of Medvest Inc, a US-based early stage venture capital group he co-founded with Johnson & Johnson. Dr Brooke's experience includes company formation, acquisitions and public listings, and he sits on numerous GBS portfolio company boards. He earned his medical degree from the University of Melbourne, Australia and an MBA from IMEDF (now IMD) in Lausanne, Switzerland.

Associate Professor David Darby MBBS, PhD, FRACP
~~Founder & Chief Medical Officer & Director~~

Professor Darby graduated from Medicine at the University of Melbourne in 1981, completing a PhD in neurology and neuropsychology in 1990, and his neurology training in 1991. Professor Darby served as an instructor in Behavioural Neurology at Beth Israel Hospital, Harvard Medical School from 1992 to 1995. He was Chairman of the Memory Disorders Service at the Repatriation Campus of the Austin & Repatriation Medical Centre from 1997 to 2000. Prof Darby has published over 40 research papers in international peer-reviewed scientific journals and has co-authored a neuropsychological textbook. He is a Director of the eCognition Centre for Neuroscience, University of Melbourne. Professor Darby has also managed a desktop publishing and software production business.

Mr Richard Morgan, C.Biol, M.Biol. Dip RC Path.
Non-Executive Director (Independent)

Mr Morgan has over 25 years experience in pharmaceutical research and development. He has held various senior management positions within Preclinical Safety including Head of Toxicology at Wellcome plc and International Head of Toxicology and Preclinical Outsourcing for GlaxoWellcome plc. With GlaxoWellcome (later GlaxoSmithKline) he was responsible for the Preclinical Safety Evaluation of over 100 new chemical entities (NCEs) and involved in the development of a large number of successful marketed products. After leaving GlaxoSmithKline plc and after a period as Interim Head of Preclinical for Powderject Pharmaceuticals, Mr Morgan established his own consultancy company (R&B HealthCare Ltd), providing advice on Toxicology and Preclinical Discovery and Development to client companies in the UK and Australia. Mr Morgan holds C.Biol, M.Biol (Laboratory Animal Pathology) from the Institute of Biology and Dip.RCPath (Toxicology) from the Royal College of Pathologists.

Key Management

Professor Paul Maruff BBSc (Hons), PhD.

Chief Scientific Officer.

Professor Maruff is a full-time employee of CogState Ltd and Head of the Neuropsychology Laboratory at the Mental Health Research Institute of Victoria and Professor in the School of Psychological Science at La Trobe University, Melbourne. He is a neuropsychologist with expertise in the identification and measurement of subtle behavioural and cognitive dysfunction. His research integrates conventional and computerised neuropsychological testing with cognitive neuroscientific methods to identify subtle neurocognitive impairment, and to assess the efficacy of pharmacological treatment, in Alzheimer's disease, mild cognitive impairment and the HIV dementia complex. Professor Maruff has published over 60 research articles in international peer-reviewed scientific journals, and has co-authored 10 book chapters and review articles.

Dr Alex Collie BA, BappSc (Hons), PhD

Manager, CogSport division.

Dr Collie graduated from Swinburne University with first class honours in psychology and neurophysiology in 1997, received a PhD in cognitive neuroscience at La Trobe University in 2001, and is Master of Biotechnology at RMIT University. Dr Collie's expertise encompasses the assessment of individuals at-risk of cognitive impairment due to mild cognitive impairment or head injury.

He has been instrumental in the development of novel diagnostic strategies for the very early, or preclinical, stages of Alzheimer's disease. Dr Collie is currently a Fellow in the Centre for Neuroscience at the University of Melbourne and a Fellow in the Centre for Sports Medicine Research and Education at the University of Melbourne. Dr Collie has published over 20 research and review articles in international peer-reviewed scientific journals during his brief scientific career, and is recognised as one of the world's experts on cognitive testing of concussed athletes.

Scientific Advisors

CogState Ltd's panel of scientific advisors act on a consultative basis as and when required. They receive payment at agreed commercial rates for services provided and act under normal commercial terms including being subject to confidentiality requirements, non-user restrictions and that intellectual property in any inventions or research made belong absolutely to CogState Ltd. They have each signed standard form agreements with CogState Ltd to this effect.

The Scientific Advisors are listed below.

Philip Beart, BSc (Hons), PhD, DSc

Professor

Professor Beart obtained his PhD under the supervision of Professors G.A.R. Johnston and D.R. Curtis at the John Curtin School of Medical Research of the Australian National University, Canberra. He then undertook postdoctoral research with Dr Les Iversen in the MRC Neurochemical Pharmacology Unit, University of Cambridge. Subsequently he was appointed to the Faculty of the Department of Neuroscience (Children's Hospital), Harvard University. He returned to the Department of Medicine (Austin Hospital), University of Melbourne, in 1977 and was appointed Senior Research Fellow of the National Health and Medical Research Council (1980), and Principal Research Fellow (Reader, 1987). After being appointed Professor and Senior Principal Research Fellow (NH&MRC) in 1996 at the Department of Pharmacology, Monash University he transferred to the Howard Florey Institute at the University of Melbourne in 2003.

Graham Burrows, AO, KCSJ, MD, ChB, BSc, DPM,
FRNZCP, FRCPsych., MRACMA,
Dip.M.Hlth.Sc(Clinical Hypnosis), FACHAM

Professor

Professor Burrows is Professor of Psychiatry at the University of Melbourne and Director of the Psychiatry and Psychology Clinical Service Unit at Austin Health, Heidelberg, Victoria, Australia. He has published more than 700 scientific articles in peer-reviewed journals and is the author or editor of more than 91 books, including the Handbook of Anxiety Disorders and the Handbook of General Hospital Psychiatry and had contributed chapters to approximately 190 other scientific books. He serves on the editorial boards of 30 International and Australian journals.

Professor Burrows serves as an advisor to the World Psychiatric Association and the World Health Organisation. He was President of the First and Second World Congress on Stress, Chairman of the International Congress in Melbourne of the Collegium International Neuropsychopharmacologicum (CINP), Chairman of the Australian Society of Hypnosis and Mental Health Foundation of Australia.

Professor Burrows has been honoured with the following awards for distinguished service to medicine - the Order of Australia (AO) in 1989, Knight Commander of Grace Sovereign Order of St John of Jerusalem (KCSJ) in 1996 and the Paul Harris Fellowship, Rotary International in 1997.

Susan A. Charman, BSc, PhD

Associate Professor

Professor Charman received a bachelors degree in chemistry and a PhD in pharmaceutics from Florida State University and the University of Florida, respectively. She spent two years as a Senior Research Scientist in the Department of Pharmaceutical Sciences at the former Sterling Winthrop Research Institute in New York before assuming a full time research position as Associate Professor at the Victorian College of Pharmacy, Monash University and Co-Director of the recently formed Centre for Drug Candidate Optimisation funded through the Victorian State Government. She has published over 120 papers and scientific communications, and is a member of various national and international scientific associations. Dr Charman is currently President of the Australasian Pharmaceutical Science Association and is an invited member of the Pharmaceutical Subcommittee of the Australian Drug Evaluation Committee, which reviews chemistry and bioavailability aspects of Australian registration applications for new drug products.

Henry Krum, MBBS, PhD, FRACP

Professor

Professor Krum completed his MBBS at the University of Melbourne in 1981, became a Fellow of the Royal Australasian College of Physicians in 1989 and completed a PhD at the University of Melbourne in 1991. As well as being Head of the Clinical Pharmacology Unit, Henry is Head of Clinical Pharmacology

at the Alfred Hospital, Adjunct Assistant Professor of Medicine, Division of Circulatory Physiology at Columbia University College of Physicians and Surgeons, and consultant physician at the Alfred Heart Failure Centre, the Alfred Baker Medical Unit and the Alfred Healthcare Group.

His main area of research interest is in the therapeutics of cardiovascular disease. He has published extensively in the area of heart failure, particularly on the role of beta blockade.

David Small BSc(Hons) PhD

NHMRC Senior Research Fellow

Dr Small graduated with BSc(Hons) from the University of Saskatchewan, Canada in 1977 before being awarded his PhD in Biochemistry from the University of Melbourne in 1982.

He worked initially at MIT in the USA and in 1986 joined the Biochemistry department at the University of Melbourne as a NHMRC Post-doctoral Fellow. He has been a NHMRC Senior Research Fellow in the Pathology Department at the University of Melbourne until his recent move to the department of Biochemistry and Molecular Biology at Monash University.

Dr Small is an editor for several international journals, the author of over 100 papers in the field of neurochemistry and neurodegenerative diseases and also retains a consultancy to Axonyx Corporation, NY, USA.



CogState™ 

Experts

21 November 2003

The Directors
CogState Limited
51 Leicester Street
Carlton VIC 3053

Dear Sirs

INDEPENDENT EXPERT REPORT

This letter has been prepared at the request of Directors for inclusion in the Prospectus to be issued by CogState Limited ("CogState" or the "Company") for the offer of 11 million shares at an issue price of \$0.50 per share.

The Directors requested Acuity Technology Management Pty Ltd ("Acuity") in its capacity as an independent adviser on technology development and commercialisation to examine the intellectual property ("IP") owned by or licensed into CogState that forms the basis for products and product development programs, the capacity of the Company to continue development and commercial exploitation, and the markets for products and proposed products.

Overview

Diseases of the central nervous system ("CNS"), such as Alzheimer's disease ("AD") and Parkinson's disease ("PD"), are becoming more prevalent due, in part, to extended life expectancy and the increase in average age of populations. Methods for diagnosing and monitoring, and drugs for treating neurological disorders are improving in response to both greater demand and better understanding of the causes of the problems.

CogState was founded to commercially exploit a diagnostic product developed and evaluated by practicing neuroscientists who are now employees of the company. The test has been adapted for easy on-line (Internet) delivery for access by physicians and sufferers of CNS diseases, use by pharmaceutical and medical device companies for monitoring patients during the evaluation of novel treatments, use by occupational health consultants and by sporting officials to assess the condition of concussed players and their suitability to return to competition.



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Management consultancy
to
high technology
industries.

Project management
Technology assessment
Valuation
Financial analysis
Research management
Market research
Quality assurance

The Company, retaining its emphasis on neurological disorders, has also in-licensed a number of compounds for further testing and evaluation. The Therapeutics Division of CogState aims to progress the development of potential drug treatments for AD and PD.

The business model for therapeutics adopted by CogState is similar to that of many Australian and foreign-based biotechnology companies. The Company will undertake evaluation to define candidate compounds that are suitable for further development. These will be taken into pre-clinical testing and early stage, Phase I and Phase II, human clinical trials for subsequent licensing to larger pharmaceutical companies.

Acuity has reviewed the current diagnostic tests, the drug development programs, and markets and competition, and is able to verify that the Company has the human and technical resources to undertake the research and development, and has the commercial expertise to exploit current and to-be-developed IP. The Company is in the advantageous position of having cash flow from its diagnostic products supported by a growing and respected client base. The diagnostic products also provide an entrée for the purposes of on-selling drug developments to major pharmaceutical companies who will be using the tests in evaluating their own products.

The CogState Technology

CogState Diagnostics

Four computer/Internet-based products are currently being marketed, CogState, CogHealth, CogSport and CogSafe addressing the areas of medical research and the evaluation of healthcare delivery, diagnosis and management of CNS disorders in patients, sport injury management and occupational health and safety, respectively. The tests measure change in a person's cognitive performance which may arise from diseases of the CNS and their treatment, from a head injury or from other causative factors.

The real value of the tests lies in their ability to measure change in cognitive function, even over short periods of time, using a subject as his own control rather than testing in comparison to others or to pooled data from multiple individuals. The results are not biased by a subject's previous exposure to the test. The technology purports to be uninfluenced by cultural background, language, and educational level and the experience of the developers and users of the tests attest to this.

Current tests of cognition seek to diagnose mental illness and look for differences between the subject's and normal data, and they are designed for single assessments. The CogState products uniquely measure changes in an individual and highlight any deterioration or improvement in mental condition. By delivering reliable information about whether or not change has occurred the clinicians retain control of the assessment process.

International patent applications have been lodged covering, separately, the method of psychological testing and its application. The latter aims to provide protection from

tests that may be similar to CogState's also aiming to detect cognitive change. The patent applications are further described in the Patent Attorney's Report.

CogState's income derives from either a single test fee (athletes and patients, for example) or through a license for unrestricted use which is likely to be of greater interest to drug companies. We have sighted the Company's revenues by client and can attest to the stature and breadth of users.

There is competition from both traditional cognitive testing techniques, so called "pen-and-paper" approaches, electroencephalography ("EEG") and biochemical assays for markers in specific disease indications. There are currently no biochemical markers that are specific for AD or PD or sufficiently sensitive to monitor progression. Several genes are known to be associated with these disorders and detection of mutations can identify at-risk family members but genetic testing to date has failed to be of value in sporadic disease. Although considerably more research is required, current evidence supports the usefulness of brain imaging techniques, magnetic resonance imaging ("MRI") and positron emission tomography ("PET"). However, these procedures, though more readily applied and inexpensive are required for practical screening of susceptible and degenerating individuals.

Conventional cognitive testing methods that rely on response and attention commonly have constraints in both their delivery, requiring skilled personnel to administer and grade the test, and the background of subjects due to language, education and cultural limitations. The CogState tests are not constrained by these barriers. They may be delivered remotely and could be used for assessing ill, injured or fatigued individuals in remote regions.

Cognitive Testing for CNS Disorders

It is the Company's intention that CogHealth will become a routine test for the early detection of AD in all individuals over 50 years of age and younger persons where there is a family history of the condition. Routine testing will identify individuals in whom there is degeneration of cognition. Other forms of brain impairment resulting from, for example, stroke, substance abuse and physical injury may also be evaluated using the test.

More is said on the medical conditions to which the test has applicability in the following sections of this report.

Annual population testing, even if applied to a small percentage of individuals over the age of 50 in developed nations, correlates to a potential market of the order of hundreds to thousands of millions of dollars.

We understand that no marketing approvals are required in Australia or in major jurisdictions for the diagnostic test, as no claims are made with respect to the presence or absence of disease (patients in fact act as their own controls and the tests seek to identify whether or not there has been any change in cognitive function with time). A specific disclaimer, however, is required in the USA to the effect that the tests are not licensed or approved for use as medical diagnostics and as such cannot be used for the specific purpose of diagnosis of disease. CogState publishes such a disclaimer on its website and other point-of-delivery material. The disclaimer is unlikely to hinder market acceptance of the product.

Clinical Trials Testing

The CogState product is marketed to pharmaceutical companies and institutions conducting medical and psychological research. Pharmaceutical companies use the test to evaluate the usefulness of CNS drugs as a primary end-point, while for drugs targeting other indications they may seek to identify side effects arising from the treatment. Similarly, a device company may choose to use the test to investigate both beneficial, for example in the case of sleep apnea treatment, and potential detrimental effects of treatment.

There are an estimated 13,000 clinical trials in progress in the US at any particular time comprising hundreds of thousands of patients. A similar number could be expected in Europe and the rest of the world. Drug companies may be interested in utilizing CogState in every trial involving a drug targeting behavioral and mental diseases, nervous system diseases, and other drugs that could potentially cross the blood brain barrier representing more than 10% of clinical trials.

Sports Testing

CogSport is promoted as a concussion management system to sporting bodies, schools and many other organisations. The product is already in use internationally in a number of codes of football, horse racing, skiing and boxing.

The market is potentially every serious athlete who is competing in a sport where there is risk of head injury, including amateur clubs and school sporting teams, with the test being performed routinely to establish a baseline and following head injuries such as concussion. There are an estimated 1.5 million traumatic brain injuries in the US annually including 300,000 as a consequence of sports activity. In most sports-related instances, sufferers recover full cognitive ability in a matter of days to weeks while 15% of mild brain injuries carry negative consequences for a year or more. CogSport is a test that can reliably ascertain an injured person's suitability to return to sports activity. Considering the numbers of individuals that regularly engaged in sport, the potential market is sizeable.

CogState Therapeutics

Alzheimer's Disease

It is estimated that approximately 4.5 million Americans have AD and 12 million worldwide. It is the fourth costliest medical condition in the US with annual expenditures approaching US\$100 billion and exceeded only by heart disease, cancer and diabetes. By comparison, the total estimated cost for AIDS treatments in the US was US\$7 billion in 1998.

A hallmark of AD is the accumulation of plaque-like deposits in brain tissue. A major component of this plaque is a small peptide called β -amyloid. Over the past several years, a large body of clinical, biochemical and genetic evidence has emerged suggesting that the aggregation of β -amyloid peptide is the underlying cause of the disease. This evidence has led to the widely held theory that when single β -amyloid monomers aggregate they become toxic to nerve cells, and that this toxicity leads to the development and progression of AD.

One of CogState's drug programs involves the evaluation and modification of new pharmaceutically active molecules licensed from Taisho Pharmaceutical Company Limited (Japan). The collaboration aims to develop drugs which mimic the action of a hormone, angiotensin-4 by activating its biological target, known as the AT4 receptor, with the objective of modifying the formation of extracellular matrix or connective tissue associated with AD. AT4 related remodeling of the extracellular matrix has been associated with degradation of β -amyloid plaques.

An improvement in memory has been demonstrated in experimental animals with artificially induced AD memory impairment receiving AT4 agonists, an agonist being a drug which induces the receptor to respond as it would to its natural ligand. It is this activity which CogState is seeking to demonstrate with its library of licensed compounds. Preliminary pharmacology has been undertaken and indicates that the current compounds do bind to the AT4 receptor. Ongoing optimization work seeks to identify those compounds that also possess high potency as agonists at the AT4 receptor. However, more extensive work-up is required before an indication can be obtained that these compounds are safe as well as effective in humans.

We are aware that there are a small number of research groups active in AT4 receptor studies, and that there are patents and patent applications covering the receptor's modulation as well as specific chemicals capable of interacting with the receptor. CogState is aware of these programs and has sought to collaborate with the leading groups. The patents that CogState has licensed from Taisho Pharmaceuticals specifically refer to a class of molecules and not the utility of AT4 antagonism and as such provide strong protection should these particular compounds prove efficacious. However, there can be no assurance that the Company will not be infringing patents of others in treating neurological disorders using the AT4 receptor.

The AT4 program anticipates 12 to 18 months further research before human trials will be initiated. Hence, this must be viewed as an early-stage, high risk project.

Parkinson's Disease

PD is a chronic neurological disease of unknown cause, characterised by tremors, rigidity and an abnormal gait. Idiopathic PD is estimated to affect 160 per 100,000 population, and up to 300 per 100,000 in some regions of the world. The World Health Organisation estimates that 4 million people worldwide are sufferers of PD. Incidence increases markedly with age, although age itself is not believed to be a causative factor, being extremely rare in those younger than 45 years and being present in up to 2% of persons over age 85. Dementia occurs in an estimated 10% to 15% of PD patients.

About 50,000 Americans are diagnosed with PD each year, with more than one million Americans affected at any one time. Approximately 40% of these are on pharmaceutical treatments. It is generally conceded that actual diagnoses may underestimate the true extent of the disease because many people in the early stages of PD assume their symptoms are the result of normal aging and do not seek medical advice.

According to the US National Parkinson Foundation, each American patient spends an average of US\$2,500 a year for medications. Sales of prescription drugs to treat PD reached \$1.2 billion in 2001.

The CogState strategy to therapy is to increase the level of the transmitter, dopamine, in the brain by facilitating the transport of its precursor amino acid, tyrosine, across the blood brain barrier. As tyrosine cannot normally cross the barrier, the inventor from whom CogState licensed its IP, chemically linked the amino acid to a fatty acid, n-linoleic acid, such that an orally taken complex can be absorbed into the blood stream and subsequently into the brain. Both tyrosine and n-linoleic acid are known to be safe for human administration and it is reasonable to expect that the combination is also non-toxic.

Preliminary studies of the compound conducted by the Company have shown that the complex can modify PD symptoms in animal models.

Markets for CNS Drugs

The global pharmaceutical industry is extremely large with over 50 drugs achieving annual sales in excess of US\$1 billion. Sales of drugs for treating neurological disorders is small relative to products for other indications, not because the incidence of CNS disease is low, in fact it is high and growing with the ageing of the population, but because of a lack of effective products.

Current therapies for AD provide symptomatic relief, but do not affect the progression of the disease itself. The global market for AD drugs was US\$1,070m in 2002 and it is expected to grow to US\$2 billion by 2010 (estimates vary, with some estimates as high as US\$10 billion by 2010 - but we believe this is premised on some of the drugs in development showing reversal of symptoms or extended delay of onset).

The mainstay of drug treatment are acetylcholinesterase inhibitors. Global sales of Eisai-Pfizer's drug, Aricept™ (donepezil) launched in November 1996 in the 12 months to 31 March 2002 were US\$765m. Growth is slowing as others in the class gain market share. This drug, and the class generally, enhances cognitive abilities and allows sufferers to postpone the move to institutional care for up to six months. The benefits, however, are far from curative. The average annual cost of treating a patient with Aricept is around AS\$2,500.

Global sales of Novartis' Exelon™ (rivastigmine) in 2002, launched in April 2000, were US\$305m. A third acetylcholinesterase inhibitor, Cognex™ (Parke Davis) has a small fraction of the market with declining sales. Cognex (tacrine) causes severe liver toxicity in certain patients. The cost of treatment with Cognex was AS\$4,600 per patient per year. Bayer also has a product in this class, Memaron™ (metrifonate).

~~Tacrine is the only product that has the positive effects of CNS microvasculature dilation and blockade of β -amyloid deposition. Pure anticholinesterase inhibitors tend to cause vasodilation and increase β -amyloid deposition, which means that the long-term outcomes may be less favourable.~~ Additionally, tacrine has beneficial effects on norepinephrine and serotonin levels. Donepezil, rivastigmine, and metrifonate are specific anticholinesterase inhibitors, which are more convenient to administer.

The newest release in the class is galantamine (Reminyl™ by Janssen, although generic versions are available). It is a phytoextract, obtained from flowering bulbs such as daffodil. Galantamine differs from donepezil and rivastigmine in that, in addition to boosting acetylcholine levels by inhibiting the action of acetylcholinesterase, it also stimulates the receptiveness of nicotinic receptors to acetylcholine.

Patients respond differently to this class of medicines. Memory and thinking processes are most likely to be improved, and "activities of daily living" should be maintained for a longer period. However, there may only be a temporary delay in the onset of behavioural problems. Nevertheless, the benefits of delaying the inevitable decline are considerable, both for the patient and the family members. Starting medication early is commonly recommended.

All drugs in this group have gastrointestinal side effects, because of the way they work. These include nausea, vomiting, loss of appetite and diarrhoea. With rivastigmine and galantamine, weight loss can occur. Donepezil can cause muscle cramps and fatigue.

The FDA in October 2003 approved memantine (Namenda® in USA, Forest Laboratories, Inc) for treatment of moderate to severe AD, a drug that had been available for various neurological disorders in Germany for 20 years (marketed by Merz+Co) and the rest of Europe since 2002. Memantine is an N-methyl-D-aspartate ("NMDA") receptor antagonist, the first drug of this type approved in the US. It appears to work by regulating the activity of the brain nerve transmitter, glutamate.

Alternative agents for AD include nonsteroidal anti-inflammatories (NSAIDs), estrogens, steroids, vitamin E, selegiline (Eldepryl™), phosphatidylcholine and anti-oxidants. As in other areas of medicine (AIDS and cancer protocols), it may be proven that a combination of these agents with the ethical drugs will become the standard of Alzheimer's care.

There are an estimated 50 or more drugs under development for AD. All aim to delay the progression of symptoms or focus on symptom management. As the exact aetiology of the disease is ill-understood it is unlikely that a true cure will be discovered for quite some time.

Despite the many recent advances in the symptomatic treatment of PD and the attempts at developing neuroprotective treatments, there is still no realistic prospect for a cure, and PD remains a relentlessly progressive disorder. There are drugs, such as levodopa (L-dopa), selegiline and anticholinergic agents, which slow the progress of the disease but these become less effective with time and are often associated with severe side-effects. Surgical procedures are being evaluated and show promise. These include ablative pallidotomy and thalamotomy. Such procedures are risky and costly. Foetal cell transplantation to provide more dopaminergic neurons is being tried, but is very experimental.

Without doubt, the gold standard of present therapy is L-dopa. Although levodopa helps the majority of PD sufferers, not all symptoms respond equally to the drug. It has many side effects which ultimately render the drug unusable in many patients. Within five years, as many as 75% of patients treated with drugs are refractory with worsening of symptoms.

Three new drugs have been approved by the FDA since 1997: Mirapex™ (pramipexole dihydrochloride), ReQuip™ (ropinirole hydrochloride), and Tasmar™ (tolcapone). Reliable market research predicts that sales of ReQuip will peak at \$309m in 2006. Rotigotine™, a once daily transdermal patch, long-acting dopamine agonist currently under development is predicted to generate revenues of in excess of \$200m by 2010.

There are a number of other drugs in development for PD. We are of the view that these aim to treat symptoms and reduce morbidity. The definitive pharmaceutical cure for PD remains a distant hope.

Drug interventions to improve PD can be quite expensive. The most recent applied therapies, namely the second-generation dopamine agonists, COMT inhibitors (a class of drug that allows more levodopa to cross the blood-brain barrier by blocking enzymes that break down levodopa in the peripheral bloodstream), and surgical procedures are characterized by high costs. However, studies about the economic impact of these treatments show that despite the high cost per unit they may be cost-effective and cost-useful.

Business Strategy

CogState has a comprehensive program for developing the four market segments for its cognitive function tests. These include direct marketing to the major pharmaceutical companies; physicians and medical clinics; high schools, universities, sporting clubs and sporting associations starting with high profile teams to provide credibility to the test. In some markets for the products CogSport, CogSafe and CogHealth, distributors will be appointed.

The Company's scientists regularly publish in peer review journals the results of studies aimed at validating the utility and reliability of the CogState suite of tests. The Company supports and encourages research which directly evaluate the tests and which utilize the tests as an adjunct in other studies. There are a number of scientific papers in international peer reviewed journals supporting the usefulness of the CogState diagnostic products in a range of neurological disorders and states of induced cognitive dysfunction, such as attention deficit, depression and fatigue.

CogState's pharmaceutical development model is to license-in discoveries at an early stage, conduct value-adding research to prove safety in preclinical and clinical studies and efficacy in human studies, followed by out-licensing to pharmaceutical companies.

The dominant pharmaceutical companies and the smaller biotechnology companies generally interact harmoniously. This typically takes the form of innovative and cost-effective discovery research and early stage development occurring within the smaller, more creative entities, while the larger corporations license-in the drug candidate, once proven safe and efficacious, for late stage trialing and subsequently apply their expertise to regulatory approvals, production, marketing and distribution.

The Pfizer, Inc. relationship referred to in the Prospectus is an excellent example of the synergies that take place in the biotechnology industry. Pfizer purchases the CogState test from the Company for use in its drug development programs, while appreciating that the Company is developing drugs which one day may replace Pfizer's own CNS products. It is possible that the larger company will ultimately license-in a CogState drug.

Part of the strategy is to maintain a pipeline of projects to spread the risk of failure. Less than one percent of drug candidates entering preclinical development gain market approval and significantly fewer achieve blockbuster status. Hence, the only logical approach is to have multiple programs running concurrently, the limitation being of course, the amount of funding available to support the research. We have evaluated two drug development programs as part of our review, but we are aware that other licensing opportunities are under consideration.

Staff and Resources

We have met with the key management and technical staff of CogState and reviewed their *curriculum vitae*. The medical and scientific credentials of the individuals who founded the company, Drs Collie, Maruff and Darby, are exceptional. These individuals are highly published in their fields of interest and have been successful in attracting significant grant support for their research.

Dr Peter Bick has a strong neurosciences background, but more importantly in his current role of CEO and President, has commercial experience in managing companies and divisions within multinational companies charged with the development of medical products and services. Peter will be instrumental in executing the Company's business plan and his technical knowledge and commercial background support his appointment to this important role.

We note that the Company has a strong Board of Directors with technical, business, financial and venture capital experience. A Scientific Advisory Board is viewed as essential in identifying new research programs, managing and monitoring that research and advising on routes to commercialization. CogState's Scientific Advisory Board has a blend of Australian and International scientists with strong reputations in the study and treatment of neurological and psychological disorders, drug development and evaluation, and pharmacology.

Opportunities and Risks

The trend toward e-health and telemedicine will favour tests such as those that have been developed by CogState and pressures of litigation will drive physicians, sporting clubs and associations, pharmaceutical companies, schools, and employers to undertake routine cognitive testing. The business model is to have every doctor performing these tests on patients over a certain age annually as a watching brief for the onset of CNS disease and for sports associations to undertake baseline tests on competitors each year.

CogState has the opportunity to transfer cognitive testing from the clinic to home and other remote sites and establish itself as the foremost product in its field. The tests are fast, require no special equipment other than a computer, no qualified individual for implementation, and are relatively inexpensive. Testing is no more costly than a routine pathology test while other modalities for testing neurological status often rely on expensive items of equipment or are labour intensive.

The risks for the tests are that the broad claims in the patent applications will not be granted allowing me-too products to enter the market and that long term usage may find that the product lacks reliability and precision. In the longer term, we expect that blood tests for biochemical and genetic markers will be developed and enter common usage. Even so, there will still be a role for products such as CogState in monitoring progression easily and inexpensively.

The development of pharmaceuticals involves significant hurdles before final market approvals are granted by the regulatory authorities. The stages of preclinical testing and clinical trials are both costly and protracted and there is no guarantee that regulatory approval will be obtained nor that the candidate compounds will prove efficacious in humans and safe.

It should be appreciated that all of the drugs for which we have presented sales data have been through development programs costing hundreds of millions of dollars. The sales value results from significant usage, but also high selling prices as drug companies attempt to recover their R&D expenditure. It is estimated that more than 90% of newly approved drugs do not reach the estimated costs of their development.

There are many competing drug development programs targeting CNS disorders. There are literally dozens of companies interested in CNS drug discovery, and the overall research expenditure by any one of these could exceed hundreds of millions of dollars. Even if the CogState products obtain marketing approvals the competition will be vigorous.

Many of CogState's competitors have substantially greater technical and financial resources, production and marketing capabilities, and experience in bringing drugs to market and obtaining regulatory approvals. The Company's strategy is, however, to license development to larger firms once early stage human trials have been completed to provide access those greater resources rather than attempt to compete against them.

At this stage the drug discovery programs are at an early stage. The potential for failure during preclinical development or clinical trials is high.

There is a risk that patents will not be granted or that key claims will be rejected. It is also possible that competing patents will be granted which may limit the Company's freedom to operate or may require that the Company acquire a license to these patents. Our current thoughts are that this risk may be greatest in the area of drug development.

Summary

The incidence of AD is increasing sharply as the population ages. It is a disease that is devastating to both family and the sufferer and it currently has no cure. It affects about 1.5% of the population overall but increases to 3% between ages 65 and 75 and 47% of people over the age of 85. The annual cost of caring for a patient in the US with mild AD is US\$18,000 increasing to US\$36,000 for severe AD. The annual US direct and indirect costs have been variously estimated at between US\$50 billion and US\$100 billion. Current drugs relieve symptoms but do not treat the underlying pathology.

Similarly, PD is growing in incidence and costs the US between US\$10 billion and US\$25 billion annually.

One of the problems in dealing with AD is the difficulty in diagnosing the condition and early identification is the key to effective management. Early intervention translates directly to savings in healthcare expenditures. It is estimated that only three out of five sufferers are diagnosed with the condition. "Paper-and-pencil" tests, despite their many deficiencies, have been useful in demonstrating that early decline in cognitive function is a reliable predictor of the onset of AD. Primary care physicians make the majority of diagnoses of AD and the availability of a reliable and rapid on-line test that can be undertaken in the clinician's surgery, that is not influenced by the subject's background or the clinician's skill, will greatly facilitate early diagnosis.

The sizes of the market potential for CogState in both its Diagnostic and Therapeutic divisions is considerable. The short term opportunity is the diagnostic products which have been proven in both Company instigated and independent studies and are already on the market. The drug development programs, while addressing markets that are currently poorly serviced with significant upside, are more distant in terms of development time and revenue realization and are fraught with significantly greater risks.

The Company is evaluating several other potential therapeutic programs to improve the probability that one or more drug candidates are licensed. All are in the area on CNS disease allowing optimum use of resources.

Disclaimer

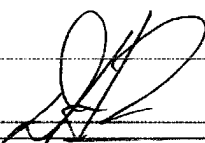
Neither Acuity Technology Management nor its principals have any pecuniary interest in CogState that could be regarded as affecting the ability to provide an unbiased opinion of the matters contained in this report. Other than this report, Acuity has not provided any services or advice to the company.

Acuity will receive a professional fee for the preparation of this report in accordance with its usual terms of engagement.

The success of CogState depends on many factors some of which are under the control of the Company but many of which rely on the markets and general business environment, and others which are the consequence of pursuing scientific discovery. Acuity prepared this report using publicly accessible information and information provided by the Company. We have no reason to believe that information supplied by the Company was incorrect or intended to be misleading. A draft report was issued to the Due Diligence Committee of CogState to verify technical accuracy and changes, not relating to our expressed views or opinions, were made in the report.

We have given our written consent to the issue of this report as appearing in of the Prospectus being included in the form and context in which it appears. We have been involved only in the preparation of this Report and not in the preparation of any other part of this Prospectus, and specifically disclaim liability to any person in respect of any statements included elsewhere in this Prospectus. We have not, other than as set out above, been involved in the preparation of or authorised or caused the issue of this Prospectus.

Yours sincerely



David H Randerson, BE, PhD, FAICD
Managing Director

Acuity Technology Management

Acuity is a consultancy firm that advises on R&D and its commercialisation with a particular emphasis on biotechnology. Dr Randerson has over 30 years experience as a practicing biomedical engineer and research adviser. He has managed commercial and academic research programs, taught engineering and biotechnology at tertiary institutes and worked in the medical device and pharmaceutical industries. Acuity undertakes technology and market assessments of projects and provides advice to investors in relation to high technology projects.



25 November 2003

Our Ref: Z2101AU00

The Directors
CogState Ltd
51 Leicester Street
CARLTON VIC 3053

Dear Sirs

Re: Report concerning the Intellectual Property portfolio of CogState Ltd

We provide hereunder our report concerning the Intellectual Property portfolio of CogState Ltd (hereinafter referred to as "CogState"). We understand that all or part of this report will be included in a prospectus to be issued by CogState and lodged at the Australian Stock Exchange.

Watermark as advisors to CogState

Watermark is a firm of Patent and Trade Mark Attorneys established in 1859 and with offices in Melbourne, Sydney and Perth. All Principals of Watermark are Fellows of the Institute of Patent and Trade Mark Attorneys of Australia. More information about Watermark, its Principals and practitioners can be found at www.watermark.com.au.

Watermark was appointed to advise CogState in relation to their Intellectual Property portfolio on 7 October 2003. Prior to that date, Watermark was engaged on a trial basis to review a family of patents forming the bases of a licence agreement entered into by CogState. The opinions provided in this report, and the facts stated are derived from materials provided by CogState, and their advisors, as well as, to the extent possible, from independent sources. Unless stated otherwise, and where possible, all statements of fact derived from materials supplied by CogState have been verified from independent sources. None of the patents and patent applications listed in the schedules to this report has been prepared by Watermark. Effective from 7 October 2003, Watermark has assumed responsibility for the prosecution and maintenance of the intellectual property referred to in Schedules I - VII. The veracity of information obtained from independent sources is not guaranteed by those sources.

Neither Watermark nor any of its Principals has, or is, entitled to any shares in CogState. This report has been prepared at the request of CogState, and Watermark will be paid at commercial rates for the preparation of this report. Watermark has no other interests in the promotion of CogState.

Patent and
Trade Mark Attorneys
in Australia
and New Zealand
Established 1859

Principals

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Michael Chin Quan BE (Mech) (Hons) M Eng Sc
Paul Fong B Eng (Comp Sys)
Peter Franke BSc LLB
Carolyn Harris BSc (Hons)
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Intellectual Property

"Intellectual Property" is a collective term for a range of rights to which are attached varying degrees of exclusivity. Intellectual property rights are traditionally recognised by the grant of a patent, trade mark or design by a Government Authority, but are also recognised as vesting in other types of proprietary information including client databases, computer source codes, academic treatises and business methods. Not all intellectual property rights can be formally registered.

A patent is a nationally based right which, while it may start life as an international application can, as yet, only be granted in relation to a single national territory. In general terms, a patent right gives the patentee the exclusive right to prevent others from exploiting the invention, the subject of the patent, in the country of its registration for a maximum period of 20 years. The subject matter of a patent must be technical or scientific in nature, but is typically otherwise unlimited except insofar as the reproduction of human beings is concerned, and in some countries, methods of their medical treatment. Pharmaceuticals, various aspects of genetic engineering, except as already mentioned, diagnostic tests and methods, and computer-based business methods are all patentable. The only other requirements of a patentable subject matter are that it be "new," "inventive" and "industrially applicable" – all requirements which are established by common law or statute of the jurisdiction concerned. Before a patent is granted in any jurisdiction it must undergo examination by a national authority, or by a nationally approved authority to ensure that it complies with the laws of that jurisdiction. Since the laws governing intellectual property vary from country to country, there can be no assurance when a patent application is filed in any particular jurisdiction of the scope of its legal monopoly upon grant, the validity of the patent granted, or indeed whether it will be granted at all. In general terms, however, the risks undertaken by an organisation in establishing an intellectual property portfolio are mitigated by the retention of local advisors expert in the area of Intellectual Property. CogState has utilised both Australian attorneys and US attorneys specialising in Intellectual Property in developing their portfolio.

A trade mark is a nationally based right which may start life as an international application, but can only be granted in relation to a single national territory. The exception to this is the relatively recent establishment of a European-Community wide registration known as a Community Trade Mark ("CTM"). The initial term of a trade mark registration is, in general, 10 years but a trade mark can have an unlimited life provided renewal is periodically sought. The legal requirements of a trade mark vary from jurisdiction to jurisdiction, and thus, before a trade mark is registered, it must be subject to the examination standards laid down by statute in the jurisdiction of interest. Local experts in trade mark law may be engaged, but in some circumstances, may be less essential than is the case for successful patent grant.

More information about the grant of intellectual property rights can be found at www.ipa.com.au, www.ipaustralia.gov.au, www.uspto.gov and www.european-patent-office.org.

Intellectual Property of CogState

The Intellectual Property of CogState is comprised of a series of patents and applications originating with Founders of the company and their collaborators, a series of patents and applications that have been licensed in by CogState and unregistered intellectual property rights. This portfolio is detailed in the schedules attached to this report, further detail in relation to which is provided hereinbelow.

The Intellectual Property of CogState does not include some rights retained by the Founders of CogState, or by other persons employed by CogState from time to time which have not been assigned into the company and to which, by agreement, CogState has no entitlement. These are also detailed hereinbelow.

The schedules I-IV attached hereto are arranged by patent family. A patent family may include one or more initial applications from which the earliest date of the invention is determined, known as "basic applications" or sometimes "provisional applications". The family may also include an international application filed in accordance with the Patent Cooperation Treaty which is a means of delaying the filing of national patent applications and of determining, in general terms, the patentability of the subject matter of the application. Finally, the family may include one or more national patent applications or patents which may be derived from the basic, provisional or international applications, or which may be independently filed. If the national patent application is independently filed, its relatedness to the family is determined by parity between its subject matter and that of the other members of the family.

Schedules V and VI detail the Registered Trade Mark rights of CogState.

Schedule VII details domain names registered to CogState.

Schedule VIII details unregistered intellectual property forming part of the intellectual property estate and consequently the proprietary advantage of CogState.

Schedule IX is a declaration of intellectual property rights owned by employees of CogState but which is not considered the property of CogState. The Board has reviewed this schedule and concurs that none of the intellectual property identified therein is considered proprietary to CogState.

Scope of Investigations

Watermark has been instructed to verify two aspects of the patent portfolio of CogState Ltd as set out in Schedules I-IV hereinbelow:

- a) status of each of the patent family members, and
- b) the entitlement of CogState Ltd as patent applicant, patentee or licensee.

Watermark has not been instructed to verify the validity of any of the granted patents, the likely granted scope of any of the pending patent applications nor whether or not all inventors have been identified in relation to each patent or patent application.

Whilst Watermark has reviewed the licence agreements pertaining to Schedules III and IV, Watermark is not qualified to comment on the legality or otherwise of these contracts.

Information provided in Schedules VIII and IX, and provided in relation to third party Intellectual Property risks, has been derived from interrogation of CogState employees, and except where indicated otherwise has not been independently verified.

Schedule I

This table identifies the family of patent applications relating to the "psychological testing method and apparatus" marketed as CogState, CogSport, CogHealth and CogSafe.

No patents have yet been granted in this family. Full details of the invention are described in the specification of the patent applications detailed. These specifications are publicly available. There can be no assurance that each of the patent applications listed will result in the grant of a patent, or that the scope of protection provided by any patent which is granted will be identical to the scope of the application as originally filed. In Australia and Europe the grant of the patent is subject to opposition by interested third parties, but only on statutorily available grounds. In any of the jurisdictions, any patent granted may be revoked by the taking of a court action at any time in its lifespan. As a general rule, the available scope of

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protection should be regarded as being parallel to the scope of the working examples of the invention described in the patent specification.

The inventors Darby and Bush have assigned their rights in the invention described in the priority document US 60/221166 and in the US application US 10/343067 to CogState Ltd. The inventor Bush was, by an error attributed to the Attorney involved, not identified in relation to the international application PCT/AU01/00924, and as a consequence is not identified in relation to the corresponding Australian, Canadian and European applications. The process of correcting the identification of inventors is administratively straightforward and is underway in Australia, Canada and Europe to identify Bush as an inventor on these cases.

The European application remains in the name of ESP Ltd (the former name of CogState Ltd). This may also be administratively corrected in a straightforward manner.

Schedule II

This table identifies the family of patent applications pertaining to a "system and method of testing cognitive function" – the application of CogState technology to the detection and measurement of progression of a cognitive impairment arising from any activity or disorder.

No patents have yet been granted in this family. Full details of the invention are described in the specification of the patent applications detailed. These specifications are publicly available. There can be no assurance that each of the patent applications listed will result in the grant of a patent, or that the scope of protection provided by any patent which is granted will be identical to the scope of the application as originally filed. In Australia and Europe the grant of the patent is subject to opposition by interested third parties, but only on statutorily available grounds. In any of the jurisdictions, any patent granted may be revoked by the taking of a court action at any time in its lifespan. As a general rule, the available scope of protection should be regarded as being parallel to the scope of the working examples of the invention described in the patent specification.

The inventor Maruff ceded his intellectual property rights pertaining to these patent applications to ESP Ltd/CogState Ltd by agreements dated 17 November 2000 and 5 May 2002.

The inventors Maruff, Bush, Collie and Darby assigned their rights in US 10/144437 to CogState Ltd on 30 July 2002, 9 August 2002, 30 July 2002 and 29 July 2002, respectively. The inventors Maruff, Bush, Collie and Darby confirmatorily assigned their rights in US60/317577, US60/317639, PR4924, PR6948, PR7516 by deed dated 23 October 2003.

Prana Biotechnology Limited ("Prana") has asserted rights in relation to aspects of the technology covered in these patent applications as a result of a service agreement between Prana and Dr Ashley Bush under which he was to provide services for thirty days a year in relation to technology the subject of a patent in which Prana held interests related to treatment of diseases caused by metal-mediated oxidative stress. Dr Bush was also generally providing services to CogState during the same period. Cogstate has sought a legal opinion concerning the nature of Prana's rights against patent PR7516 in which Dr Bush is a named inventor. The legal opinion obtained by CogState is to the effect that Prana has no rights to any aspect of the technology described and potentially claimed by PR7516 and this patent family. We have reviewed this opinion and concur with the view set out therein. This issue is covered elsewhere in this prospectus under the section entitled Risks.

Schedule III

This table identifies a family of patents and applications directed at a certain type of AT4 receptor compound potentially useful in the treatment of neurological conditions. CogState has been granted a sole, exclusive licence in respect of all territories excluding Japan and the People's Republic of China from one of the co-owners of the patents and applications, Taisho Pharmaceutical Company Ltd. The co-owner, Sagami Chemical Research Centre has entered into an agreement with Taisho Pharmaceutical Company Ltd whereby they have consented to the execution of a licence agreement between Taisho Pharmaceutical Co. Ltd and CogState.

Only two patents have yet been granted in this family. Full details of the invention are described in the specification of the patents and patent applications detailed. These specifications are publicly available. There can be no assurance that each of the patent applications listed will result in the grant of a patent, or that the scope of protection provided by any patent which is granted will be identical to the scope of the application as originally filed. In Australia and Europe the grant of the patent is subject to opposition by interested third parties, but only on statutorily available grounds. In any of the jurisdictions, any patent granted may be revoked by the taking of a court action at any time in its lifespan. As a general rule, the available scope of protection should be regarded as being parallel to the scope of the working examples of the invention described in the patent specification.

Watermark has not reviewed the licence agreement between Taisho Pharmaceutical Company Ltd and CogState for its legality. We have reviewed the statements made elsewhere in this prospectus and concur to the extent we are qualified to do so, with the content thereof.

The rights of the inventors identified in relation to this family of patents and applications have passed to their respective employers, Taisho Pharmaceutical Co Ltd and Sagami Chemical Research Centre in accordance with Japanese law.

The Washington State University ("WSU") through the inventors of US Patent 5 854 388 and US Patent 6 022 696, Harding and Wright, have asserted that the subject matter of this family of patents and applications is at least in part covered by the earlier dated claims of the US Patents identified. Watermark has undertaken a review particularly of US Patent 5 854 388 and confirms that, in very general terms this assertion is correct. It is very common that the scope of claims of patents granted to unrelated parties overlaps. If commercialisation strategies necessitate it, a cross licensing strategy may be adopted. The US member of the family of patents and applications in this schedule has been granted over the Washington State University patents identified despite their having an earlier priority date. Given the high presumption of validity afforded patents granted before the US Patent and Trade Mark Office, it is reasonable to suggest that any overlap is coincidental and is not regarded as relevant to the novelty and inventive step of the individual members of this patent family. This issue is covered elsewhere in this prospectus under the section entitled Risks. We have read and concur with the statements made therein.

Schedule IV

This table identifies a family of patent applications directed at a certain type of chemical compound potentially useful for the treatment of neurological conditions. CogState has been granted a sole and exclusive, worldwide licence from the beneficial owner of these patents, Brain Research Ltd, to develop and commercialise the compounds of the patent application.

No patents have yet been granted in this family. Full details of the invention are described in the specification of the patent applications detailed. These specifications are publicly available. There can be no assurance that each of the patent applications listed will result in the grant of a patent, or that the scope

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of protection provided by any patent which is granted will be identical to the scope of the application as originally filed. In Australia and Europe the grant of the patent is subject to opposition by interested third parties, but only on statutorily available grounds. In any of the jurisdictions, any patent granted may be revoked by the taking of a court action at any time in its lifespan. As a general rule, the available scope of protection should be regarded as being parallel to the scope of the working examples of the invention described in the patent specification.

Watermark has not reviewed the licence agreement between Brain Research Ltd and CogState for its legality. We have reviewed the statements made elsewhere in this prospectus and concur to the extent we are qualified to do so with the content thereof.

The rights of the inventor identified in relation to this family of applications, Zvi Yehuda, have been assigned to the licensor, Brain Research Ltd by agreement dated 15 September 2003.

Schedule V & VI

These tables detail trade mark registrations owned by CogState Ltd covering the branding of the products presently offered by the company.

In addition, CogState Ltd may have common law and copyright rights in respect of various artistic works, created under contract by third parties, including logos, marketing materials and other works. The graphic designer of these various logos, marketing materials and other works has assigned his residual copyright in these works to CogState Ltd by agreement dated **25 November 2003**.

Watermark has made no assessment of the scope of these rights, most of which have been created by employees of the company under contract, or have been transferred to the company by formal assignment. The schedule is based on information provided by CogState Ltd, not by independent assessment. In addition, CogState Ltd has filed an application on 17 November 2003 to register the trade mark COGSPORT. This trade mark application is yet to be formally examined.

Schedule VII

This table identifies domain name registrations owned by CogState Ltd.

Watermark has made no assessment of the scope of these rights, most of which have been created by employees of the company under contract, or have been transferred to the company by formal assignment.

The schedule is based on information provided by CogState Ltd, not by independent assessment.

Schedule VIII

This schedule identifies proprietary intellectual property owned by CogState which is of an informal, unregistrable nature.

Watermark has made no assessment of the scope of these rights, most of which have been created by employees of the company under contract, or have been transferred to the company by formal assignment.

The schedule is based on information provided by CogState Ltd, not by independent assessment.

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Schedule IX

This schedule identifies intellectual property rights owned by employees of CogState but which are not considered the property of CogState. The Board has reviewed this schedule and concurs that none of the intellectual property identified therein is considered proprietary to CogState.

Watermark has made no assessment of the scope of these rights, most of which have been created by employees of the company as a part of their pre CogState employment, or through other contracted duties.

The schedule is based on information provided by CogState Ltd, not by independent assessment.

Infringement Risks

Watermark has not conducted any infringement searching in relation to the technology encompassed by any of the patents or patent applications identified in Schedules I-IV herewith, and hence has not made any independent assessment of the risk profile of CogState's present and future activities.

CogState has identified one US patent #5,911,581 in relation to which they have sought an opinion concerning their risk of infringement. We understand from CogState that certain steps required by the claims of US 5,911,581 are not present in the CogState process. On this basis we have made a preliminary review of the patent and without having had advice from the US regarding unique aspects of that country's law pertaining to infringement, from our understanding of the system applied by CogState, prima facie, there is no apparent infringement of the rights of the abovementioned patent by CogState.

CogState has not identified any other risk that their current or proposed activities might infringe upon third party proprietary rights save mentioned elsewhere in this report.

Yours faithfully

WATERMARK

Patent & Trade Mark Attorneys

Watermark

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SCHEDULE I: "Psychological Testing Method and Apparatus"

Examination Services for Psychology Ltd (ESP Ltd)

CogState Ltd (formerly ESP Ltd)—[change of name 12 Nov 2001] 51 Leicester Street, Carlton, VIC 3053
Australia

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Patent Number	Status
D. Darby A. Bush	United States	60/221166	27 July 2000	none	-	Priority application; formed basis of International Patent Application No. PCT/AU01/00924 ^{1,2}
ESP Ltd	International ^{1,2}	PCT/AU01/00924 WO 02/11102	27 July 2001	27 July 2000	-	Demand for preliminary examination filed 11 April 2002; proceeded in the national phase in Australia, Canada and the United States, and in the regional phase in Europe ³
CogState Ltd	Australia	2001275604	27 July 2001	27 July 2000	-	Entered National Phase 12 Feb 2003 If granted expires 27 July 2021
CogState Ltd	Canada	2417324	27 July 2001	27 July 2000	-	Demand for examination filed 24 Jan 2003; Entity size changed 14 Aug 2003; If granted expires 27 July 2021
CogState Ltd	United States	10/343,067	27 July 2001	27 July 2000	-	Entered National Phase 24 Jan 2003 If granted expires 27 July 2021
ESP Ltd	Europe ³	01953055.9 EP 1320842	27 July 2001	27 July 2000	-	Request for examination filed 27 Feb 2003; If granted expires 27 July 2021

- 1 An international application is an application filed under the provisions of the Patent Cooperation Treaty (PCT).
- 2 Countries designated: All
- 3 Countries designated: AT, BE, CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE, TR

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SCHEDULE II: "System and Method of Testing Cognitive Function"

Examination Services for Psychology Ltd (ESP Ltd); 155 Oak Street, Parkville, VIC 3052 Australia
CogState Ltd (formerly ESP Ltd)—[change of name 12 Nov 2001] 51 Leicester Street, Carlton, VIC 3053
Australia

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Patent Number	Status
D. Darby, P. Maruff, A. Collie, A. Bush	United States	60/317571	6 Sept 2001	none	-	Priority application; formed basis of United States Application No. US 10/144,437
D. Darby, Maruff, Collie, A. Bush	United States	60/317639	6 Sept 2001	none	-	Priority application; formed basis of United States Application No. US 10/144,437
CogState Ltd	Australia	PR4924	11 May 2001	none	-	Priority application; refiled as Australian Application PR6948
ESP Ltd	Australia	PR6948	10 Aug 2001	none	-	Priority application; formed basis of United States Application No. US 10/144,437
CogState Ltd	Australia	PR7516	5 Sept 2001	none	-	Priority application; formed basis of United States Application No. US 10/144,437
CogState Ltd	United States	10/144,437 pub no. 2002-0192624	10 May 2002	11 May 2001, 10 Aug 2001, 5 Sept 2001, 6 Sept 2001	-	OPI 19 Dec 2002; forwarded to Examiner 27 Aug 2003 (2 nd Report) If granted expires 10 May 2022
CogState Ltd	International ^{1 2}	PCT/US02/25497 WO 03/015059	8 Aug 2002	10 Aug 2001, 5 Sept 2001, 6 Sept 2001, 10 May 2002	-	OPI 20 March 2003 If granted expires 8 Aug 2022
CogState Ltd	Australia	2002332510	8 Aug 2002	10 Aug 2001, 5 Sept 2001, 6 Sept 2001, 10 May 2002	-	OPI 24 Feb 2003 If granted expires 8 Aug 2022
CogState Ltd	Europe ³	20020794695.3	8 Aug 2002	10 Aug 2001, 5 Sept 2001, 6 Sept 2001, 10 May 2002	-	Demand for preliminary examination filed 10 March 2003 If granted expires 8 Aug 2022

1 An international application is an application filed under the provisions of the Patent Cooperation Treaty (PCT).

2 Countries designated: All

3 Countries designated: AT, BE, CH, DE, DK, EE, ES, FR, GB, GR, IE, IT, LI, LU, MC, NL, PT, SE, SK, FI, CY, BG, CZ

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SCHEDULE III: "AT4 receptor affinity compounds"

In-licenced technology from Taisho Pharmaceutical Company Ltd.. (Taisho)

24-1, Takata 3-chome, Toshima-ku, Tokyo, 170-8633 Japan.

Co-applicant: Sagami Chemical Research Centre, (Sagami), 4-1 Nishi-Ohnuma 4-chome, Sagamihara-shi, Kanagawa 229, Japan

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Patent Number	Status
Taisho/ Sagami	Japan	8/207010	6 Aug 1996	none	-	Priority application; formed basis of US 09/101449 and International Patent Application No. PCT/JP97/02716
Taisho/ Sagami	United States	09/101449	5 Aug 1997	6 Aug 1996	6066672	Granted 23 May 2000; In force; expires 5 Aug 2017
Taisho/ Sagami	International ^{1,2}	PCT/JP97/02716 WO 98/05624	5 Aug 1997	6 Aug 1996	-	Publication 12 Feb 1998; Proceeding in Australia, Canada, Japan and Europe ³
Taisho/ Sagami	Europe ³	97933908.2 pub no. 882699	5 Aug 1997	6 Aug 1996	-	2 nd report issued 12 Nov 2002, responded 16 May 2003 If granted expires 5 Aug 2017
Taisho/ Sagami	Canada	2242571	5 Aug 1997	6 Aug 1996	-	Request for exam filed 7 May 2002, amendments filed 7 Aug 2002 If granted expires 5 Aug 2017
Taisho/ Sagami	Japan	10-507812	5 Aug 1997	6 Aug 1996	-	Written amendment 9 Feb 1999 If granted expires 5 Aug 2017
Taisho/ Sagami	Australia	37090/97	5 Aug 1997	6 Aug 1996	714295	In force; expires 5 Aug 2017

1 An international application is an application filed under the provisions of the Patent Cooperation Treaty (PCT).

2 Countries designated: All

3 Countries designated: AT, BE, CH, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE

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SCHEDULE IV : "Acylates and methods for treatment of neurotransmitter defects" aka 'NLT FAMILY'

In-licenced technology from Brain Research Ltd,
Be'eri Street, Tel-Aviv-Jaffo, Israel.

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Patent Number	Status
Z. Yehuda	Israel	125731	11 Aug 1998	none	-	Basis of International Patent Application No. PCT/IL99/00437; Official Action 23 Sept 2003.
Z. Yehuda	Israel	129500	19 April 1999	none	-	withdrawn
Z. Yehuda	International ^{1,2}	PCT/IL99/00437 WO 00/09476	11 Aug 1999	11 Aug 1998 ¹ , 19 April 1999 ²	-	'Priority claims withdrawn 4 Oct 2001; Proceeding in United States, Japan and Europe ³
Z. Yehuda	Europe ³	99936949.9	11 Aug 1999	11 Aug 1999	-	Entered Regional Phase 1 July 2002; Amendments before examination 6 Aug 2003; If granted expires 11 Aug 2019
Z. Yehuda	United States	10/049058	11 Aug 1999	11 Aug 1999	-	1 st Official Action issued; If granted expires 11 Aug 2019
Z. Yehuda	Japan	2000-564930	11 Aug 1999	11 Aug 1999	-	Additional information provided 1 May 2002; If granted expires 11 Aug 2019
Z. Yehuda	Australia	51911/99	11 Aug 1999	11 Aug 1999	-	Lapsed 2 May 2002

- 1 An international application is an application filed under the provisions of the Patent Cooperation Treaty (PCT).
- 2 Countries designated: All
- 3 Countries designated: AT, BE, CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE

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SCHEDULE V: "COGSTATE" TRADEMARK

Class 9: computer software for psychological testing
Class 42: psychological testing services

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Trade Mark Number	Status
CogState Ltd	Australia	847920	25 Aug 2000	none	847920	Registered until 25 Aug 2010; in force
CogState Ltd	United States	76161666	8 Nov 2000	25 Aug 2000	2712585	Registered until 6 May 2013; in force
CogState Ltd	European CTM	2098499	22 Feb 2001	25 Aug 2000	2098499	Registered until 22Feb 2011; in force

1. Member States: Austria, Benelux, Denmark, Finland, France, Germany, Greece, Ireland, Spain, Italy, Netherlands, Portugal, Sweden, United Kingdom

SCHEDULE VI: "COGHEALTH" TRADEMARK

Class 9: computer software
Class 44: psychological testing services for medical purposes

Applicant	Country	Application Number	Filing date	Priority Date Claimed	Trade Mark Number	Status
CogState Ltd	Australia	925956	5 Sept 2002	none	925956	Registered until 5 Sept 2012; in force

SCHEDULE VII: REGISTERED DOMAIN NAMES

Applicant	Domain Name	Status	Expiry Date
CogState Ltd	cogstate.com	Registered	22/08/2004
CogState Ltd	cogstate.com.au	Registered	25/09/2005
CogState Ltd	cogstate.net	Registered	25/09/2005
CogState Ltd	cogstate.org	Registered	13/11/2005
CogState Ltd	cogstate.biz	Registered	13/11/2005
CogState Ltd	coghealth.com	Registered	15/08/2008
CogState Ltd	coghealth.org	Registered	13/11/2005
CogState Ltd	cogsport.com	Registered	13/08/2008
CogState Ltd	cogsport.com.au	Registered	14/11/2005
CogState Ltd	macstim.com	Registered	13/06/2008

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SCHEDULE VIII: PROPRIETARY INTELLECTUAL PROPERTY

1. Cognitive testing task engine constituting the product known as "CogState" and underlying other current and future products (eg. CogSport, CogHealth, and CogSafe).
2. The software source code that implements the CogState task engine and associated presentation to customers and test data emailing including;
 - 2.1 CogManage – custom software to interface to the SQL test database created by CogState allowing viewing, editing and retrieval of information and reports.
 - 2.2 CogUtil – custom software which interfaces with the SQL test database to effect manual analyses of the test data.
 - 2.3 iObserve – custom C++ Macintosh software allowing decryption, viewing, re-creation, corruption testing, and statistical analysis of test data files (both native and emailed versions).
 - 2.4 Customised web-based document manager software system based on freeware from code available at <http://source-forge.net/projects/pendocman/> or other sources.
 - 2.5 Miscellaneous source code based programs which ensure the firewall protecting the CogState database and internal computer network are secure. These are both scripts and compiled code.
3. Test results SQL database customized for the tasks within the CogState task engine and ancillary information collected by the customised product task engines.
4. Client database describing the accumulated contact, account and test usage information of all CogState Ltd contacts, scientific experts, collaborators and customers.
5. MacStim: a Macintosh only stimulus presentation software application.
6. MacFreud: a software concept aiming to provide a computerized psychotherapist with realistic interactions. There is a US Trade Mark License under the names of the inventors.
7. Company documentation created in-house by CogState Ltd employees, eg. Product usage manuals, web site content and design, pamphlets, posters, abstracts, scientific presentations.
8. Various trademarks, illustrations and logos created for Cogstate by Mr Iain Evans of Eade & Evans Pty Ltd, and Mr David Salt of Salt Design, copyright in which has been assigned to the Company.
9. Common law trade marks CogState, CogSafe, CogHealth, CogManage, CogUtil.

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SCHEDULE IX: INTELLECTUAL PROPERTY RIGHTS DECLARED BY EMPLOYEES OF COGSTATE LTD BUT NOT FORMING PART OF THE INTELLECTUAL PROPERTY ESTATE OF COGSTATE LTD

1. PROPERTY OF ASSOC PROF DAVID DARBY

- 1.1 SCHOOLSTAT – Macintosh based statistical software application designed for schools
- 1.2 DESKMATES – personal productivity software application
- 1.3 VoCAL – Macintosh calculator with speech recognition software application
- 1.4 Other Macintosh software including applications, libraries and support software for Macintosh and Unix programming created prior to formation of the Company
- 1.5 Various sole authored, and collaborative scientific papers and literary works predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.

2. PROPERTY OF PROF PAUL MARUFF

- 2.1 Proprietary information relating to the diagnosis and treatment of clumsiness in children and adults
- 2.2 Proprietary information relating to the development of games to improve skills and knowledge of children
- 2.3 Proprietary information relating to the identification of neuropsychiatric disorders or neurodegenerative disorders in adults and children
- 2.4 Plans for apparatus and strategies for the rational use of water
- 2.5 Various sole authored, collaborative scientific papers predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.
- 2.6 Demographic data and/or biological status of individuals enrolled in:
 - a. the healthy aging study at the Mental Health Research Institute of Victoria,
 - b. the Australian National Trial of Post Operative cognitive impairment (ANTIPODES) conducted at St Vincent's Hospital, and the Alfred Hospital, Melbourne,
 - c. the clumsiness study at the Royal Melbourne Institute of Technology, Melbourne,
 - d. the study of childhood anxiety and attention deficit disorders at the Maroondah Hospital, The Alfred Hospital, and the Royal Children's Hospitals, Melbourne
- 2.7 Various sole authored, and collaborative scientific papers predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.

3. PROPERTY OF DR ALEX COLLIE

- 3.1 Various sole authored, and collaborative scientific papers predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.
- 3.2 Proprietary information arising from 2001 doctoral thesis, research and honours studies.
- 3.3 Proprietary information arising from studies undertaken, or to be undertaken for the Australian Crohn's and Colitis Association, and the Dyslexia Assessment and Education Centre.

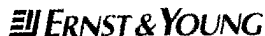
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4. PROPERTY OF DR PETER BICK

4.1 Various sole authored, and collaborative scientific papers predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.

5. PROPERTY OF MICHAEL MCSTEPHEN

5.1 Various sole authored, and collaborative scientific papers predating and postdating work with the Company in general covered by copyright which has been assigned as a requirement of publication.



120 Collins Street
Melbourne VIC 3000
Australia

Tel 61 3 9288 8000
Fax 61 3 9654 6166
DX 293 Melbourne

GPO Box 678
Melbourne VIC 3001

1 December 2003

The Directors
CogState Limited
51 Leicester Street
CARLTON VIC 3053

Dear Sirs,

INDEPENDENT ACCOUNTANTS' REPORT

1. INTRODUCTION

This report in respect of CogState Limited ("CogState Ltd" or "the Company") has been prepared at the request of the Directors for inclusion in a Prospectus to be dated on or about 3 December 2003, relating to the offer of 11,000,000 shares in CogState Ltd at \$0.50 each. Upon completion of the offer CogState Ltd is expected to have a total of 32,647,669 issued shares and 6,369,790 issued options. There will be no options issued to acquire shares in the Company under this Prospectus.

The minimum amount to be raised pursuant to the Prospectus is \$5,500,000 at \$0.50 per share. The Company has reserved the right to accept oversubscriptions of up to \$1,500,000, being 3,000,000 shares at the issue price of \$0.50 per share.

Further details of the offer are set out in the Prospectus. References to CogState Ltd and other terminology used in this report have the same meaning as set out in the Glossary to the Prospectus.

2. BACKGROUND

CogState Ltd was incorporated on 17 December 1999 as an unlisted public company.

The Company's business is focused on the development and commercialisation of neuroscience diagnostics and therapeutics, particularly in relation to neurodegenerative disorders and conditions. The Company's operations are represented by:

- *CogState Diagnostics*, which has developed and is now marketing globally a series of computerised tests to measure cognitive performance. These cognitive screening tests are provided to research organisations, pharmaceutical companies, occupational health organisations, medical practitioners and sporting organisations; and
- *CogState Therapeutics*, which is developing drugs for the treatment of early Alzheimer's disease and Parkinson's disease.

It is the intention of the Directors of CogState Ltd to use the funds raised through this offer to:

- fund the expansion of marketing and sales programs for existing CogState Diagnostic products;
- fund ongoing research and development for the CogState Therapeutic Division;
- pay the costs of the offer;
- retain the services of high calibre employees;
- increase the public profile of the Company domestically and overseas; and
- provide working capital generally.

Immediately prior to the allotment of shares under the offer, the Company will have 21,647,669 shares and 6,369,790 options on issue.

ERNST & YOUNG

3. FINANCIAL INFORMATION

Scope of our engagement

Ernst & Young has been requested by the Directors to prepare an Independent Accountants' Report on the historical and proforma financial information.

Historical financial information

The historical financial information comprises the following, as set out in the Annexure to this report:

- historical statements of financial performance for the years ended 30 June 2002 and 30 June 2003;
- historical statements of financial position as at 30 June 2002 and 30 June 2003;
- historical statements of cash flows for the years ended 30 June 2002 and 30 June 2003; and
- notes to the historical financial statements

The Directors of CogState Ltd are responsible for the historical financial information.

Ernst & Young are the statutory auditors of CogState Ltd and we have conducted an independent audit of the statutory financial report of CogState Ltd for the financial years ended 30 June 2002 and 30 June 2003. An unqualified audit opinion was issued in respect of each year. The audit reports in respect of each year did contain an emphasis of matter drawing attention to a significant uncertainty as to whether CogState Ltd would be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

We have also conducted an independent audit of the historical financial information of CogState Ltd, as set out in the Annexure to this report. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance about whether the historical financial information is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the historical financial information is presented fairly in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the Company's financial position, the results of its operations and its cash flows.



3. FINANCIAL INFORMATION (continued)

Proforma financial information

The proforma financial information comprises a proforma statement of financial position at 30 June 2003 and related notes, as set out in the Annexure to this report.

The purpose of the proforma statement of financial position is to reflect the financial position of CogState Ltd, as if the following transactions relating to the offer, as disclosed in Note 2 of the Annexure to this report, had occurred on 30 June 2003:

- the issue by the Company of \$500,000 in convertible notes on 14 July 2003;
- the conversion of \$564,022 in convertible notes and related interest into 488,819 shares on 14 July 2003;
- the conversion of 829,992 Series A Preferred Shares into 829,992 Ordinary Shares on 14 July 2003;
- the issue by the Company of \$500,000 in convertible notes on 14 November 2003;
- the issue of 245,900 options in accordance with the Employee Share Option Scheme, prior to the Issue of shares under this Prospectus;
- the conversion, under an agreement, of \$2,441,961 in convertible notes and related interest into 1,988,434 Series A Preferred Shares and 1,175,806 options, on the date the Issue of shares under this Prospectus is complete;
- the conversion, under an agreement, of 2,405,097 Series A Preferred Shares into 2,491,241 Ordinary Shares, on the date the Issue of shares under this Prospectus is complete;
- the conversion of 100,000 B Class Shares into 693,400 Ordinary Shares, on the date the Issue of shares under this Prospectus is complete;
- the splitting of the share capital of CogState Ltd of 5,151,452 shares into 21,647,669 shares, on the date the Issue of shares under this Prospectus is complete;
- the splitting of the 1,515,806 options on issue into 6,369,790 options, on the date the Issue of shares under this Prospectus is complete;
- the issue of 11,000,000 shares in CogState Ltd at \$0.50 each pursuant to this Prospectus to raise \$5,500,000; and
- the payment of costs incurred by the Company associated with the offer, estimated to be \$676,620 and charged directly to equity.

The Directors of CogState Ltd are responsible for the proforma financial information.

We have performed a review of the proforma financial information of CogState Ltd, as set out in the annexure to this report, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the proforma financial information is not presented fairly in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards and other reporting requirements in Australia, to the extent to which they are relevant to the information presented.

Our review was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports" and was limited to inquiries of the Company's personnel, a reading of directors minutes, a reading of contracts and other relevant documents, ensuring consistency in application of accounting standards and policies, and certain limited verifications supporting the amounts and other disclosures in the financial information.

Ernst & Young

3. FINANCIAL INFORMATION (continued)

These review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion on the proforma statement of financial position at 30 June 2003.

Opinion

Historical financial information

In our opinion, the historical financial information of CogState Ltd, as set out in the Annexure to this report, presents fairly in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position as at 30 June 2002 and 30 June 2003 and the results of its operations and its cash flows for the years ended on these dates.

Statement

Proforma financial information

Based on our review, which is not an audit, nothing has come to our attention which would require modification to the proforma statement of financial position as set out in the Annexure to this report, in order for it to present fairly the financial position as at 30 June 2003 in accordance with the measurement and recognition requirements of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, as if the proforma transactions as set out in part 3 of this report had occurred on that date:

4. SUBSEQUENT EVENTS

To the best of our knowledge, other than as disclosed elsewhere in this report, there have been no material transactions or events subsequent to 30 June 2003 which would require comment on or adjustment to, the content of this report, or which would cause the information included in this report to be misleading.

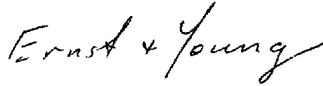


5. DISCLOSURE

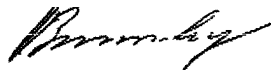
Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Ernst & Young provides professional services to CogState Ltd, is the auditor of CogState Ltd, and will receive a professional fee for the preparation of this report. The Partners of Ernst & Young do not hold or have any interest in shares of the Company.

Consent to the inclusion of the Independent Accountants' Report in this Prospectus in the form and context in which it appears has been given. At the date of this Report, consent has not been withdrawn.

Yours faithfully



Ernst & Young



Don Brumley
Partner

ANNEXURE

COGSTATE LIMITED

HISTORICAL STATEMENT OF FINANCIAL PERFORMANCE YEARS ENDED 30 JUNE 2002 AND 30 JUNE 2003

	Note	Historical Year Ended 30 June 2003 \$	Historical Year Ended 30 June 2002 \$
Revenues from Ordinary Activities	3	613,138	662,763
Depreciation and amortisation expenses	4	85,212	88,647
Borrowing costs expense	4	31,035	-
Salaries and employee benefits expense		1,123,195	675,628
Contractors and consultants expense		100,627	527,290
Legal expenses		133,347	152,986
Travel expenses		103,285	232,208
Accounting expenses		77,950	39,575
Occupancy expenses		48,515	32,243
Advertising and marketing expenses		67,180	53,676
Other expenses from Ordinary Activities		170,129	199,180
Profit/(Loss) from ordinary activities before income tax expense		(1,327,337)	(1,338,670)
Income tax expense relating to Ordinary Activities	5	(15,542)	(2,438)
Net profit/(Loss) attributable to members of CogState Limited		(1,311,795)	(1,336,232)
Total changes in equity other than those resulting from transactions with owners as owners		(1,311,795)	(1,336,232)

**HISTORICAL STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002 AND 30 JUNE 2003**

**PROFORMA STATEMENT OF FINANCIAL POSITION-
AS AT 30 JUNE 2003**

	Note	Proforma 30 June 2003 \$	Historical 30 June 2003 \$	Historical 30 June 2002 \$
Current Assets				
Cash assets	6	5,883,213	59,833	370,830
Receivables	7	124,631	124,631	228,866
Other	8	11,525	11,525	
Total current assets		6,019,369	195,989	599,696
Non-current assets				
Plant and equipment	9	38,867	38,867	45,879
Intangible assets	10	501,584	501,584	564,584
Other	11	26,994	26,994	11,452
Total non-current assets		567,445	567,445	621,915
Total assets		6,586,814	763,434	1,221,611
Current liabilities				
Payables	12	233,922	233,922	218,010
Interest-bearing liabilities	13	-	1,750,000	950,000
Provisions	14	53,379	53,379	33,673
Total current liabilities		287,301	2,037,301	1,201,683
Total liabilities		287,301	2,037,301	1,201,683
Net assets		6,299,513	(1,273,867)	19,928
Equity				
Contributed equity	15	9,897,349	2,067,986	2,049,986
Accumulated losses	16	(3,597,836)	(3,341,853)	(2,030,058)
Total Equity		6,299,513	(1,273,867)	19,928

The proforma statement of financial position should be read in conjunction with the accompanying notes, with particular reference to the assumptions set out in Note 2.

HISTORICAL STATEMENT OF CASH FLOWS
YEARS ENDED 30 JUNE 2002 AND 30 JUNE 2003

	Note	Historical Year ended 30 June 2003 \$	Historical Year ended 30 June 2002 \$
Cash flows from operating activities			
Cash receipts in the course of operations		703,440	666,944
Cash payments in the course of operations		(1,821,794)	(1,811,988)
Interest received		8,791	10,847
Net cash flows from/(used in) operating activities	18(b)	(1,109,563)	(1,134,197)
Cash flows from investing activities			
Purchase of property, plant & equipment		(20,253)	(42,778)
Proceeds from disposals of assets		9,786	-
Net cash flows from/(used in) investing activities		(10,467)	(42,778)
Cash flows from financing activities			
Proceeds from issues of shares		18,000	19,645
Proceeds from issues of convertible notes		800,000	950,000
Net cash flows from/(used in) financing activities		818,000	969,645
Net increase/(decrease) in cash held		(302,030)	(207,330)
Add opening cash brought forward		370,830	582,406
Effects of exchange rate changes on cash		(8,967)	(4,246)
Closing cash carried forward	18 (a)	59,833	370,830

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The historical and proforma financial statements have been prepared as general purpose financial statements in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

The financial statements have been prepared in accordance with the historical cost convention.

The proforma statement of financial position has been prepared to reflect the financial position of CogState Limited as at 30 June 2003 assuming that certain material transactions subsequent to that date, which are associated with the listing have occurred. These transactions are detailed at Note 2.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the following:

Provisions, Contingent Liabilities and Contingent Assets

The Company adopted the new Accounting Standard AASB 1004 "Provisions, Contingent Liabilities and Contingent Assets" for the year ended 30 June 2003." The effect of the revised policy at the beginning of the year was nil.

Employee Benefits

The Company adopted the revised Accounting Standard AASB 1028 "Employee Benefits" for the year ended 30 June 2003. The effect of the revised policy at the beginning of the year was nil.

(c) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transactions.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(f) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

(g) Plant and equipment

Cost and valuation

Items of plant and equipment are carried at cost, less where applicable, any accumulated depreciation.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives. The depreciation rates and methods used for each class of asset, for the current year are as follows:

	Depreciation rate	Depreciation method
Plant and equipment	40%	Diminishing value

(h) Intangibles

Trademarks

Trademarks, to the extent that they are expected to provide future economic benefits, are carried at cost and amortised on a straight-line basis over the period of the expected benefits.

Research and Development Costs

Research and development costs relating to the development of new products are deferred to future periods to the extent that future economic benefits are expected, beyond reasonable doubt, to equal or exceed those costs. Such deferred costs are amortised on a straight-line basis over a period not exceeding 20 years.

To the extent future benefits cannot be reliably expected, research and development costs are expensed.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(j) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Convertible notes are carried at the principal amount, being the amount of consideration received on the date of issue. Interest on the convertible notes is only due and payable by the Company on the date when the convertible notes are actually redeemed in accordance with the convertible note deed. Interest is therefore only recognised as an expense when the convertible notes are actually redeemed.

(k) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods

Control of the goods has passed to the buyer.

Interest

Control of the right to receive the interest payment is obtained.

Grant Income

Grant income is recognised as it accrues.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), in which case the GST incurred is recognised as part of the cost of acquisition of the asset, or as part of the expense as applicable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the historical and proforma statements of financial position.

Cash flows are included in the historical statements of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefit expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

(o) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current disclosures.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

2. ASSUMPTIONS USED IN COMPILING THE PROFORMA STATEMENT OF FINANCIAL POSITION

The proforma statement of financial position has been prepared to reflect the financial position of CogState Ltd as at 30 June 2003, assuming that certain material transactions subsequent to that date, which are associated with the listing have occurred.

The proforma statement of financial position has been compiled as if the following transactions and events had occurred on 30 June 2003:

- the issue by the Company of \$500,000 in convertible notes on 14 July 2003;
- the conversion of \$564,022 in convertible notes and related interest into 488,819 shares on 14 July 2003;
- the conversion of 829,992 Series A Preferred Shares into 829,992 Ordinary Shares on 14 July 2003;
- the issue by the Company of \$500,000 in convertible notes on 14 November 2003;
- the issue of 245,900 options in accordance with the Employee Share Option Scheme, prior to the Issue of shares under this Prospectus;
- the conversion, under an agreement, of \$2,441,961 in convertible notes and related interest into 1,988,434 Series A Preferred Shares and 1,175,806 options, on the date the Issue of shares under this Prospectus is complete;
- the conversion, under an agreement, of 2,405,097 Series A Preferred Shares into 2,491,241 Ordinary Shares, on the date the Issue of shares under this Prospectus is complete;
- the conversion of 100,000 B Class Shares into 693,400 Ordinary Shares, on the date the Issue of shares under this Prospectus is complete;
- the splitting of the share capital of CogState Ltd of 5,151,452 shares into 21,647,669 shares, on the date the Issue of shares under this Prospectus is complete;
- the splitting of the 1,515,806 options on issue into 6,369,790 options, on the date the Issue of shares under this Prospectus is complete;
- the issue of 11,000,000 shares in CogState Ltd at \$0.50 each pursuant to this Prospectus to raise \$5,500,000; and
- the payment of costs incurred by the Company associated with the offer, estimated to be \$676,620 and charged directly to equity.

A. Cash	30 June 2003
	\$
Cash reconciled as follows:	
<i>Cash held as at 30 June 2003</i>	59,833
The issue of \$500,000 in convertible notes on 14 July 2003 ⁽ⁱ⁾	500,000
The issue of \$500,000 in convertible notes on 14 November 2003 ⁽ⁱ⁾	500,000
The issue of 11,000,000 shares in the Company at \$0.50 each	5,500,000
Payment of the costs of the offer ⁽ⁱⁱ⁾	(676,620)
<i>Cash held as per the proforma statement of financial position</i>	<u><u>5,883,213</u></u>

(i) Refer to Note 13 for terms and conditions relating to the convertible notes.

(ii) The costs incurred by the Company associated with the offer are estimated to be \$676,620 and will be charged directly to equity.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

2. ASSUMPTIONS USED IN COMPILING THE PROFORMA STATEMENT OF FINANCIAL POSITION (cont'd)

B. Contributed equity

30 June
2003
\$

Contributed equity reconciled as follows:

Contributed equity as at 30 June 2003	2,067,986
The conversion of \$535,000 in convertible notes and \$29,022 in related interest into 488,819 Ordinary Shares ⁽ⁱ⁾	564,022
The conversion of \$2,215,000 in convertible notes and \$226,961 in related interest into 1,988,434 Series A Preferred Shares and 1,175,806 options ⁽ⁱⁱⁱ⁾	2,441,961
The issue of 11,000,000 shares in CogState at \$0.50 each pursuant to this Prospectus to raise \$5,500,000 ^(vii)	5,500,000
Payment of costs of the offer ^(viii)	(676,620)
Contributed equity as per the proforma statement of financial position	9,897,349

Detailed movements in contributed equity:

	Ordinary Shares		B Class Ordinary Shares		Series A Preferred Shares	
	2003 Number	2003 \$	2003 Number	2003 \$	2003 Number	2003 \$
Contributed equity at 30 June 2003	648,000	648,000	100,000	-	1,246,655	1,419,986
Convertible note conversion ⁽ⁱ⁾	488,819	564,022	-	-	-	-
Series A Preferred Share conversion ⁽ⁱⁱ⁾	829,992	944,991	-	-	(829,992)	(944,991)
Convertible note conversion ⁽ⁱⁱⁱ⁾	-	-	-	-	1,988,434	2,441,961
Series A Preferred Share conversion ^(iv)	2,491,241	2,916,956	-	-	(2,405,097)	(2,916,956)
B Class Ordinary Share conversion ^(v)	693,400	-	(100,000)	-	-	-
Share split ^(vi)	16,496,217	-	-	-	-	-
Issue of Shares pursuant to this Prospectus ^(vii)	11,000,000	5,500,000	-	-	-	-
Issue costs ^(viii)	-	(676,620)	-	-	-	-
Contributed equity per the Proforma Statement of Financial Position	32,647,669	9,897,349	-	-	-	-

- (i) On 14 July 2003 \$535,000 in convertible notes and \$29,022 in related interest were converted into 488,819 Ordinary Shares.
- (ii) On 14 July 2003 829,992 Series A Preferred Shares were converted into 829,992 Ordinary Shares.
- (iii) On the date the Issue of shares under this Prospectus is complete, \$2,215,000 in convertible notes and \$226,961 in related interest will be converted, under an agreement into, 1,988,434 Series A Preferred Shares and 1,175,806 options.
- (iv) On the date the Issue of shares under this Prospectus is complete, 2,405,097 Series A Preferred Shares will be converted, under an agreement, into 2,491,241 Ordinary Shares.
- (v) On the date the Issue of shares under this Prospectus is complete, 100,000 B Class Shares will be converted into 693,400 Ordinary Shares.
- (vi) On the date the Issue of shares under this Prospectus is complete, the 5,151,452 shares on issue will be split into 21,647,669 shares.
- (vii) The Company intends to Issue 11,000,000 Shares in CogState at \$0.50 each pursuant to this Prospectus to raise \$5,500,000.
- (viii) The costs incurred by the Company associated with the offer are estimated to be \$676,620 and will be charged directly to equity.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

2. ASSUMPTIONS USED IN COMPILING THE PROFORMA STATEMENT OF FINANCIAL POSITION (cont'd)

C. Interest-bearing liabilities

30 June
2003
\$

Interest-bearing liabilities reconciled as follows:

Interest-bearing liabilities as at 30 June 2003	1,750,000
The issue of \$500,000 in convertible notes on 14 July 2003 ⁽ⁱ⁾	500,000
The conversion of \$535,000 in convertible notes ⁽ⁱⁱ⁾	(535,000)
The issue of \$500,000 in convertible notes on 14 November 2003 ⁽ⁱ⁾	500,000
The conversion of \$2,215,000 in convertible notes ⁽ⁱⁱⁱ⁾	(2,215,000)
Interest-bearing liabilities as per the proforma statement of financial position	-

- (i) Refer to Note 13 for terms and conditions relating to the convertible notes.
- (ii) On 14 July 2003 \$535,000 in convertible notes and \$29,022 in related interest were converted into 488,819 Ordinary Shares.
- (iii) On the date the Issue of shares under this Prospectus is complete, \$2,215,000 in convertible notes and \$226,961 in related interest will be converted, under an agreement into, 1,988,434 Series A Preferred Shares and 1,175,806 options.

D. Accumulated losses

Accumulated losses reconciled as follows:

Accumulated losses as at 30 June 2003	(3,341,853)
The incurrence of \$29,022 in convertible note interest	(29,022)
The incurrence of \$226,961 in convertible note interest	(226,961)
Accumulated losses as per the proforma statement of financial position	(3,597,836)

E. Options

Options over ordinary shares reconciled as follows:

Options on issue as at 30 June 2003	94,100
The issue of 245,900 options in accordance with the Employee Share Option Scheme, prior to the Issue of shares under this Prospectus	245,900
The issue of 1,175,806 options from the conversion of \$2,215,000 in convertible notes and \$226,961 in related interest, on the date the Issue of shares under this Prospectus is complete	1,175,806
The splitting of the 1,515,806 options on issue into 6,369,790 options on the date the Issue of shares under this Prospectus is complete	4,853,984
Options on issue as per the proforma statement of financial position	6,369,790

Refer to Notes 15 (d) and 17 (b) for further details relating to the options.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Historical 30 June 2003 \$	Historical 30 June 2002 \$
3. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from operating activities			
Revenue from sale of goods and services		302,378	123,980
Total revenues from operating activities		<u>302,378</u>	<u>123,980</u>
Revenues from non-operating activities			
Interest			
Directors and director-related entities		8,791	10,542
Total interest		<u>8,791</u>	<u>10,542</u>
Grant income			
Start grant income		274,717	486,638
EMDG income		31,487	60,000
Total grant income		<u>306,204</u>	<u>546,638</u>
Profit/(loss) on disposal of plant and equipment		4,732	(13,881)
Foreign exchange gain/(loss)		(8,967)	(4,246)
Total revenues from non-operating activities		<u>310,760</u>	<u>538,783</u>
Total revenues from ordinary activities		<u>613,138</u>	<u>662,763</u>
4. EXPENSES			
Depreciation of non-current assets			
Plant and equipment		22,212	25,647
Total depreciation of non-current assets		<u>22,212</u>	<u>25,647</u>
Amortisation of non-current assets			
Intellectual property		63,000	63,000
Total amortisation of non-current assets		<u>63,000</u>	<u>63,000</u>
Total depreciation and amortisation expenses		<u>85,212</u>	<u>88,647</u>
Borrowing costs expensed			
Convertible notes		31,035	-
Total borrowing costs expensed		<u>31,035</u>	<u>-</u>

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Historical 30 June 2003 \$	Historical 30 June 2002 \$
5. INCOME TAX		
The prima facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows:		
Prima facie tax from ordinary activities	(398,210)	(401,601)
Tax effect of permanent differences:		
Non allowable items	34,067	103,299
Tax Losses not carried forward as a FITB	270,661	364,349
Other Assessable Income	77,931	-
Non Assessable Income	-	68,485
Income tax expense attributable to ordinary activities	<u>(15,542)</u>	<u>(2,438)</u>
Deferred tax assets and liabilities		
Future income tax benefit – current	26,994	11,452
Income tax losses		
Future income tax benefit arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	<u>364,477</u>	<u>256,478</u>

This future income tax benefit only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Proforma 30 June 2003 \$	Historical 30 June 2003 \$	Historical 30 June 2002 \$
6. CASH ASSETS				
Deposits at Call – General		3,729	3,729	8,463
Deposits at Call – Escrow		-	-	350,000
Cash at Bank		5,872,125	48,745	48
Cash at Bank - USD account		7,359	7,359	12,319
	2A	5,883,213	59,833	370,830

7. RECEIVABLES (CURRENT)

Sundry debtors	118,355	118,355	228,866
Other receivables	6,276	6,276	
	124,631	124,631	228,866

Terms and conditions relating to the above financial instruments:

Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

8. OTHER CURRENT ASSETS

FBT Instalment	765	765	-
GST receivable	10,760	10,760	-
	11,525	11,525	-

9. PLANT AND EQUIPMENT

Office furniture & equipment

At cost	94,283	94,283	79,219
Accumulated depreciation	55,416	55,416	33,340
Total written down amount	38,867	38,867	45,879

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the financial year:

Office furniture and equipment

Carrying amount at beginning	38,867	45,879	42,609
Additions		20,253	42,778
Disposals		(5,054)	(13,861)
Depreciation expense		(22,211)	(25,647)
	38,867	38,867	45,879

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Proforma 30 June 2003 \$	Historical 30 June 2003 \$	Historical 30 June 2002 \$
10. INTANGIBLE ASSETS (NON CURRENT)				
Intellectual Property at Cost		630,000	630,000	630,000
Accumulated Deprecation		128,416	128,416	65,416
		<u>501,584</u>	<u>501,584</u>	<u>564,584</u>

11. OTHER NON-CURRENT ASSETS

Future Income Tax Benefit		<u>26,994</u>	<u>26,994</u>	<u>11,452</u>
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12. PAYABLES (CURRENT)

GST Payable		632	632	19,950
Sundry creditors		233,290	233,290	198,060
		<u>233,922</u>	<u>233,922</u>	<u>218,010</u>

Terms and conditions relating to the above financial instruments:

Sundry creditors are non-interest bearing and have repayment terms between 30 and 90 days.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Proforma 30 June 2003 \$	Historical 30 June 2003 \$	Historical 30 June 2002 \$
13. INTEREST-BEARING LIABILITIES (CURRENT)				
Convertible notes	2C	-	1,750,000	950,000

Terms and conditions relating to the above financial instruments:

Interest

- The convertible note does not bear interest up to and including the redemption date, being the date twelve months after the issue of the note.
- The convertible note, to the extent that it has not been converted or redeemed, bears interest at the rate of 10% per annum calculated on a daily basis commencing on the date immediately following the redemption date till the date of actual conversion or redemption.
- All interest accrued will be due and payable on the date when the convertible note is actually redeemed in accordance with the convertible note deed.

Security

- The convertible note is secured against the obligations of the company in accordance with the terms of the mortgage debenture
- The charge is a fixed and floating charge over all the company's present and future interest in all assets acquired and all other mortgaged property.
- The rights of the note holder are subordinated.

Redemption

- By way of an agreement made between the Company and each of the note holders, all of the convertible notes will be converted with effect from the date on which the Issue of shares under this Prospectus is complete. Refer to 1.15 and 2 of the Additional Information section of the Prospectus for further details.
- The Company has no other right or obligation to redeem the convertible note.
- Upon redemption, the Company will calculate the number of shares the note holder would have received, as if the convertible note were converted in accordance with a formula detailed in the convertible note deed, and issue to the note holders that number of options calculated in accordance with a formula detailed in the convertible note deed.

14. PROVISIONS (CURRENT)

Employee entitlements	53,379	53,379	33,673
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NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Proforma 30 June 2003 \$	Historical 30 June 2003 \$	Historical 30 June 2002 \$
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15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary Shares		9,897,349	648,000	630,000
Series A Preferred Shares		-	1,419,986	1,419,986
	2B	9,879,349	2,067,986	2,049,986

(b) Historical movements in shares on issue

	Number of Ordinary Shares		Number of B Class Ordinary Shares		Number of Series A Preferred Shares		Number of Partly Paid Series A Preferred Shares	
	2003	2002	2003	2002	2003	2002	2003	2002
On Issue at start	630,000	630,000	100,000	100,000	1,246,655	1,233,322	-	13,333
Issued during the year	18,000	-	-	-	-	-	-	-
Transferred during the year	-	-	-	-	-	13,333	-	(13,333)
On issue at end	648,000	630,000	100,000	100,000	1,246,655	1,246,655	-	-

	Ordinary Shares		B Class Ordinary Shares		Series A Preferred Shares		Partly Paid Series A Preferred Shares	
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$
On Issue at start	630,000	630,000	-	-	1,419,986	1,399,986	-	1,789
Issued during the year	18,000	-	-	-	-	-	-	18,211
Transferred during the year	-	-	-	-	-	20,000	-	(20,000)
On issue at end	648,000	630,000	-	-	1,419,986	1,419,986	-	-

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

15. CONTRIBUTED EQUITY (cont'd)

(c) Terms and conditions of contributed equity:

Ordinary Shares

Holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

B Class ordinary shares shall have the same rights, privileges and conditions as are attached to an ordinary share but, in addition shall not be transferable, and may be converted into ordinary shares in accordance with the prescribed formula.

Series A Preferred Shares

By way of an agreement made between the Company and each of the preference shareholders, all of the Series A Preferred Shares will be converted with effect from the date on which the Issue of shares under this Prospectus is complete. Refer to 1.15 and 2 of the Additional Information section of the Prospectus for further details.

Holders of Series A Preferred Shares are entitled to:

- (a) One vote per share at shareholder meetings;
- (b) A cumulative preferential dividend in respect of each Series A Preferred Share. The entitlement to the cumulative preferential dividend ceases upon the conversion occurring in respect of a Series A Preferred Share;
- (c) In the event of a sale of the assets, windup, voluntary merger or amalgamation of the company a Series A Preferred Shareholder shall be entitled to receive in priority to the holders of all other classes of shares issued in the capital of the Company an amount equal to the issue price plus any accumulated unpaid dividend. However a Series A Preferred Shareholder shall not otherwise participate in any further distributions of surplus funds of the company.

(d) Share options

Options over ordinary shares:

	Note	Number of options		
		Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Balance at beginning of year			109,350	131,850
Issued during the year			24,750	18,000
Exercised during the year			(18,000)	
Lapsed during the year			(22,000)	(40,500)
Outstanding at balance date	2E	6,369,790 ⁽ⁱ⁾	94,100	109,350
Number of recipients			5	4
Weighted Average Exercise price			\$1.21	\$1.12

Refer to 1.16 of the Additional Information section of the Prospectus for further details.

⁽ⁱ⁾ Of the total options outstanding at balance date, 1,428,764 options have been issued pursuant to the Employee Share Option Scheme (refer to Note 17(b)) while the remaining 4,941,026 options have been issued on the conversion of convertible notes (refer to Note 2E).

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

16. ACCUMULATED LOSSES

	Note	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Balance at the beginning of year			(2,030,058)	(693,826)
Net profit/(loss) attributable to members of the Company			(1,311,795)	(1,336,232)
Balance at end of year	2D	<u>(3,597,836)</u>	<u>(3,341,853)</u>	<u>(2,030,058)</u>

17. EMPLOYEE BENEFITS

(a) Employee benefits

The aggregate employee benefit liability is comprised of:

Provisions (non-current)	<u>53,379</u>	<u>53,379</u>	<u>33,673</u>
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(b) Employee Share Option Scheme

CogState Ltd offers options over ordinary shares to specified categories of executives. The aggregate shall not at any time, exceed or be capable of exceeding 15% of the total number of shares on issue in the capital of the Company.

	Number of Options		
	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Balance at beginning of year	94,100	109,350	131,850
- granted	1,334,664	24,750	18,000
- forfeited	-	(22,000)	(40,500)
- exercised	-	(18,000)	-
Balance at end of year	15(d) <u>1,428,764⁽ⁱ⁾</u>	<u>94,100</u>	<u>109,350</u>

Refer to 1.16 of the Additional Information section of the Prospectus for further details.

⁽ⁱ⁾ The number of options issued under the Employee Share Option Scheme form only part of the total number of options issued by the Company, as disclosed in Note 15(d).

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

	Note	Historical 30 June 2003	Historical 30 June 2002
18. STATEMENT OF CASH FLOWS			
(a) Reconciliation of cash			
Cash balance comprises:			
- cash assets		59,833	370,830
Closing cash balance		<u>59,833</u>	<u>370,830</u>
(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities			
Loss from ordinary activities after income tax		(1,311,795)	(1,336,232)
Non-cash items:			
Depreciation of non-current assets		22,212	25,647
Amortisation of non-current assets		63,000	63,000
Net (profit)/loss on disposal of fixed asset		14,732	14,881
Net foreign currency (gains)/losses		8,967	4,246
Changes in assets and liabilities			
(Increase)/decrease in receivables		104,234	(65,292)
(Increase)/decrease in GST refundable		(30,078)	6,555
(Increase)/decrease in future income tax benefit		(15,542)	(2,438)
(Increase)/decrease in other assets		(765)	-
Increase/(decrease) in provisions		19,706	7,128
Increase/(decrease) in payables		35,230	149,308
Net cash flow from operating activities		<u>(1,109,563)</u>	<u>(1,134,197)</u>

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

19. SEGMENT INFORMATION

Business segments

The company operates in the health services industry, and undertaking research and technology development and provides a suite of Cognitive Testing products to the market place.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

All assets are located in Australia

	Cognitive Testing		Total	
	Historical 2003 \$	Historical 2002 \$	Historical 2003 \$	Historical 2002 \$
Primary reporting: Business segments				
Revenue				
External segment revenue	613,138	662,763	613,138	662,763
Segment Result	(1,311,795)	(1,336,232)	(1,311,795)	(1,336,232)
Assets				
Segment assets	763,434	1,221,611	763,434	1,221,611
Liabilities				
Segment liabilities	2,037,301	1,201,683	2,037,301	1,201,683

Secondary reporting: Geographical segments	South Africa	Canada	New Zealand	United Kingdom	United States	Australia	Total
	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$
Revenue							
External segment revenue	3,014	669	941	7,673	273,674	327,167	613,138

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

20. REMUNERATION OF DIRECTORS

The number of Directors of Cogstate Ltd whose income falls within the following bands:

	Historical 30 June 2003	Historical 30 June 2002
\$0 - \$9,999	5	4
\$30,000 - \$39,999	-	1
\$200,000 - \$209,999	1	1
\$360,000 - \$369,999	1	-
\$440,000 - \$449,999	-	1

Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of CogState Ltd, directly or indirectly, from the Company or any related party. There are no executives other than executive Directors, whose remuneration is disclosed here.

\$576,050

\$685,050

21. REMUNERATION OF AUDITORS

Amounts received or due and receivable by Ernst & Young Australia for:

- an audit of financial report of the Company
- other Services

7,500	5,500
3,970	2,930
11,470	8,430

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

22. RELATED PARTY DISCLOSURES

Directors

The Directors of CogState Limited as at the date of this Prospectus are:

Mr Martyn K Myer	
A/Prof Ashley Bush	(resigned 14 July 2003)
A/Prof David G Darby	
Dr Geoffrey E D Brooke	
Dr Peter A Bick	
Mr Richard Morgan	(appointed 14 July 2003)
Mr Samuel Brougham	(resigned 28 November 2003)
Mr Bruce Meadows	(resigned 28 November 2003)

Interests of Directors

Equity interests at balance date

Interests in the equity instruments of CogState Limited held by the Directors and their Director-related entities:

	Number of Ordinary Shares			Number of Series A Preferred Shares		
	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Mr Martyn K Myer	2,850,802	-	-	-	199,998	199,998
A/Prof Ashley Bush	1,455,246	315,000	315,000	-	30,000	30,000
Dr Geoffrey E D Brooke	6,226,848	-	-	-	199,998	199,998
A/Prof David G Darby	1,471,723	315,000	315,000	-	16,667	16,667
Dr Peter A Bick ⁽ⁱ⁾	2,913,838	-	-	-	-	-
Mr Samuel Brougham	1,721,612	-	-	-	199,998	199,998
Mr Richard Morgan	-	-	-	-	-	-
	16,640,069	630,000	630,000	-	646,661	646,661

	Number of B Class Ordinary Shares			Number of Options over Ordinary Shares		
	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Mr Martyn K Myer	-	-	-	1,290,257	30,600	30,600
A/Prof Ashley Bush	-	-	-	-	-	-
Dr Geoffrey E D Brooke	-	-	-	3,387,759	-	-
A/Prof David G Darby	-	-	-	69,550	-	-
Dr Peter A Bick	-	100,000	100,000	-	-	-
Mr Samuel Brougham	-	-	-	-	-	-
Mr Richard Morgan	-	-	-	63,034	-	-
	-	100,000	100,000	4,810,600	30,600	30,600

- ⁽ⁱ⁾ Of the 2,913,838 Ordinary Shares issued to Dr Peter Bick, only 1,764,865 are currently vested. The remaining 1,148,973 Ordinary Shares will only vest subject to the attainment of specific performance hurdles. Refer to 1.3 of the Material Agreements section of the Prospectus for further details.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

22. RELATED PARTY DISCLOSURES (cont'd)

Convertible note interests at balance date

Interests in convertible notes issued by CogState Limited held by the Directors and their Director-related entities:

	Number of Convertible Notes		
	Proforma 30 June 2003	Historical 30 June 2003	Historical 30 June 2002
Mr Martyn K Myer	-	295,000	120,000
Dr Geoffrey E D Brooke	-	720,000	120,000
A/Prof David G Darby	-	-	-
Mr Samuel Brougham	-	220,000	120,000
	-	1,235,000	360,000

Director-related entity transactions

Directors of the entity and their Director related entities, conduct transactions with entities within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director related entity at arms length in similar circumstances. These transactions include the following:

Services

Provision of accounting services by The Myer Family Office Pty to the value of \$34,650 (2002: \$39,575), a company which is 100% owned by The Myer Family Company Pty Ltd in which M K Myer is a director.

Provision of consulting fees by Skagus LLC to the value of \$34,960 (2002: \$445,305), a US limited partnership in which Peter Bick is a partner

Funds on deposit

Funds are on deposit with the M F Cash Management Fund that is a related party of the Myer Family Company Pty Ltd, in which M K Myer is a director.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

23. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

2003

	Interest Bearing \$	Non- interest Bearing \$	Total \$	Interest Rate %
Financial Assets				
Cash	59,833	-	59,833	4.2
Receivables	-	124,631	124,631	
	59,833	124,631	184,464	
Financial Liabilities				
Payables	-	233,922	233,922	
Convertible notes *	1,750,000	-	1,750,000	10.00
	1,750,000	233,922	1,983,922	

2002

Financial Assets

Cash	370,830	-	370,830	3.67
Receivables	-	228,866	228,866	-
	370,830	228,866	599,696	

Financial Liabilities

Payables	-	218,010	218,010	-
Convertible notes *	950,000	-	950,000	10.00
	950,000	218,010	1,168,010	

* All interest rates above are floating except for convertible notes.

Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(b) Credit Risk Exposure

Credit exposure represents the extent of credit related losses that the company may be subject to on amounts to be exchanged from financial assets.

The Company, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations.

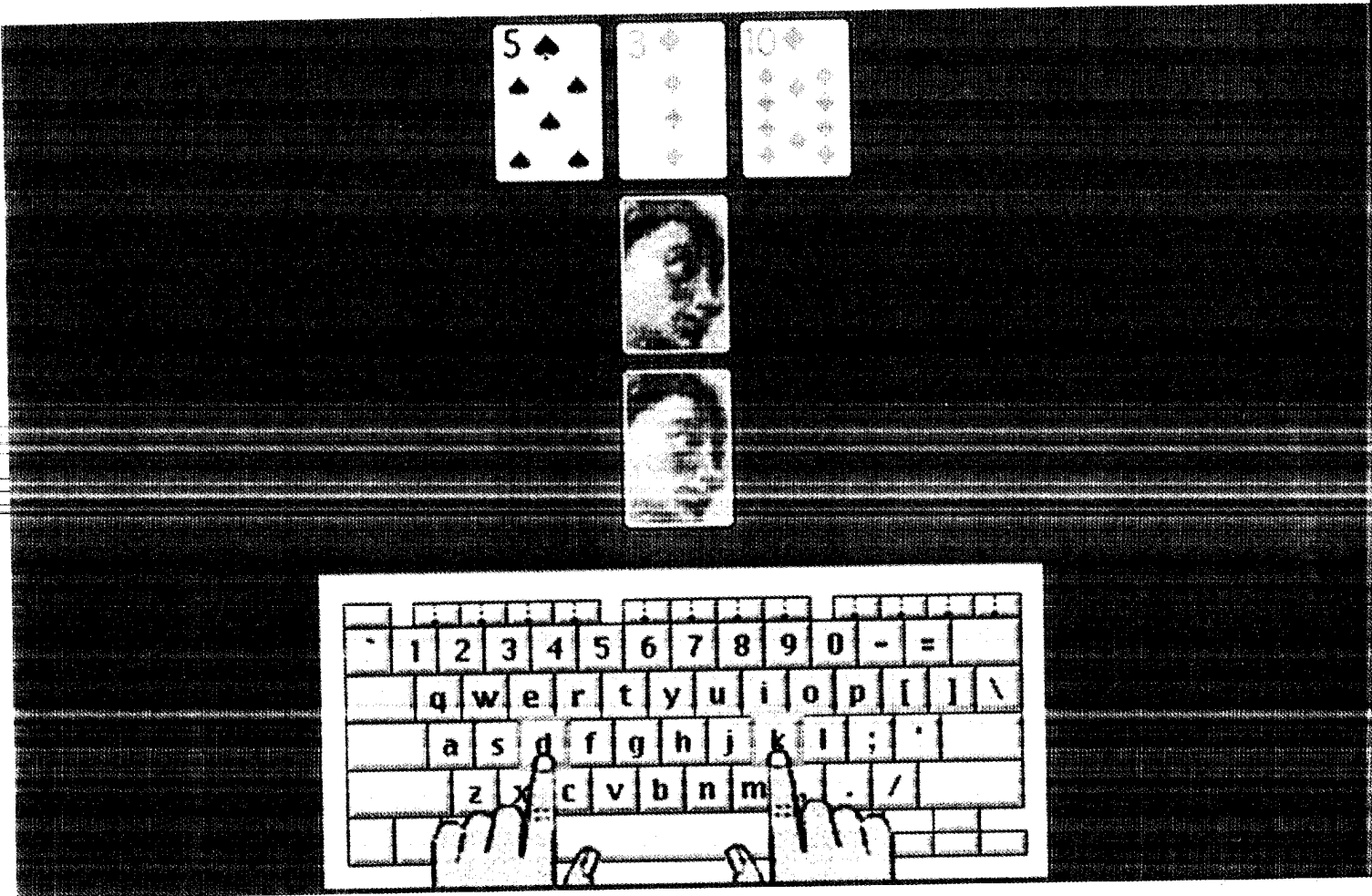
(c) Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities approximate their fair values except for convertible note liabilities which are carried at the principle amount, being the amount of consideration received by the Company on the date of issue.

NOTES TO THE HISTORICAL AND PROFORMA FINANCIAL STATEMENTS (cont'd)

24. CONTINGENT ASSETS

Research & Development tax concession tax rebates will be issued by the Australian Taxation Office in relation to the 2002 and 2003 financial year. It is estimated that CogState Ltd will receive \$272,108 in relation to the 2002 year and \$194,878 for the 2003 year. It is estimated that these funds will be received by the end of November 2003.



CogState 

Risk Factors

RISK FACTORS

General Risk Factors

The operating and financial performance of CogState Ltd may be affected by a range of risk factors. While some risks can be mitigated by the Company's plans and actions, many are beyond the control of CogState Ltd. As a consequence of these risks CogState Ltd's share price may rise or fall.

It is for this reason that investment in CogState Ltd should be regarded as speculative, and the Company nor its Directors or advisors provide no guarantee that profitability will be achieved, or with respect to the payment of dividends, return of capital or market value.

Applicants for shares in CogState Ltd should carefully consider the risk factors set out below, as well as the other information contained in this Prospectus. If you are in doubt regarding the terms and conditions of this Prospectus you should consult your stockbroker or other professional adviser.

General risks include:

Share market risks

Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment.

Investment risks generally

Risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.

Fiscal risks

These involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.

Currency exchange and other risks

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences, carry a certain amount of risk. The nature of CogState Ltd's business is such that many underlying revenue streams, if they eventuate, will likely be in foreign currency through licensing deals. Accordingly CogState Ltd will, in that circumstance, be indirectly affected by such factors.

Macro economic and political factors

Apart from exchange risks there are a wide range of other macro economic and political factors beyond the control of CogState Ltd which will affect CogState Ltd's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.

Political and other factors

These include such as changes in levels of consumer confidence affect consumption patterns and consequently demand for a wide range of products.

Specific Risk Factors

Dependence on Commercial Arrangements

CogState Ltd relies on a number of commercial arrangements to carry out R&D. If CogState Ltd or any other parties thereto were unable to carry on their obligations, or if a commercial arrangement is breached discontinued or terminated this may impact on CogState Ltd's ability to commercialise the affected therapeutic product.

Reliance on Key Personnel

CogState Ltd currently employs a number of key management and scientific personnel, and in part CogState Ltd's future depends on retaining and attracting suitable qualified personnel. CogState Ltd maintains an Executive and Staff Option Plan, the details of which are set out at page 109 of this Prospectus, which is aimed at providing incentives and assisting in the recruitment and retention of key personnel, however the existence of the Plan will not guarantee that CogState Ltd will be able to attract and maintain suitable qualified personnel, and failure to do so could materially adversely effect the business, operating results and financial prospects.

Contract risks generally

CogState Ltd operates through a series of contractual relationships with licensors, sub-licensees, independent contractors, distributors, customers and suppliers. All contracts carry risks associated with the performance by the parties thereto of their obligations as to time and quality of work performed.

Risk as to Technical Capacity

CogState Ltd carries out its development work using appropriately chosen scientific research organisations. As such it will be subject to the risk that staff in those organisations may have greater or lesser technical capacity than needed to achieve the results sought to be obtained from any development program. No development program is thus under the sole control of CogState Ltd. If, for any reason, incompetent staff in any such organisation carried out research then the results sought to be obtained may not be obtained or results apparently obtained may be inaccurate as a result of flawed research or development.

Intellectual Property and Proprietary Rights

CogState Ltd regards the content of certain of its technology as proprietary and relies primarily on a combination of copyright, patent and trade secrecy laws and employee and third party non-disclosure agreements to protect its rights. Those steps may, however, not be adequate to fully protect those rights. No assurances can be given that employees and/or third parties will not breach non-disclosure agreements or infringe or misappropriate CogState Ltd's rights. Further, no assurance can be given that others will not challenge the ownership or validity of those proprietary rights either by attacking CogState Ltd or Patent holders from whom CogState Ltd has acquired licences. In addition, effective copyright and patent protection may be unavailable or limited in certain countries.

Litigation may be necessary from time to time to enforce and protect CogState Ltd's rights. Such litigation, however, can be costly and could have adverse effects on its activities, business, operating results and financial position. Likewise, a failure to succeed in protecting any such rights may equally have a materially adverse flow on effect on CogState Ltd's activities, business, operating results and financial position.

It is possible that other parties may assert intellectual property infringement, unfair competition or like claims against CogState Ltd under copyright, trade secret, patent or other laws. While CogState Ltd is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has interests other than as otherwise set out herein and in the Independent Patent Attorney's Reports, such claims, if made, may harm, directly and indirectly, the Company's business. If CogState Ltd is forced to defend against claims of intellectual property infringement, whether they are with or without merit or are determined in CogState Ltd's favour, CogState Ltd might face costly litigation and diversion of management's attention. As a result of such disputes, CogState Ltd may have to develop non-infringing technology or enter into royalty or licensing agreements. Such agreements, if necessary, may be unavailable on terms acceptable to CogState Ltd, or at all. If there is a successful claim of intellectual property infringement or unfair competition against CogState Ltd and it is unable to develop non-infringing technology or license the infringed or similar technology or content on a timely basis, it could harm CogState Ltd's business, operations and financial condition. Specific issues in relation to Intellectual Property rights in relation to CogState Ltd's intellectual property or that in which it has an interest pursuant to the licence and other agreements specified herein are summarised in the Independent Patent Attorney's Report and below.

Specific risks related to CogState Ltd's intellectual property are as follows. First, over two years ago an issue arose between CogState Ltd and an unrelated third party, Prana Biotechnology Limited ("Prana") which made an unsubstantiated, non-specific and, as yet, unprosecuted claim to be entitled to certain aspects of Provisional Patent PR7516 (now part of US patent application PCT/US02/25497).

The issue does not impact on the use of any of the Company's diagnostic tests, CogState, CogSport, CogHealth or CogSafe: nor does it involve any claim on any of the therapeutic drug entities being developed by CogState Ltd. The commercial value of the claims in the patent in respect of which Prana's claim appears to be made are regarded by the Company as having minimal commercial value or significance.

The issue revolved around a prior agreement for services to be supplied by Professor Ashley Bush, a named inventor of that patent, to provide services to Prana relating to the development of treatments for Alzheimer's disease and like diseases. The patent in question relates primarily to diagnosis and does not claim patent rights over any research of any kind which may constitute an invention which might have been made or carried out by Professor Bush on any drug entities being developed for treatment of those diseases. The Company has received legal advice that based on known facts, there is no apparent legal basis for the claim made by Prana and it is unlikely to succeed. Even if the claim was further advanced and was successful, the Board's opinion is that the effect on CogState Ltd would be minimal.

The second specific risk in relation to Intellectual property to which CogState Ltd is entitled relates to the prima facie overlap which exists between the patents licensed to it by Taisho and the claims in US patent 5,854,388. At this stage it is uncertain what the effect of any such overlap may be but it should be noted that CogState Ltd's Alzheimer's Project is not intended to be limited to these compounds in any event. It is possible that, assuming a leading drug candidate was developed from amongst the Taisho licensed compounds that a licence may have to be obtained from the holders of the relevant US Patents to enable commercialisation and exploitation thereof.

Technological Development

CogState Ltd's future success will depend in no small part on the Company's abilities to develop products that are able to compete in a global market place.

Competition

CogState Ltd's current and potential future competitors include companies with significantly greater resources than has CogState Ltd. These competitors may develop products that are more effective and or cheaper than those being sold and developed by CogState Ltd, and as a consequence CogState Ltd's products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

Product Development

In relation to the CogState Therapeutics Division, there are many risks inherent in the development of medical products. They are subject to failure during clinical trials or may fail to gain regulatory authorities' approval. CogState Ltd cannot guarantee that the development work being undertaken will result in the development of any products, or even if they do, that those products will be marketed or commercially successful.

Product Development Time Frame

The effect of the time frame to develop products. Most drug entities take significant periods of time to proceed from preclinical and clinical studies through to Phase III human trials and registration to enable sale on a commercial basis

Product Liability

At present CogState Ltd does not believe that the sale of its diagnostic products will give rise to any product liability claims. However, in due course it is possible that drug entities which may be developed and licensed by CogState Ltd will give rise to prospective product liability. CogState Ltd has limited product liability insurance and the question of product liability will be a question dealt with more comprehensively as and when products, which may give rise to claims, are commenced to be manufactured whether by CogState Ltd or any of its licensees.

Licensing Risks

Notwithstanding that the various technologies in which CogState Ltd may have interests may be considered to be of value or potential commercial application, no assurance can be given that any pharmaceutical company (major or otherwise) will enter into any licensing or other form of agreement to enable any such technology to be commercially exploited or developed, whether on favourable terms or at all. Pharmaceutical companies are demanding as to what constitutes a promising candidate or product, strike relatively few deals and tie the bulk of payments to drug development milestones in the manner set out above.

Sufficiency of funding

CogState Ltd will have limited financial resources and may need to raise additional funds from time to time. Any such fund raisings will be subject to factors beyond the control of CogState Ltd and its Directors and will include cyclical factors affecting the economy and sharemarkets generally.

Litigation

CogState Ltd is not presently involved in litigation and the Directors are not aware of any basis on which any litigation against CogState Ltd may arise other than in relation to Prana, as disclosed herein, and in respect of which the Company has received advice that the claim, insofar as known, has little merit and is unlikely of success.

Regulatory risks

Operations by CogState Ltd may require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on terms acceptable to CogState Ltd. While CogState Ltd has no reason to believe that all requisite approvals will not be forthcoming Applicants should be aware that CogState Ltd cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that the ability of CogState Ltd to develop or operate any project may be limited or restricted either in part or absolutely. Risks related to investment in medical and biotechnology Investment in these areas are generally are subject to high levels of risk.

Risk as to profitability

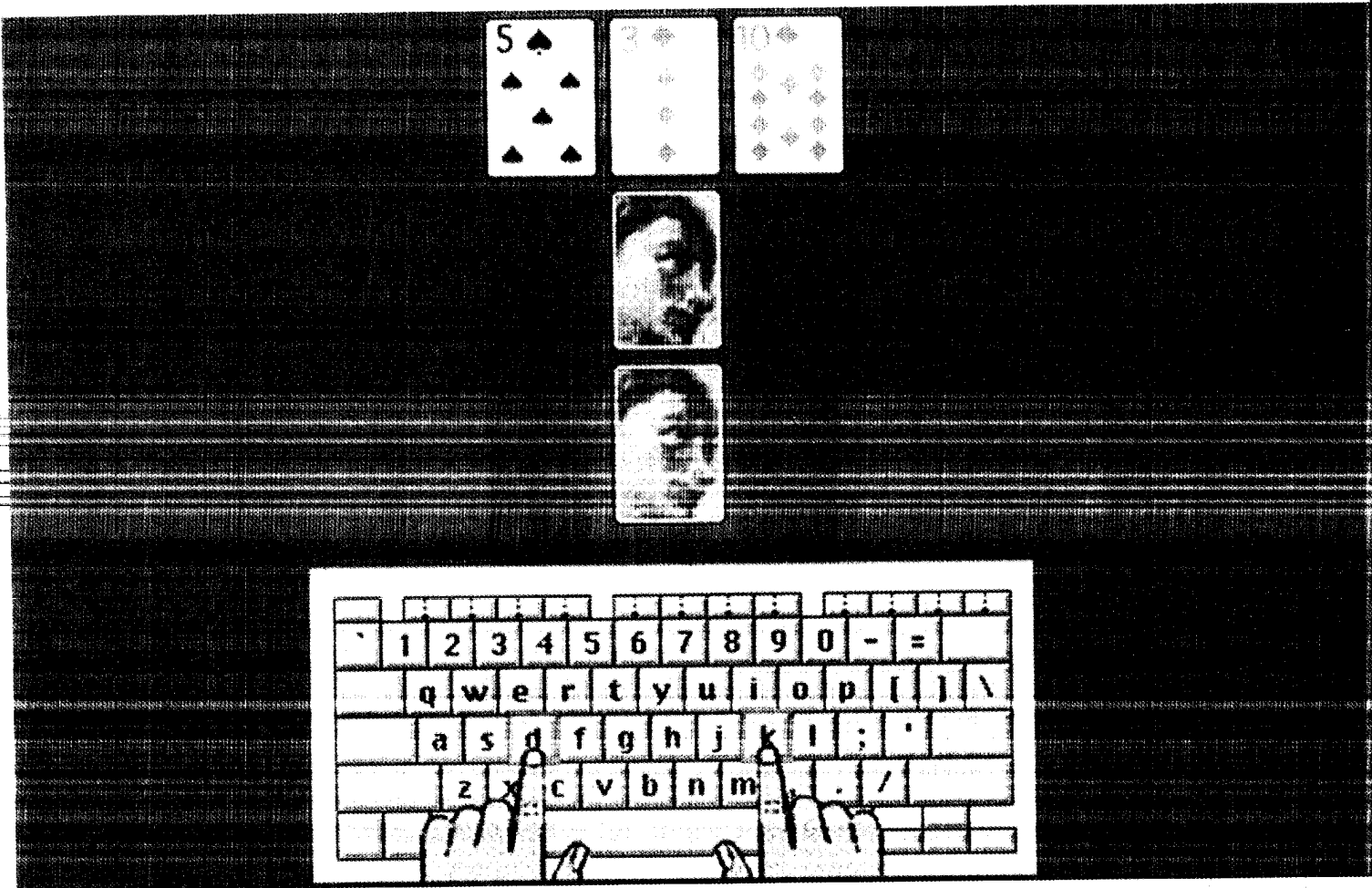
The ability of CogState Ltd to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so. At present CogState Ltd generates revenue from its Diagnostic division but, as reflected in the Independent Accountant's Report from Ernst & Young, CogState Ltd is not presently profitable and it may not at any time be so.

No Valuation

No formal or informal valuation has been completed of the intellectual property or assets of CogState Ltd. CogState Ltd makes no representation as to the value of its intellectual property or as to the value of intellectual property licensed by it from independent third parties. All impending investors and their advisers should make their own assessments as to these matters after having regard to all of the matters contained in this Prospectus.

Generally

The possibility that, for a wide range of reasons, CogState Ltd's present strategies, plans, policies, intentions and expectations may not be able to be implemented.



CogState™ 

Additional
Information

ADDITIONAL INFORMATION

1. Material Agreements

The Company has not entered into any material agreements, other than in the ordinary course of its business, which remain uncompleted or relevant to investment in the Company other than as set out herein. This section sets out details of those agreements previously entered into and those agreements proposed to be entered into in order that the capital of the Company becomes reconstructed to that shown as it will exist at completion of the Issue and immediately prior to the issue and allotment of the Shares. Details of the nature of the resolutions proposed to be passed by the Company for this purpose are set out in Section 2 below at page 110.

1.1 Underwriting Agreement

The Company has entered into the Underwriting Agreement with Emerging Growth Capital Pty Ltd. Pursuant to the terms of the Underwriting Agreement the Underwriter has agreed to underwrite the full amount of the Issue (excluding over subscriptions) on the terms and conditions set out in the Underwriting Agreement and has reserved the right to appoint sub-underwriters on such terms and conditions as it determines in its absolute discretion.

Clause 2 of the Underwriting Agreement sets out the terms on which the underwriting is subject to. The only condition not complied with to date is the Underwriter having received no indication (excluding any Standard Conditions (as defined in the Underwriting Agreement)) that ASX will not grant admission of the Company to the Official List of ASX or that the Shares will not be granted quotation.

The Underwriting Agreement contains standard provisions relating to preparation and lodgment of the Prospectus and that the Prospectus must comply with the Listing Rules, the Corporations Act and the law of all relevant jurisdictions in which the Prospectus is to be issued or the offer of securities pursuant to the Issue is to be made.

The Company is required to make application for listing and quotation within 3 Business Days as defined and that the Company must use its best endeavours to obtain quotation at the earliest time practicable and to comply with or resolve any Standard Condition imposed by ASX. Standard Conditions are conditions that may be imposed by ASX on permission for the Shares to be granted official quotation and relate to allotment and registration of shares, despatch of shareholder holding statements, despatch of refund cheques, provision of a distribution schedule of shareholders and a list of top 20 shareholders to ASX.

The Underwriting Agreement requires the offer to remain open for subscription from the Opening Date until the earlier of Closing Date, the date on which full subscription

is obtained or the date on which the offer is closed by the Company with the consent of the Underwriter. For the Company to close the offer without the Underwriter's consent will discharge the Underwriter's liability under the Underwriting Agreement.

Under clause 6 the Company is required to accept all valid applications for shares lodged before 5.00pm on the Closing Date and every valid application for shares so lodged is to be applied in discharge of the obligations of the Underwriter.

Pursuant to the terms of the Underwriting Agreement the Company must on or before 5.00pm on the day which is 3 Business Days after the Closing Date, provide the Underwriter with a notice in writing stating the number of shares for which valid applications have been received. That notice must be accompanied by a certificate from the Company and a certified copy of a unanimous resolution of the Board that the Company has fully and punctually complied with all of its obligations under the Underwriting Agreement and that the Company is not in breach of any provision of the Underwriting Agreement and that, to the best of the knowledge and belief of the Company, after having made all reasonable enquiries, none of the events set out in clause 13 of the Underwriting Agreement (Termination Events) has occurred and that the warranties set out in clause 9 of the Underwriting Agreement remain true and correct and that there has been no breach of the undertakings contained therein.

Pursuant to clause 7.4 the Underwriter must thereafter lodge or cause to be lodged valid applications for all of the shares defined as Shortfall Shares which are the difference in number of shares between the number of shares offered pursuant to the Issue and the number of shares for which valid applications have been received and notified to the Underwriter.

The Company has an obligation to allot the Shortfall Shares in accordance with the valid applications lodged or caused to be lodged by the Underwriter.

The Company provides extensive warranties to the Underwriter in relation to its power to enter into the agreement, to issue and comply with the requirements of the Prospectus and to issue the shares, its power to enter into material and other contracts and in relation to the enforceability thereof and that there has been full disclosure to the Underwriter of all information and documents relating to the Company and its businesses and assets of which the Company or any officer of the Company is aware and which would be likely to affect the decision of the Underwriter to enter into the Underwriting Agreement. Warranties as to the accuracy of information supplied to the Underwriter and contained in the Prospectus and generally with the requirements of the Corporations Act, ASIC policies, Listing Rules and other applicable laws and regulations are given.

The Company has undertaken to the Underwriter that it will not do anything that would be prejudicial to the prospect of the offer being fully subscribed by persons other than the Underwriter except as required by law or by the Listing Rules and that it will notify the Underwriter if it is in breach of any provision of the Underwriting Agreement or if there is a breach of any warranty or undertaking by the Company. The undertakings are extensive.

The Company indemnifies the Underwriter, its related bodies corporate and each of the directors, officers, employees, agents and advisers thereof against loss in respect of, or in connection with, or arising out of, whether directly or indirectly, the Issue or the Prospectus or a breach of the Underwriting Agreement. The Underwriting Agreement provides for payment of a management fee to the Underwriter equal to 2% of the funds raised by the Issue (including oversubscriptions) together with an underwriting fee of 4% of that amount (including oversubscriptions) less up to a maximum of \$2 million raised from existing shareholders.

The Underwriting Agreement provides for a monthly retainer until allotment with a maximum aggregate liability of \$60,000 and for reimbursement of expenses up to \$25,000 and the Underwriter's legal costs (excluding GST) up to \$25,000. Under arrangements between the Underwriter and Winstar they will share equally in these fees.

The Underwriter is obliged to pay all handling fees, stamping fees, sub-underwriting commissions and brokerage in respect of the offer from the fees payable to it.

The Underwriting Agreement sets out a series of termination events. If one or more of the events listed in clause 13.1 thereof after the date of the Underwriting Agreement the Underwriter may by written notice to the Company and without cost or liability to the Underwriter terminate the underwriting:

(a) Subject to clause 13.2:

- (i) misleading statement in the Prospectus: a material statement in the Prospectus is found to be untrue, misleading or deceptive or it is found that the Prospectus contains a material omission (including as a result of the occurrence of a new matter after lodgement of the Prospectus with ASIC);
- (ii) ASIC stop order or hearing: ASIC issues a stop order under section 739(1) or (3) of the Corporations Act or gives notice of intention to hold a hearing in relation to the Prospectus pursuant to section 739(2) of the Corporations Act;
- (iii) Notices concerning the Prospectus: any person gives a notice under section 730 or section

733(3) of the Corporations Act in relation to the Prospectus;

- (iv) lodgement of supplementary Prospectus: when a supplementary or replacement Prospectus is in the reasonable opinion of the Underwriter, required to be lodged under the Corporations Act and the Company fails to lodge such in a form acceptable to the Underwriter;
- (v) changes in prospects of the Company: any change occurs in the condition or financial position or prospects of the Company or of any Subsidiary of the Company;
- (vi) breach of constitution: the Company or any of its Subsidiaries breaches its Constitution;
- (vii) breach of Material Contract: any person breaches any Material Contract or any Material Contract is altered from the form last presented to the Due Diligence Committee;
- (viii) termination of Material Contracts: a Material Contract is terminated (whether by breach or otherwise), rescinded, altered or amended, or a material right under such contract is waived, without the prior consent of the Underwriter, or any such contract is found to be void, voidable or unenforceable;
- (ix) breach of Law: the Company or any of its Subsidiaries or any Officer of the Company or a Subsidiary contravenes any provision of the Corporations Act, the Listing Rules or the Business Rules or any other Regulation
- (x) scheme of arrangement: the Company or any of its Subsidiaries enters into any scheme of arrangement with its creditors or any class of them or indicates its intention of doing so;
- (xi) insolvency: the Company or any of its Subsidiaries suspends payment of its debts or is insolvent within the meaning of section 95A of the Corporations Act;
- (xii) administration or receivership: the Company or any of its Subsidiaries is placed under official management or voluntary administration or into receivership or an official manager is appointed;
- (xiii) appointment of inspector: an inspector is appointed pursuant to the Corporations Act to investigate all or any part of the affairs of the Company or any of its Subsidiaries;
- (xiv) breach of agreement: the Company or any of its Subsidiaries is in breach of any material provision of this document;

- (xv) breach of warranty: any warranty given by the Company under this document is not true as at the date of this document or has ceased to be true at any time thereafter;
- (xvi) conviction of Officers: any Officer of the Company or any of its Subsidiaries is charged with or convicted of any criminal offence involving fraudulent or dishonest conduct;
- (xvii) unapproved alteration of capital: the Company alters, or announces an intention to alter, its capital structure or its constitution without the prior consent of the Underwriter (such consent not to be unreasonably withheld);
- (xviii) unapproved encumbrances: the Company or any of its Subsidiaries gives security in favour of any person who is not a security holder at the date of this document;
- ~~(xix) Due Diligence Report: the Due Diligence Report is false or misleading in a material sense or there is a material omission from the Due Diligence Report.~~
- (xx) false or misleading information given to the Underwriter: any material information supplied at any time by or on behalf of the Company to the Underwriter in respect of any aspect of the Company or any of its Subsidiaries or the Offer is or becomes misleading or deceptive in a material sense;
- (xxi) commencement of hostilities: an outbreak of hostilities not presently existing or major escalation of hostilities occurs, or a major international terrorist act occurs, after the date of this document (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America, the Peoples Republic of China (including the Special Economic Area of Hong Kong), the Russian Federation (excluding wars or hostilities within the Russian Federation), Indonesia, Japan, Peoples Republic of Korea, or Iraq;
- (xxii) changes of Law: the Australian Government adopts or announces any change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investment in shares in Australia including but not limited to any change which is likely to materially affect interest rates;
- (xxiii) changes in Regulations: a material change in any Regulation relevant to the Company or the Offer is made or announced;
- (xxiv) quotation on ASX: ASX refuses to grant permission for the Offer Shares to be officially quoted on ASX;
- (xxv) permission of ASX: any permission of ASX for the Offer Shares to be officially quoted on ASX is withdrawn, qualified or is made subject to any conditions other than the Standard Conditions;
- (xxvi) statements issued in breach of agreement: during the term of this document a breach of clause 9.2(e) or 9.2(f) occurs;
- (xxvii) withdrawal of Prospectus: the Company withdraws the Prospectus;
- (xxviii) significant change to management or board: there is a significant change to the composition of the senior executives of the Company including the chief executive officer and the chief scientific officer or of its board of directors other than as disclosed in the Prospectus without the approval of the Underwriter (which approval may not be unreasonably withheld);
- (xxix) judgement: a judgement in an amount exceeding \$100,000 is obtained against the Company or any Subsidiary and is not set aside or satisfied within 15 Business Days;
- (xxx) legal action: any Claim instituted or threatened against the Company or any Officer or Company personnel named in the Prospectus;
- (xxxi) intellectual property: any Claim is made or threatened against the Company or any of its Officers or any disparaging or otherwise harmful statements are made publicly or privately with respect to the intellectual property held, used or licensed by the Company, or any intellectual property right or licence or any application for any intellectual property right held by the Company is assigned, terminated, revoked, rejected, or opposed;
- (b) therapeutic products: the Company ceases to undertake, or changes the manner in which it undertakes as at the date of this document, any of the two therapeutic projects specified in the Prospectus;
- (c) \$1m shareholder subscription: Perpetual Trustees Nominees Limited as trustee for The Australian Bioscience Trust which is managed by GBS Venture Partners Limited fails to subscribe at least \$1 million of Shares on or by the Closing Date;

- (d) requirement to repay Application Money: any circumstance arises after the Prospectus is lodged a consequence of which is either that the Company is required to repay the money received from applicants or to offer applicants an opportunity to withdraw their applications and receive a refund of their Offer Price paid;
- (e) movement in the All Ordinaries Index: the All Ordinaries Index of ASX is at any time on any 3 consecutive Business Days prior to allotment of the Shares 90% or less of the level that index attained at the close of trading on the Business Day before the date of signing this document;
- (f) movement in the NASDAQ Biotechnology Index: the Biotechnology Index of NASDAQ is at any time on any 3 consecutive Business Days prior to allotment of the Shares 85% or less of the level that index attained at the close of trading on the Business Day before the date of signing this document;
- (g) disturbance affecting international markets: any of the ASX or any approved foreign exchange (as defined in the Corporations Regulations) suffers a systemic failure with the effect that that market is closed for normal trading for more than 2 trading days of that market;
- (h) movement in the ASX Small Cap Index: the ASX Small Cap Index is at any time on any 3 consecutive Business Days prior to allotment of the Shares 90% or less of the level that index attained at the close of trading on the Business Day before the date of signing this document.

Clause 13.2 of the Underwriting Agreement provides that the occurrence of any event listed in clause 13.1(a) as set out above will not entitle the Underwriter to terminate the Underwriting Agreement unless, in the reasonable opinion of the Underwriter, the event has or could have a materially adverse effect on the prospects of the Offer or could give rise to a liability of the Underwriter under the Corporations Act or otherwise. The Underwriter has expressly consented to the reconstruction of capital as contemplated by this Prospectus and the contents hereof.

If the Underwriting Agreement is terminated pursuant to clause 13.1, then the Company will pay or reimburse to the Underwriter all its expenses incurred pursuant to the Underwriting Agreement, including those specifically referred to above provided that the Underwriter produces reasonable evidence of the expenses to the Company if requested by the Company.

Time is of the essence. The timetable referred to is that set out at page 6 of this Prospectus.

1.2 Voluntary Escrow Agreements with Underwriter

The Underwriter requires that a series of agreements be entered into between the Company and each of the shareholders in the Company pursuant to which they each agree that they will not, for a period of 6 months subsequent to the date on which ASX may admit the Company to the Official List, sell or otherwise dispose of any shares or other securities held by such shareholder in the capital of the Company immediately prior to allocation of Shares pursuant to the Offer. This restriction does not apply to any Shares which may be applied for by any such shareholder pursuant to the Offer. The voluntary escrow or restriction on sale agreed is in addition to any restriction which may be imposed by ASX pursuant to the Listing Rules.

1.3 Contract with Dr Peter Bick: Managing Director

The Company has entered into an employment contract with Dr Bick under which it engages him as its Chief Executive Officer. The contract contains usual restrictions found in contracts of this nature.

The key features of the contract are that:

- (a) it expires on 1 August 2006.
- (b) Dr Bick is to report directly to the board.
- (c) Dr Bick is appointed to the board for the term of the employment contract.
- (d) Dr Bick's salary is \$375,000 including compulsory superannuation contributions and all other associated on-costs. This salary is reviewable every twelve months.
- (e) Dr. Bick is eligible for a bonus in the absolute discretion of the board.
- (f) Dr Bick currently holds 100,000 B Class shares which were issued pursuant to the terms of an earlier consultancy agreement entered into. Under the terms of issue of the B Class Shares they convert into ordinary shares on the listing of the Company. Dr Bick will, on conversion, hold a total of 2,913,837 ordinary shares of which 1,764,865 shall be vested in him absolutely and not subject to divestiture, forfeiture or cancellation pursuant to the terms of his agreements with the Company. The remaining 1,148,973 shares will be subject to divestiture or forfeiture in the event of termination by the Company of his contract either with cause where termination is immediate or in circumstances where Dr Bick's services are terminated through ill health.

- (g) All of the shares were subject to escrow in accordance with the provisions of an escrow deed entered into with Dr Bick prior to his becoming resident in Australia and they will also be subject pursuant to the agreement required to be entered into with the Company by the Underwriter referred to in Section 1.8 at page 108 below and, if required by ASX, in accordance with any restriction agreement required by ASX. The 1,764,865 shares referred to in (f) above have ceased to be subject to escrow under the Escrow Deed but all other shares held by him remain subject thereto.
- (h) Under the terms of Dr Bick's agreement 749,665 of the unvested shares (non-performance shares) will vest in equal monthly instalments commencing on the first day of the first month after the Company is admitted to listing so that they are all vested by 30 December 2004.
- (i) remaining 399,308 unvested shares (performance contingent shares) are subject to additional restrictions. The number of those shares that may vest in Dr Bick will be the same proportion thereof as the total moneys raised pursuant to the Issue and thereafter (excluding moneys raised on exercise of options extant at the date of listing) bears to an amount of \$8 million. Shares which may vest in Dr Bick are then subject to a series of preconditions before they are able to vest. The first precondition is that they cannot vest for 2 years after the listing date. The second precondition relates to attainment of performance hurdles. 60% of the shares which qualify to vest in Dr Bick will only vest in Dr Bick if the share price (adjusted for any capital reconstructions which take effect after listing) reaches 3 times the issue price; an additional 20% are exercisable if the share price reaches 4 times the issue price and the remaining 20% are exercisable if the share price reaches 5 times the issue price. Dr Bick's agreement provides for calculation of the share price from time to time by taking an average sale price as recorded on ASX and calculated by taking the total proceeds of shares sold in any period of 20 consecutive trading days and dividing that amount by the total number of shares recorded as sold.
- (j) If any of the unvested shares are forfeited against Dr Bick under his contract, Dr Bick will cease to have any relevant interest in them and they are to become cancelled in accordance with the provisions of the Act. The following provisions relate to the treatment of the 749,665 non-performance shares not yet vested:
 - (i) Those shares that are not yet vested will vest where if the Company terminates Dr Bick's contract without cause by giving him 9 months' notice of termination.
 - (ii) Those shares not yet vested will be forfeited where the Company exercises its right to immediately terminate the Dr Bick's contract with cause or to terminate through ill health.
 - (iii) Where the executive exercises his right to immediately terminate the contract then those shares not vested will vest.
- (k) Where there is a sale of the Company's main undertaking which would require approval of the members of the Company pursuant to its constitution or the provisions of Listing Rule 11.2 or if the Company is subject to a takeover offer or bid by another company pursuant to the provisions of the Corporations Act then, in each such case:
 - (i) pertaining to the 399,308 performance contingent shares, the board of directors of the Company have a discretion under which they may in their absolute discretion release the unvested shares (or any of them) from the restrictions to which they are subject so that the unvested shares vest in Dr Bick for his own use absolutely.
 - (ii) pertaining to the 749,665 non performance contingent shares, these shares will automatically vest.
- (l) Dr Bick is:
 - (i) entitled to 4 weeks leave each year.
 - (ii) subject to a restrictive covenant during the term of the contract and for a period of nine months after the contract compete with the company or entice staff and customers to leave the company.
- (m) The Company can terminate:
 - (i) the contract without cause on 9 months written notice.
 - (ii) the contract immediately if the Chief Executive Officer wilfully fails to carry out his duties, wilfully fails to comply with directions, becomes insolvent or commits an illegal act.
- (n) Dr Bick can:
 - (i) terminate the contract without cause on 1 months written notice.
 - (ii) immediately terminate the contract if there is a substantial change in the structure of the company, the company becomes insolvent, or there is a 10% salary reduction on review.

1.4 Confidentiality Agreements

The Company has entered into a series of confidentiality agreements with employees and other parties providing advisory and consulting services and/or undertaking research and development on behalf of the Company.

The terms of those agreements are standard in that they impose restrictions on disclosure of confidential information and restrictions on the use of the confidential information except for the purposes for which it has been disclosed. The agreements are subject to the usual exclusions in relation to information that was in the public domain.

when disclosed, that comes into the public domain after disclosure other than as a result of the recipient's breach of the agreement or was in the recipient's possession when disclosed. Various of the agreements contain other exclusions relating to disclosure as required by law to the extent required to be so disclosed or relating to information that can be demonstrated by the receiving party to have been

1.5 Assignment of Technology from Associate Professor David Darby

By an agreement made 3 April 2000 between David Darby ("Darby") and the Company in relation to software more particularly described therein relating to assessment of cognitive function (attention and executive skills) with internet based reporting and invoicing and which forms the basis of the CogState Ltd diagnostic products described at pages 18 to 24 above, Darby assigned absolutely and irrevocably to the Company:

- (a) all right, title and interest in the technology and all other rights of like nature now subsisting or conferred in respect thereof in any part of the world including all renewals and extensions;
- (b) copyright and all other rights of a like nature;
- (c) all common law rights and remedies in relation to the technology; and,
- (d) the right to sell, lease, license, assign or dispose of all or any of the rights granted without recourse to or consent from Darby on the basis that the assignment was absolute and without condition or limitation.

The consideration for the assignment was the issue of 314,998 fully paid ordinary shares in the capital of the Company with 252,000 of those shares to be held in escrow pursuant to an escrow deed as provided in the shareholders agreement referred to in 1.14 below. Prior to the Closing Date these shares will become subdivided into a total 1,323,699 shares in accordance with the resolutions referred to in Section 2 below. With the original founder shares he will hold 1,323,707 shares.

Under the agreement, Darby warranted that he was the original author of the technology in its entirety and that he owned absolutely all right, title and interest in the intellectual property rights in the technology and that the technology was unencumbered with no rights in relation thereto having been granted to third parties which were inconsistent with or derogated from the rights granted to the Company and that there were no actions, claims or proceedings threatened relating to such intellectual property or Darby's right to assign same.

The intellectual property assigned by Darby under the agreement led to the lodgment of an initial provisional patent entitled "Psychological testing without apparatus" (now PCT/AU01/00924). Additional research carried out by the Company led to lodgment of a second patent (Australian Provisional Patent PR4924) on 11 May 2001

entitled "Diagnosis and monitoring of early progressive cognitive impairment". That application was followed by lodgment of a third Australian Provisional Patent (PR7516) on 5 September 2001 entitled "Treatment of minimal progressive cognitive impairment" and those patents (PR4924 and PR7516) have now been supplanted by an international PCT application (PCT/US02/25497) entitled "System and method of testing cognitive function".

In addition to the assignment by Darby of his intellectual property rights underlying the above patent applications (insofar as developed by him), he also assigned his rights to a further product (MacStim) which, at the time of assignment, was being sold by him as a Macintosh commercial product and which continues to be sold by the Company.

The patents referred to herein show various persons as inventors and each of those persons has executed, in favour of the Company, assignments of intellectual property rights as inventors in relation thereto.

1.6 Assignment of Technology from Ashley Bush

By an agreement made 6 April 2000 between Ashley Bush ("Bush") and the Company in relation to software more particularly described therein as "MacFreud" being software for personal and recreational psychotherapy, Bush assigned absolutely and irrevocably to the Company:

- (a) all right, title and interest in the technology and all other rights of like nature now subsisting or conferred in respect thereof in any part of the world including all renewals and extensions;
- (b) copyright and all other rights of a like nature;
- (c) all common law rights and remedies in relation to the technology; and,
- (d) the right to sell, lease, license, assign or dispose of all or any of the rights granted without recourse to or consent from Bush on the basis that the assignment was absolute and without condition or limitation.

The consideration for the assignment was the issue of 315,000 fully paid ordinary shares in the capital of the Company with 252,000 of those shares to be held in escrow pursuant to an escrow deed as provided in the shareholders agreement referred to in 1.14 below. In like manner as the shares issued to David Darby referred to in 1.5 above, these shares will also become subdivided. In this case into a total 1,323,707 shares.

Under the agreement, Bush warranted that he was the original author of the technology in its entirety and that he owned absolutely all right, title and interest in the intellectual property rights in the technology and that the technology was unencumbered with no rights in relation thereto having been granted to third parties which were inconsistent with or derogated from the rights granted to the Company and that there were no actions, claims or pro-

ceedings threatened relating to such intellectual property or Bush's right to assign same.

The Company retains the technology and all intellectual property rights in relation thereto but it has not been developed further at this stage.

1.7 Confidentiality Agreements entered into between Bush and Darby in favour of the Company

In conjunction with execution of the agreements referred to in 1.2 and 1.3 above, each of Darby and Bush entered into confidentiality agreements in their capacity as employees of the Company under which they bound themselves by obligations of confidentiality not to disclose confidential information in relation to the Company and its affairs including any information relating to ~~biomaterials, processes, products, specifications, inventions, patents, copyright and designs owned or used by the Company and not to indirectly make use of~~ confidential information for any purpose except in the course of employment with the Company and for the benefit or advantage of the Company. The agreements are in comparatively standard form subject to the usual exclusions for information in the public domain and include restrictions on use or disclosure in a variety of circumstances for periods ranging up to 24 months after the end of his employment and areas extending from Victoria to the world.

1.8 Escrow Agreements

Associated with the Assignments of Intellectual Property and confidentiality referred to above, each of Darby and Bush executed escrow agreements which will, on admission of the Company to the Official List, be supplanted by escrow agreements required by ASX and/or the Underwriters.

1.9 Assignment of Intellectual Property rights.

Each of the inventors named in the patent applications in respect of the Company's diagnostic products have executed, in favour of the Company, assignments of their intellectual property rights as inventors in relation to the inventions and intellectual property the subject of each of those patent applications.

1.10 Licensing Agreement with Taisho Pharmaceutical Co Limited

By an agreement dated 21 October 2002 (the Effective Date) Taisho Pharmaceutical Co Limited ("Taisho") licensed CogState Ltd to develop and commercialise certain AT4 receptor affinity compounds covered by various relevant patents and applications for patents and which drug entities and compounds are described at page 28. The licence covers a worldwide throughout the world

other than Japan and the People's Republic of China and is a sole, non-transferable and exclusive licence (including against the licensor) to use, research, develop, manufacture, have manufactured, offer to sell and sell the compounds and products. The products are defined to mean any pharmaceutical product containing the compound regardless of its formulation, in final package form for sale by prescription, over the counter or any other method for any and all human pharmaceutical use. The licence continues during the period where royalties are payable on the products referred to below.

Under clause 2 of the agreement Taisho is to provide technical information in its possession and each party is to provide to the other party all technical information (as defined) during the term of the agreement.

In relation to the excluded territory (Japan and the People's Republic of China) the Company grants back to Taisho a fully paid up perpetual, irrevocable, royalty free, exclusive (even against the Company) sub-licenceable licence to the Company's rights in and to the Intellectual Property to likewise use, research, develop, manufacture, have manufactured, offer to sell and sell the compounds and products in Japan and the People's Republic of China.

Under the agreement, the Company has an obligation to pay milestone payments at various phases of product development including on commencement and/or completion of Phase I and/or II trials. Additional milestone payments are required on submission of new drug applications and on receipt of new drug application approvals.

The agreement also provides for payment of royalty payments on commercial terms.

Under the agreement the Company agrees to use commercially diligent efforts to develop and commercialise a compound and a product in the Territory and to apply for and obtain all government licences, registrations, authorisations and approvals required for those purposes within the Territory as well as to provide all technical information to enable Taisho to do the same in the Excluded Territory.

The agreement is not subject to assignment except to an affiliate of the assigning party and then only if the affiliate agrees to be bound by the terms of the agreement.

Clause 9 of the agreement deals with appointment of sub-licensees and the Company must, if it wishes to sub-license other persons in the Territory, first offer that sub-licence to Taisho by a written notice specifying the rights to be sub-licensed and the terms and conditions on which the Company is prepared to enter into the sub-licence. If, after bona fide negotiations, the Company and Taisho do not reach agreement then the Company may thereafter sub-licence the rights proposed to be sub-licensed to third parties on terms and conditions not more favourable to the third party than those finally entered into with Taisho. There are

dispute resolution provisions which Taisho can apply if it considers that any proposed sub-licence is on terms more favourable to a third party than those finally offered to Taisho and these include reference to and determination by an expert whose decision, except in the case of manifest error, will be final and binding on the parties.

Clause 10 of the agreement deals with Intellectual Property, patent applications and provides that Taisho will diligently and actively prosecute all licensed patents in its name and take all steps necessary or desirable to renew, extend or continue the licensed patent (as defined) at its cost provided that it can recover 50% of those amounts from the Company which the Company must pay within 30 days of invoice.

If Taisho abandons any of the licensed patents, it must first give prior written notice to that effect to the Company and in that case the licensed patent will be assigned to the Company which may continue prosecution and maintenance of the patent in its name and at its expense.

Any improvements to any of the patents made by the Company remain the Company's property but are licensed free of cost to Taisho within the excluded Territory. If, during the term, the Company derives patentable new chemical entities ("NCEs") directly from the Compounds as derivatives reflecting activity at the AT4 receptor then the Company must notify these new NCEs to Taisho and if the licensee develops and commercialises the NCEs in the Territory they will be regarded as forming part of the definitions of the Compounds so as to attract payment obligations (both as to milestone payments and royalties).

Either party is entitled to terminate the agreement for any material breach or non-observance of the terms not rectified within 20 business days' notice requiring rectification thereof and, in addition, may be terminated, if applicable insolvency laws permit, by notice given by either party to the other upon filing or institution of bankruptcy, reorganisation, liquidation or receivership proceedings or upon an assignment of a substantial portion of the assets of a party for the benefit of creditors provided that in relation to involuntary bankruptcy proceedings, the right to terminate is only effective if the party the subject thereof agrees to the involuntary bankruptcy proceeding or it is not dismissed within 90 days after filing.

The rights of the parties on termination or expiration differ depending on whether the agreement expires or is terminated and upon who terminates the agreement if it is terminated.

At this stage no basis is known to exist for Taisho to terminate the agreement against the Company.

1.11 Licensing Agreement with Brain Research Ltd

Under this agreement dated 26 June 2003 Brain Research Ltd ("BRL"), which has received an assignment of rights

from Professor Yehuda as the patent holder, has licensed the Company to develop and commercialise the compounds the subject of the agreement in accordance with the agreement.

The compounds which are the subject of the agreement are the NLT compounds (which are the subject of the NLT patents) invented by Professor Yehuda and referred to at page 28 under the heading "Project II: Parkinson's Disease".

The compounds

Under the agreement BRL grants the Company:

- (a) a sole and exclusive licence (even as against BRL) to use the Intellectual Property the subject of the agreement and to use, research, develop, manufacture, commercialise the compounds and the products throughout the world during the term of the agreement;
- (b) an exclusive licence (even as against BRL) under the patents with a right to sub-licence anywhere in the world.

The agreement provides that BRL will not permit any person (other than the Company) to use the licensed Intellectual Property or to use, research, develop, manufacture, commercialise or sell the compounds or the products and imposes on BRL an obligation to use lawful means to prevent such conduct if such actions of a third party represent a substantial threat to the future commercialisation of the compounds.

Under clause 3 of the agreement, the Company agrees to pay BRL milestone payments on commencement and/or completion of Phase I and Phase II trials as well as royalties.

In like manner as the agreement with Taisho, the agreement enables withholding taxes to be deducted with net payments of royalty and milestone payments being made to BRL.

The agreement provides comparatively standard warranties and an obligation on the part of BRL to provide all technical information in its possession and to continue to do so to the extent developed by it in the future.

The agreement imposes specific obligations on the Company to bear the costs of using, developing, researching, manufacturing, commercialising and selling the Compounds including the cost of maintaining patents. It imposes obligations on the Company to obtain all necessary approvals for that purpose and to maintain product liability insurance for the Compounds which cover the licensor as well as the licensee.

At this stage, no product liability insurance is required to be taken out as the Products are not in commercial manufacture.

The agreement restricts assignment of the agreement

other than to an affiliate as defined subject to the affiliate agreeing to be bound by the agreement but permits the Company to sub-licence its rights under the agreement provided that it may not alter the provisions or obligations of BRL or seek to do so without its consent and provided that the Company guarantees the obligations of the sub- licensee to BRL.

Intellectual Property which results from research by the Company into the Compounds that is not a continuation in part of the original patents may be patented by the Company in its name alone.

The agreement imposes stringent confidentiality restrictions on each of the parties.

Finally, the agreement provides for indemnities in standard form between the parties.

1.12 Letter of Intent with Health Communication

Network Ltd

By letter of intent dated 17 September 2003 executed on behalf of both the Company and Health Communication Network Ltd ("HCN") the Company agreed with HCN to form a commercial relationship whereby "CogHealth" and "CogSport" are to be incorporated in and distributed as part of HCN's Medical Director software with the intention that the integration would be complete by February 2004.

The agreement is expressed not to be legally binding and was entered into subject to formal legal agreements being entered into. In principle, the agreement provides that HCN will advertise CogHealth and CogSport products in both the prescribing section and the "Drug Director" section of Medical Director with the Company providing backup support to answer questions and queries from customers in relation to the Company's products which are unable to be answered by HCN staff.

The Company has agreed to share gross revenues which it derives from the CogHealth and CogSport products where those revenues are referable to tests performed or referred by users of Medical Director with the revenue split between the Company and HCN.

The agreement will be for an open-ended term and may lead to additional avenues of mutual co-operation in the event of successful launch of the CogSport and CogHealth products within Medical Director.

1.13 Deeds of Indemnity, Insurance and Access

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors. ("Deeds").

Under the Deeds the Company agrees to indemnify the directors (to the maximum extent permitted by the Corporations Act) against any liability incurred by the directors in their capacity as directors and officers of the Company. The Company is required to maintain insurance policies for the benefit of each director for the term of the

director's appointment as a director or officer of the Company and for a further period of at least seven years after the director ceases to be a director or officer of the Company and the Company must also allow the directors access to inspect Company records and board papers in certain circumstances.

1.14 Shareholders Agreement

The Company has entered into an agreement with its shareholders under which prior subscription for shares have been regulated. An amending agreement is proposed to be entered into prior to Completion of the Issue under which the Shareholders Agreement will be terminated with effect from the date on which the Issue is complete and the Company becomes entitled to the proceeds of the Issue in accordance with the provisions of the Corporations Act.

1.15 Convertible Notes and Preference Shares

The Company has raised loan funds and capital by the issue of a series of convertible notes. The terms on which the Convertible Notes were granted provide for the conversion of the Convertible Notes prior to the Issue of the Shares. The terms of the Convertible Notes provide that they convert into convertible Preference Shares and also provide for the grant of Options.

On conversion of the convertible notes and the preference shares and on the subdivision thereof in accordance with the resolutions referred to in Section 2 at page 110 the Company will have an issued capital of 21,647,669 ordinary shares and have granted a total of 6,369,790 options.

The ordinary shares to be issued on conversion of the convertible notes will rank equally with all other existing ordinary shares and with the Shares the subject of the Issue.

It is proposed that an agreement will be entered into between the Company and each Convertible Noteholder under which the Options to be granted to the Convertible Noteholders on conversion of the Convertible Notes will be as provided in the Convertible Note Deeds subject to the modification that the Options will comply with the requirements of Listing Rule 7.22 of the Listing Rules of ASX. On the basis that such agreement is entered into the terms of each option to be granted on conversion of the Series 1 Convertible Notes following the subdivision of the capital of the Company as referred to in Section 2 will be as follows:

- The option will expire at 5.00pm (AEST) on that date being the 10th anniversary of the grant thereof ("the Expiry Date");
- The exercise price of the option will be \$0.2737 (27.37 cents) ("the Exercise Price");

(c) The option is an option to purchase 100 ordinary shares

the capital of the Company and shall be exercisable by completion of a notice of exercise of option and the delivery thereof to the registered office of the Company together with payment of the Exercise Price;

- (d) A share allotted on exercise of the option shall be allotted not more than 10 Business Days (as defined in the Listing Rules of Australian Stock Exchange Limited ("ASX")) after receipt of a properly executed notice of exercise of option and a holding statement in respect of the share issued on allotment will be issued within 5 Business Days thereafter;
- (e) The option shall be fully transferable;
- (f) An ordinary share issued on exercise of an option will rank equally in all respects with all other ordinary shares on issue at the time of its issue;
- (g) The optionholder will be sent all reports and accounts required to be laid before members of the Company in general meeting together with all notices of general meetings of members of the Company. Optionholders will be entitled to attend meetings of members of the Company but not to participate in any meeting as an optionholder;
- (h) The optionholder will not be entitled to participate in new issues or bonus issues of shares unless they have previously exercised the option. An optionholder will be given not less than 10 Business Days notice prior to and inclusive of any record date to determine entitlements to any such issue in which to elect to exercise the option to enable the optionholder to participate in the issue in relation to shares resulting from exercise of the option;
- (i) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the capital of the Company, the option shall be reconstructed in the manner required by the provisions of the Listing Rules of ASX as applicable from time to time.

Under the terms of the deeds amending the convertible notes the optionholder will be required to acknowledge that the option may be subject to escrow restrictions as required by ASX and the optionholder will agree to enter into such restriction agreements as required by ASX. Additionally the optionholder has acknowledged that shares resulting from exercise of options subject to escrow restrictions will likewise be subject to escrow during the unexpired term of any escrow period applicable to the options which occurs after any such exercise. Finally, the optionholder will acknowledge that the options will not be listed for quotation on ASX as there are fewer than 50 holders of any class of options in aggregate.

The terms of the options to be granted on conversion of the Series 2, Series 3, Series 4, Series 5 and Series 6 Convertible Notes will be identical to the terms of the options referred to above save and except that the Exercise

Price for the options to be granted on exercise of the Series 6 Convertible Notes will be \$0.375 (37.5 cents) per option.

1.16 Executive and Staff Option Plan

The Company has previously implemented an executive and staff option plan to assist in the attraction, retention and motivation of employees of the Company. As at the date hereof, options have been resolved by the Board of CogState Ltd to be granted under the Plan which are to be subdivided in accordance with resolutions proposed to be passed by members of the Company and, in that event, will convert into 1,428,764 options.

A summary of the terms of the Plan and a summary of the terms of the options as they will exist subsequent to subdivision are each set out below.

The Plan applies to Directors, Executives and staff of the Group comprised by the Company and all of its subsidiaries or related bodies corporate. The aggregate number of options which may be on issue shall not at any time exceed or be capable of exceeding 15% of the total number of shares on issue in the capital of the Company calculated on the basis that all shares and other securities convertible into shares had been converted. This includes other options, convertible notes and any other securities convertible into shares. "Shares" for the purpose of the Plan means fully paid ordinary shares in the capital of the Company.

Invitations which are offered to participants must be accepted within 28 days or such other period as the Board may determine and upon receipt of a duly signed acceptance from the participant in the appropriate time frame, the Company will issue the participant a certificate for the options granted provided that, if within that time frame, the participant ceases to be employed by the Group, no obligation to grant the options exists. Unless otherwise determined by the Board, the options are to be granted free of cost.

The terms of the options provide for them to vest in a series of tranches. The initial tranche of options comprises one third of the options issued to any particular participant on a particular issue date and, generally, those options will vest in the participant on the first anniversary after their issue. The subsequent tranche of options comprises two thirds of the options and they will generally vest in 24 equal instalments with the first instalment vesting one month after the first anniversary of their issue and thereafter vesting on the next 23 monthly anniversaries of the vesting date for the first instalment so that, by the expiration of three years from their issue, they have all vested.

The options and the vesting thereof can be made on such terms and conditions as to performance contingencies, hurdles and targets as the Board considers reasonable in the interests of the Group as a whole.

Options are not exercisable unless they have vested. The options in the initial tranche are only exercisable at any time during a period defined as the Initial Exercise Period which is a period commencing on the later of the first anniversary of their issue and the date on which a Liquidity Event occurs after their grant. A "Liquidity Event" means:

- (a) a disposal of the whole or substantially the whole of the property, business and undertaking of the Company;
- (b) an initial public offering of shares in the Company and the listing of those shares on a recognised security exchange; or
- (c) a disposal by the holders of 100% of the shares in the Company of their shares, or the acquisition by one shareholder of all remaining shares (other than in the case of certain reconstructions where beneficial ownership remains substantially unchanged).

during that period which is defined as the Subsequent Exercise Period which in relation to each option in the subsequent tranche is the later of its vesting date or Liquidity Event referred to above.

Once exercisable, all of the options are exercisable up until the tenth anniversary of the date on which they became exercisable.

In the context of the present proposed capital raising, the Board has the ability to bring forward the vesting date to enable the options to become capable of immediate exercise.

The exercise price of the options is required to be the market value of a fully paid ordinary share in the capital of the Company on the issue date which is to be that value calculated by the Board having regard to various matters relevant to the Company or which is to be the market value of an ordinary share in the Company as determined by an expert appointed by the Board (and reasonably believed by the Board to be a competent valuer).

There are restrictions on the optionholders under the terms of the Plan and each participant who becomes an optionholder agrees that any shares issued on exercise of an option will be subject to escrow restrictions as provided in the Plan.

The terms of options are subject to provisions requiring that, in the event of any reorganisation, the options shall be reconstructed in like manner as required under the Listing Rules.

Options that are not exercised during the exercise period applicable to them automatically lapse.

Subject to the overriding discretion of the Board, where an optionholder ceases to be employed by the Group or in

the case of an optionholder who is a director, that optionholder ceases to be a director of any member of the Group then all options which have not vested lapse, the optionholder has 30 days to elect to exercise options which have vested but not been exercised and if those options are not exercised in that 30 day period, they lapse automatically at the end of that period.

A qualification to the above is that on the death of an optionholder the executor of the optionholder's estate or the nominated beneficiaries of that estate have a period of 12 months to exercise options which have vested but not been exercised in lieu of the 30 days referred to.

The terms and conditions of all options which will be granted under the Plan are consistent with the above.

2. Reconstruction of the Company's Capital

The Issue is conditional upon the members of the Company agreeing prior to the Closing Date that the capital of the Company will be reconstructed with that reconstruction taking effect immediately prior to the close of the Issue on the Closing Date. Under the reconstruction and on the requisite resolutions being passed in accordance with the Company's constitution:

- 2.1 the convertible notes issued under the various convertible note deeds will be converted into preference shares with options to acquire shares being granted in accordance with the terms thereof;
- 2.2 such preference shares shall become converted into ordinary shares;
- 2.3 each ordinary share in the capital of the Company, including ordinary shares resulting from conversion of preference shares, will be consolidated and subdivided into approximately 4.20224570 ordinary shares;
- 2.4 each option to acquire an ordinary share (whether granted on conversion of the convertible notes or pursuant to the Company's Executive Share Option Plan) being subdivided in like manner as the ordinary shares with the terms and conditions applicable thereto being modified to be those terms and conditions as set out herein.

In any such reconstruction all fractional entitlements to shares will be rounded down in the hands of the persons entitled thereto with all those fractional entitlements to be aggregated and to be issued to the Company Secretary on the basis that the Company Secretary shall, subsequent to the admission of the Company to the Official List and the expiry of any escrow period in relation thereto, sell such shares and account to the persons entitled thereto for the net proceeds of sale after deduction of all costs of sale.

It is proposed that the existing shareholders and convertible noteholders will enter into agreements as referred to in Sections 1.14 and 1.15 at page 108 above.

3. Shares: Rights and Liabilities

The Company's present constitution does not comply with the requirements of the Listing Rules. At the same time as the resolutions referred to in section 2 at page 110 above are passed, the Company proposes to adopt a constitution which is compliant with the requirements of the Listing Rules on the basis that that constitution will take effect immediately after the conversion and subdivision of all Convertible Notes and Preference Shares into ordinary shares. Given that the Issue will only proceed to issue and allotment of the Shares if the requisite resolutions referred to are passed and the proposed constitution is adopted and ASX grants approval for the Company to be admitted to the Official List, the summary set out below is a summary of the more significant rights which will attach to the Shares. This summary is not exhaustive nor does it constitute a definite statement of the rights and liabilities of the Company's members. To obtain such a statement, Applicants should seek independent legal advice.

3.1 Ranking

The Shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

3.2 Reports and Notices

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Corporations Act.

3.3 General Meetings

Members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.

3.4 Voting

At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

A member who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the Share.

3.5 Dividends

The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.

3.6 Reduction of Capital

The Company may only reduce its capital in such manner as may be permitted by the provisions of the Corporations Act from time to time.

3.7 Borrowing and Lending Powers

The Company may borrow and lend in such manner as may be permitted by the provisions of the Corporations Act from time to time.

3.8 Winding Up

Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

3.9 Transfer of Shares

Subject to the Constitution of the Company and the Corporations Act the shares will be freely transferable.

3.10 Future Increases in Capital

The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution of the Company and the Corporations Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

3.11 Variation of Rights

The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

3.12 Directors

The Constitution of the Company contains provisions relating to the rotation of Directors (other than managing

directors and alternate directors)

3.13 Application of Listing Rules

If the Company is admitted to the Official List of ASX then, despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require a constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

4. Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members.

The Company is cognisant of the Principles of Good Corporate Governance and Best Practice Recommendations as published by ASX Corporate Governance Council and acknowledges that the 10 principles set out therein are fundamental to good corporate governance.

The Board will comply with Listing Rule 4.10 which requires the Company to provide a statement in its annual return disclosing the extent to which those best practice recommendations are following in any reporting period and to identify any recommendations not followed and provide reasons for their not being followed.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication.

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements. To this effect the Board has established a number of Committees.

4.1 Audit and Compliance Committee

The members of this Committee are Martyn Myer, Geoff Brooke and Richard Morgan.

The Audit and Compliance Committee is a Committee established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its Statutory

reporting requirements.

The Board believe that having raised funds from the public, it has a responsibility to ensure independent accountability exists.

The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

Objectives

- (a) Provide enhanced public confidence in the credibility and objectivity of financial information released to the public.
- (b) Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities.
- (c) Improved quality of financial reporting.
- (d) Augment non Executive Directors' knowledge and understanding of financial information.
- (e) Increase focus on the corporate risk profile of the Company including the level of authority delegated to management by the Board.
- (f) Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and management action to maintain and improve them.
- (g) Assist the Finance Director/Financial Controller by providing a forum in which to raise issues of concern.
- (h) Increase Directors' understanding of the nature and scope of the statutory audit and where applicable, internal audit.
- (i) Provide a framework within which the external Auditors can assert their independence in the event of a dispute with management.
- (j) Strengthen the position of the internal audit function, by providing a greater degree of independence from management.
- (k) Provide improved communication between the external Auditor and the Board.

Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and ASX listing requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee are as follows:

- (a) reviewing financial statements and other financial information distributed externally, and determining

whether or not to recommend their acceptance by the Board;

- (b) monitoring corporate risk assessment and internal controls instituted and implementing internal controls to manage those risks;
- (c) monitoring the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- (d) reviewing internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- (e) reviewing the nomination and performance of the external Auditors;
- (f) liaising with the external Auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- (g) monitoring the procedures in place to ensure that the Company is in compliance with the Corporations Act, ASX Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Corporations Act and the listing rules of ASX;
- (h) reviewing reports on any major defalcations, frauds and thefts from the Company;
- (i) reviewing the declaration from the Company Secretary on compliance with statutory responsibilities;
- (j) ensuring that a corporate Code of Ethics is established and periodically reviewed;
- (k) initiating and supervising special investigations;
- (l) reviewing risk management practices;
- (m) reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between the Company and members of management;
- (n) reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements;
- (o) reviewing reports on certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;
- (p) reviewing reports on the adequacy of insurance coverage;
- (q) formulate, review and monitor compliance with and

investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters affecting the Company; and

- (r) review from time to time, as appropriate, in the light of regulatory change:
 - (i) the structure and responsibilities of the Board;
 - (ii) the proper relationship between the Board and management including the proper relationship between the roles of Chairman and Managing Director;
 - (iii) the responsibilities of management;
 - (iv) the proper relationships between the Company and its shareholders, suppliers and customers and employees;
 - (v) business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest and their appropriate disclosure of such dealings;
 - (vi) ethical and other matters considered by the Committee to be relevant to good corporate governance practice;
 - (vii) to monitor compliance with the statement and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
 - (viii) to formulate for Board approval and review and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters; and
 - (ix) to act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or CEO.

4.2 Risk Management Committee

Risk Management Committee is a sub committee of the Audit & Compliance Committee.

Objectives

- (a) To establish a Risk Management process which objectively assesses the risks of the Company in its business activities.

- (b) To provide quantitative and qualitative assessment of risks.
- (c) To develop Risk Action Plans and ensure that management responds to these plans and reports to this Committee as to their response.
- (d) To liaise with the external auditors in respect to their assessment of risks encountered by the Company in its ongoing business activities.
- (e) To assess the business plans developed by management in consultation with the Audit & Compliance Committee and independently determine risks associated with those business plans.

Responsibilities

The Committee shall consider any matters relating to risk assessment of the business activities of the Company including and not limited to:

- (a) Investment strategies.
- (b) Operational activities.
- (c) Assessment and minimisation of potential internal and external fraud.
- (d) ASX Listing obligations.
- (e) Corporate governance.
- (f) Ongoing assessment and review of farm-in arrangements and disaster plan management.
- (g) Such other matters the Committee considers to be relevant to assessing risk of the business.

The duties of the Committee are as follows:

Monitoring corporate risk and implementing controls to manage those risks.

Reporting to the Audit & Compliance Committee as to the development of Risk Action Plans and the activities of management in monitoring the risks identified.

Continuous review of risk management practices within the Company.

4.3 Strategic Review And Operations Committee

All members of the Board are members of this Committee.

The Strategic Review and Operations Committee is a Committee established by the Board to review the operational activities of the Company.

Objectives

- (a) Provide support to CEO and senior management team on identifying issues of strategic importance and

providing possible directions.

- (b) Provide support to the CEO in considering step-out opportunities to reduce product/business dependence & risk and to provide the business with growth options.
- (c) Promote a frequent and robust process for strategy debate and agreement by the CEO and senior management and involving the Board.
- (d) Ensure that the Company maintains focus on potential for unsolicited acquisition - not to prevent this - but to ensure that it only occurs at a fair valuation.
- (e) Ensure that the Company maintains a watching brief for strategic acquisitions.
- (f) Ensure that the Company is proactive in managing its register and in attracting strategic partners onto the register where this is considered sensible.
- (g) Establish the business Budgets and assess the performance of the business against the Budgets and Business Plan.
- (h) Review and assess Business Forecasts and Cashflow Forecasts.
- (i) Review and advise the Board on the Farm-in activities of the Company and compliance with these agreements.

4.4 Remuneration and Nomination Committee

The members of this Committee are Martyn Myer, Geoff Brooke and Richard Morgan.

The Remuneration and Nomination Committee is a Committee established by the Board to review the composition of the Board and ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Board.

The Board believes that the individual performance of the Directors of the Company has a significant bearing on the success of the Company and that each Director should be independently accountable in respect to their contribution.

The Board is cognisant of the need to ensure that appropriate expertise and skills exist within the Board in order for the Board to address current issues of the Company and focus on the strategic plans of the Company.

Objectives

- (a) Determine the remuneration and terms of employment of the Chief Executive Officer and other senior executives.
- (b) Review the individual performance of Directors against key performance indicators and agreed benchmarks.
- (c) Identify potential candidates who could provide services as a new Director of the Company.

- (d) Utilise professional external consultants where necessary to identify potential candidates.
- (e) Establish key performance indicators for Directors.
- (f) Establish and monitor the Company's Director education program.
- (g) The Board should comprise a minimum of three Directors and this number may be increased where it is felt that additional expertise is required in specific areas, or where an outstanding candidate is identified.
- (h) The Board should comprise of a majority of independent, non Executive Directors.

Responsibilities

The Committee shall consider all matters in respect to the appointment of Board members and a review of the performance of Board members including:

- (a) The development of an appointment letter for Board members.
- (b) Identification of the induction process for Board members.
- (c) The term of appointment of Board members, subject to shareholders approval.
- (d) The expectation of the Board in relation to attendance and preparation for all Board meetings.
- (e) The Committees to which the Director may be expected to be appointed.
- (f) The procedures for dealing with conflicts of interest.
- (g) The establishment of a Directors continuous education program.
- (h) The establishment of key performance indicators and responsibilities for each Director.

5. Dividend Policy

The Company will not pay dividends in the foreseeable future.

6. Consents

6.1 Auditors Consent

Ernst & Young has given and not withdrawn its written consent to:

- (a) being named as the Auditor of the Company and as the Independent Accountant for the Company in the Prospectus in the form and context in which it is named;
- (b) the issue of the Prospectus with its Independent Accountants' Report dated 1 December in the form and context in which it is included and with all references to that report in the Prospectus including the references at page 29 of the Prospectus to Ernst &

Young and financial information extracted from the Independent Accountants' Report being included in the form and the context in which those references are included.

Ernst & Young:

- (c) has only participated in the preparation of the Prospectus to the extent of preparing its Independent Accountants' Report as contained in the Prospectus;
- (d) has only authorised or caused the issue of those parts of the Prospectus which contain its report; and
- (d) was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

6.2 Acuity Technology Management Pty Ltd

("Acuity") has given and not withdrawn its written consent to the named herein as Independent Technology Consultant to the Company in the form and context in which it is so named and to the inclusion in this Prospectus of its report as contained herein in the form and context in which it is so included and to all quotes therefrom and all references thereto herein in the form and context in which they are so included. Acuity has had no involvement in the preparation of this document other than the inclusion of those statements and its report and has not given any professional or other advice in respect of any other part of this document. Acuity does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Prospectus.

6.3 Watermark Consulting Services

("Watermark") - Watermark have given and not withdrawn their written consent he named herein as Patent Attorneys for the Company in the form and context in which they are so named and to the inclusion in this Prospectus of their Patent Attorneys report as contained herein in the form and context in which it is so included and to all references thereto herein in the form and context in which they are so included. Watermark have had no involvement in the preparation of this document other than the inclusion of those statements and their report and have not given any professional or other advice in respect of any other part of this document. Watermark do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this document.

6.4 Emerging Growth Capital Limited

("eGCapital") - eGCapital has given and not withdrawn its written consent to be named herein as Underwriter of the Issue in the form and context in which it is so named and to all references thereto herein in the form and context in which they are so included.

6.5 Winstar Partnership Limited

("Winstar") - Winstar has given and not withdrawn its written consent to be named herein as Financial Advisor to the Company in the form and context in which it is so named and to all references thereto herein in the form and context in which they are so included.

6.6 The members of the Scientific Advisory Board

Each of the members of the Scientific Advisory Board referred to at pages 33 and 34 have given and not withdrawn their written consent to the inclusion in this Prospectus of the references to them in the form and context in which they are so included. Unless otherwise stated herein, none of the members of the Scientific Advisory Board referred to herein have had any involvement in the preparation of this Prospectus other than the inclusion of those references and none of them have given any professional or other advice in respect of any other part of this Prospectus.

6.7 Directors' Consents

Each of the directors of the Company has consented to the lodgment of this Prospectus with Australian Securities and Investments Commission and has consented to the despatch hereof in accordance with the terms of the Offer.

6.8 ASX Perpetual Registrars Limited

ASX Perpetual Registrars Limited have given and not withdrawn their written consent to be named herein as the share registry to the Company in the form and context in which they are so named. ASX Perpetual Registrars Limited have had no involvement in the preparation of this Prospectus and have not given any professional or other advice in respect of any other part thereof. ASX Perpetual Registrars Limited do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this Prospectus.

6.9 Menzies & Partners

Menzies & Partners, Solicitors, have given and not withdrawn their written consent to be named herein as Solicitor to the Company in the form and context in which they are so named.

7. Existing securityholders

The table below sets out details of the categories of holders of securities in the capital of the Company as they will exist immediately prior to the allotment of the Shares to be issued pursuant to this Offer on the basis that all necessary resolutions to reconstruct the capital of the Company to that effect have been passed and implemented.

The table assumes the conversion of all convertible notes and preference shares and the grant of all options to employees otherwise referred to herein, the subdivision of those securities as hereby contemplated and the conversion of Dr Bick's B Class

Shares. It does not include Shares which may be subscribed for by any existing securityholders pursuant to the terms of the Offer.

Table 6. Details and Categories of Existing Securityholders Immediately Prior to Allotment of Shares

Name & Category of Securityholder	Nature & Status of Security Held	Ordinary Shares	Options
Founders			
Dr David Darby	Vendors shares shares subscribed for	1,323,707 148,016	69,550
Dr Ashley Bush	Vendors shares shares subscribed for	1,323,707 131,539	-
	Sub Total	2,962,969	69,550
Executives and Staff			
Dr Peter Bick	Vested	1,764,865	
	Not vested	1,148,973	
Investors			
		15,806,864	4,871,476
Total Shares/Options		21,647,669	6,769,098

8. Interests of Directors: Others

Except as otherwise set out herein, no Director, expert or professional adviser named herein now has or during the last two years has had any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, except as set out herein no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer. All payments referred to herein are exclusive of GST.

8.1 Interests of Advisors and Named Persons

In accordance with the terms of their engagement, Ernst & Young has prepared its Independent Accountant's Report as contained herein and which form part of this document. In aggregate, Ernst & Young will be paid \$20,800 by the Company for services in relation to the provision of their report calculated in accordance with their normal commercial rates. Additionally, Ernst & Young has acted as auditor of the Company since incorporation and will become entitled to be paid a total of \$11,470 for audit and related services for the year ended 30 June 2003 and an amount of \$8,330 for such audit and other services for the year ended 30 June 2002.

In accordance with the terms of its engagement, Watermark have prepared their Independent Patent Attorney's Report as contained herein and which forms part of this document. In aggregate, Watermark will be paid \$27,500 in respect thereof.

In accordance with the terms of its engagement, Menzies & Partners will be paid a total of \$65,000 in relation to professional services provided in respect of the preparation of this Prospectus.

eGCapital and Winstar will be entitled to the fees and commission payable as set out in Section 1.1 at page 101 of this Prospectus.

In accordance with the terms of its engagement, Acuity has prepared its Independent Expert's Report as contained herein and which forms part of this document. In aggregate, Acuity will be paid \$12,500 in respect thereof.

At the date hereof no such payments have been made save as set out herein and, save as set out herein, all such payments made in the period of two years have been paid or are payable in cash.

In addition to the above the Directors and the Company Secretary are entitled to be remunerated as set out below:

8.2 Interests of Directors and Company Secretary

The Directors and the Company Secretary:

- (a) hold shares, convertible notes and other interests, as set out herein;
- (b) are entitled to subscribe for Shares pursuant to this Prospectus.
- (c) are entitled to be remunerated or receive benefits from the Company as follows:

Under the Company's Constitution, the Directors are entitled to be paid such remuneration not exceeding an amount that is authorised by resolution of the members (other than in relation to remuneration of managing or executive directors).

The Directors are currently entitled to receive up to \$200,000 p.a. to be divided between them as directors' fees.

If a Director undertakes any work additional to that usually required of Directors of a Company similar to this Company, the Directors may award such special remuneration and fix the amount hereof at any time during or after the rendering of such special service or the undertaking of such additional work. Directors are also entitled to travelling expenses for or in connection with any journeys undertaken by them on the Company's business.

The remuneration of any managing director or executive director for his services shall be determined by the Directors.

Details of Directors' remuneration are set out in Section 8.4 at page 118 below.

8.3 Directors' and Officers' Relevant Interests in Securities

The relevant interests of the directors, and their related parties as defined in Accounting Standard AASB 1017, in securities of the Company, as will exist on conversion of all Convertible Notes and, in the case of Dr Peter Bick, the CEO, on the conversion of his B Class Shares, are set out in Table 7 below.

Table 7. Details of Directors' and Officers' Relevant Interests in Securities Immediately Prior to Allotment of Shares

Name of Director/Officer	Office Held	Status of Security Held	Ordinary Shares	Options*	Executive Options#
Mr. Martyn Myer	Chairman	Seed Capital	2,850,802	686,752* 393,393**	210,112
Dr Peter Bick	Chief Executive Officer	Executive Shares: Vested Not vested	1,764,865 1,148,973	- -	- -
Dr Geoff Brooke##	Director		-	-	-
Assoc Prof David Darby	Executive Director	Vendor shares Seed Capital	1,323,707 148,016	- 40,151* 29,399**	- -
Mr. Richard Morgan	Director		-	-	63,034
Mr. Andrew Lord	Secretary	ESOP options	-	-	-
			7,236,363	1,149,695	273,146

* These options will result from conversion of Convertible Notes as referred to in Section 1.15 at page 108 and Section 2 at page 110 and their subsequent subdivision and are exercisable at \$0.2737 (27.37 cents).

** These options likewise result from conversion of Convertible Notes and are exercisable at \$0.3750.

The exercise price of the options held by directors under the ESOP are set out in Table 8 at page 118.

While Dr Geoff Brooke does not have a relevant or equitable interest in any securities of the Company it is disclosed that Dr Brooke is the managing director of GBS Venture Partners Limited which is the manager of The Australian Bioscience Trust which holds securities of the Company and that GBS Venture Partners Limited receives management fees from management of that trust based on the performance of the trust and as well as such will benefit from any increase in value thereof.

In addition to the above it should also be noted that Dr Brooke has been issued 30,000 options pursuant to the Employee Share Option Plan (which will become subdivided into 126,067 options each exercisable at \$0.38) which options have, with the consent of the Board, been transferred to Perpetual Trustees Nominees Limited as Trustee for The Australian Bioscience Trust for the benefit of that trust under the terms and conditions under which Dr Brooke's services are provided to the Company.

CBS Venture Partners Limited as manager of The Australian Bioscience Trust has agreed that the trust will subscribe for 2,000,000 Shares pursuant to the Issue and Mr Martyn Myer has committed to subscribe for 100,000 shares pursuant to the Issue.

By arrangement between each of those parties and the Underwriter, the 4% underwriting commission payable on the subscription moneys for those Shares will be effectively paid by the Underwriter to those persons and be applied by them in the subscription for additional Shares pursuant to the Offer.

Effectively, this will mean that an additional 80,000 Shares will be issued and allotted to Perpetual Trustees Nominees Limited as Trustee for The Australian Bioscience Trust and an additional 4,000 Shares will be issued and allotted to Mr Myer.

8.4 Remuneration of Directors

Directors' remuneration during the period of two years prior to date of this Prospectus was as follows:

(a) From 1 December 2003, Dr Bick will be remunerated as Chief Executive Officer on the basis that the total cost to the Company for his services will be \$375,000 per annum. This sum will be a gross amount and it will include all on costs related to his employment by the Company. The actual amount which will be received by Dr Bick will depend on the amount of those on costs which include such items as compulsory superannuation, payroll tax, fringe benefits taxes, if any, payable and all other such like costs. On the above basis Dr Bick received a salary of \$360,212, after deduction of all the on costs, for the year ended 30 June 2003. From 1 July 2003 to end November Dr Bick received a salary of \$155,542 after deduction of all these on costs for that period.

In addition, and prior to Dr Bick's appointment as Chief Executive Officer, Skagus LLC, a US limited partnership in which Dr Bick is a partner, was paid an amount of \$445,305 for the year ended 30 June 2002 and a further \$34,960 during the year ended 30 June 2003.

By virtue of being a partner in that limited partnership Dr Bick has received benefits from such payments:

(b) Professor David Darby has received remuneration of \$189,206 for the year ended 30 June 2002 (exclusive of

statutory superannuation contributions) and \$199,480 (plus contribution of \$10,519 in superannuation contributions) for the year ended 30 June 2003. For the period from 1 July 2003 to the end of November he has received \$82,916 (plus superannuation contributions of \$4,584)

(c) A United Kingdom registered company, R&B Healthcare Ltd, provides Mr Richard Morgan's services as a consultant to, and director of, the Company for an agreed amount of \$15,000 per annum. During the year ended 30 June 2003 it was paid a total of \$6,375 for provision of Mr Morgan's services for consultancy services. For the period 1 July 2003 to end November it has become entitled to be paid an amount of \$7,500 for Mr Morgan's services as a director and a further \$7,500 for provision of other services. Additionally Mr Morgan has been granted 15,000 options to acquire ordinary shares under the Company's Executive & Staff Option Plan, which, on subdivision, will become 63,034 options exercisable as set out in Table 8 below.

(d) Mr Martyn Myer (Chairman) and Dr Geoff Brooke have not received any remuneration payable in cash or money but have been granted options to acquire shares in the capital of the Company in consideration of the provision by each of them of his services as a director during the period since his appointment as a director.

The grant of these options was made within the provisions of Section 211 of the Act. Mr Myer was granted 50,000 options in two tranches and on subdivision these options will become 210,112 options as set out opposite his name in Table 8 exercisable as set out therein. Dr Brooke was granted 30,000 options which on subdivision will convert into 126,067 options. These options have been transferred to Perpetual Trustees Nominees Limited as Trustee for The Australian Bioscience Trust as referred to in the footnote to Table 8.

On the basis that the options granted as referred to in (c) and (d) above become subdivided in accordance with the circular resolutions referred to in Section 2 at page 110 above the total number of options granted as Director's remuneration and the exercise prices thereof as will exist immediately prior to allotment of the Shares is as follows:

Table 8. Details of Options granted or to be granted as Remuneration of Directors

Director	Options Held	Exercise Price
Mr. Martyn Myer	128,588	\$0.24
	81,524	\$0.38
Dr Richard Morgan	63,034	\$0.38
Dr Peter Bick	0	-
Dr Geoff Brooke*	126,067	\$0.38

*These options were granted to Dr Brooke but, pursuant to the terms of his agreement with CBS Venture Partners Limited, he has transferred those options to Perpetual Trustees Nominees Limited as Trustee for The Australian Bioscience Trust.

8.5 Agreements with Directors

The Company has not entered into any other agreements with Directors or director related entities save that, in the case of Mr Martyn Myer, The Myer Family Office Ltd, of which Mr Myer is a director, has previously received management fees from the Company for the provision of accounting services in the ordinary course of business and on normal terms and conditions. It is disclosed that Mr Martyn Myer has an interest in the The Myer Family Investments Pty Ltd Group of Companies that includes a 100% owned subsidiary, The Myer Family Office Ltd, of which he is a director. The fees received by The Myer Family Office Ltd were \$34,650 plus GST for the year ended 30 June 2003 and \$39,575 for the year ended 30 June 2002. The Myer Family Office Ltd also earned a fee on short term deposits placed by Cogstate during the year with the M F Cash Management Fund. No such services are presently provided to the Company by The Myer Family Office Ltd.

The above information has previously been disclosed in the Company's audited financial statements.

8.6 Other Interests in Property or Payments

Other than as set out herein, no Director, and no firm in which a Director is a partner, has an interest in the promotion of, or in any property proposed to be acquired by the Company and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or to any firm in which a Director is a partner, either to induce him to become, or to qualify him as a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

GLOSSARY

A

amyloid	A structural protein that acts as a support for neurons in the brain and which forms thick deposits, or plaques, in the brains of people with Alzheimer's disease.
acetylcholine	A type of brain chemical that allows neurons to communicate with one another.
algorithms	Precise sequence of steps to complete a task. Often used to describe software implementation of calculations.
Alzheimer's disease	A neurodegenerative disease in which there is death of brain cells that are vital to memory, speech, understanding and other mental abilities and is more particularly described at pages 27 and 28 of this Prospectus.
amyloid plaques	Deposits of amyloid protein and other molecules seen in the brains of Alzheimer's disease patients at post-mortem.
angiotensin	Any of several vasoconstrictor substances that cause narrowing of blood vessels.
angiotensin 4 (AT4) receptors	Locations on the surface of neurons that bind AT4 to the neuron to cause it to activate the neuron.
ASIC	Australian Securities and Investment Commission.
aspartate	A neurotransmitter.
ASX	Australian Stock Exchange Limited.
attention	The ability to concentrate on objects or locations.

B

β -amyloid	A structural protein that acts as a support for neurons in the brain and which forms thick deposits, or plaques, in the brains of people with Alzheimer's disease.
β APP	β -amyloid precursor protein, the protein that is cleaved to produce β -amyloid.

betablockade	Treatment that blocks beta adrenergic receptors on the heart and reduces cardiac index, heart rate and blood pressure. Net effect is to improve recovery from heart attack.
blood-brain barrier	A system of membranes and blood vessels that protect the brain from infection and large molecules.
bradykinesia	Slow movements
BRC	A diagnostic test developed by The Brain Research Company Limited, a company listed on ASX.
bromocriptine	Bromocriptine is a dopamine receptor agonist; that is, it stimulates the brain in a way similar to dopamine.

C

CANTAB	A diagnostic test developed by Cambridge Cognition Ltd, a UK incorporated company
cabergoline	A drug used to treat Parkinson's disease.
cardiovascular	Involving the heart and the circulatory system.
catechol-O-methyltransferase (COMT)	An enzyme that deactivates catecholamines in the synapse thus interrupting transmission of signals in the brain.
CDR	Cognitive Drug Research test battery.
CEO	Chief Executive Officer.
cerebellum	Brain structure that is responsible for coordinated movement and possibly some forms of cognitive learning.
cerebral cortex	The cerebral cortex is responsible for many "higher-order" cognitive functions like language and information processing.
CHESS	Clearing House Electronic Subregister System.
cholinesterase inhibitors	Drugs that inhibit the production of an enzyme that breaks down acetylcholine.
clinical trials	Research projects that test the safety and efficacy of a drug in people.

CogHealth	The CogState Ltd cognitive test used in monitoring of change in memory and thinking by doctors.
cognition	Thinking processes such as planning,
cognitive function	Memory and decision making.
cognitive performance	How well a person completes a test of cognitive function, generally measured using speed or accuracy.
Cognitive Therapeutics	UK Company that manufactures CogTest.
CogSafe	The CogState Ltd cognitive test used by doctors for monitoring of memory and thinking in occupational health and safety settings.
COGSCREEN	A diagnostic test developed by Cogscreen LLC, a US incorporated company.
CogSport	The CogState Ltd cognitive test used in managing sport related concussion.
CogState	The CogState Ltd cognitive test used in clinical trials cognitive research.
CogState Ltd	The Company.
CogState Therapeutics	The drug development division of CogState Ltd.
COGTEST	A diagnostic test developed by Cogtest Plc, a UK incorporated company, (formerly Cognitive Therapeutics Plc).
concussion	A violent jarring or shaking that results in brain dysfunction.
Cortical disconnection	Failure of communication between regions of the cerebral cortex due to the loss interconnecting fibre pathways.
D	
dementia	Dementia is a consequence of failure of brain functions that makes it hard for a person to remember, learn and communicate.
dendritic changes	Dendrites are branches on neurons that connect with other neurons. Loss or degeneration of dendrites indicates a degenerative brain disorder such as Alzheimer's disease.
diagnostic	A method of characterizing or classifying a disease.

dopamine	A neurotransmitter that is released by a presynaptic neuron and received by a postsynaptic neuron.
dystrophic neurites	Neurites that aren't the right shape. A process growing out of a neuron. As it is hard to distinguish a dendrite from an axon in culture, the term neurite is used for both.
E	
EMDG	Export Market Development Grant - Australian Federal government grant.
Austrade	
ESOP	Employee Share Option scheme.
executive function	The ability to coordinate thoughts and actions.
extra cellular matrix	The proteins and structural tissue that support neurons.
F	
FDA	US Food and Drug Administration, a regulatory body in the USA.
FIFA	World soccer governing body.
FTE	Full time equivalent employee.
G	
glutamate	A neurotransmitter that is normally involved in learning and memory. Under certain circumstances it can be an excitotoxin, and appears to cause the death of nerve cells in a variety of neurodegenerative disorders.
H	
handedness	Preference for using right or left side of the body.
HCN	Health Communication Network Ltd, a company that markets medical informatics software to Australian doctors.
HEAD MINDER	A diagnostic test developed by Head Minder Inc, a US incorporated company.
hexapeptide	A peptide consisting of six proteins that specifically acts on the angiotensin system.
AII(3-8) [AIV]	
hippocampus	An area of the brain associated with memory.

I

IIHF	International Ice Hockey Federation.
ImPACT	A diagnostic test developed by Impact Application Inc, a US incorporated company.
IND	Investigative New Drug approval - The regulatory approval required in the USA to conduct clinical trials.
IOC	International Olympic committee.
IRB	International Rugby Board.

L

L-dopa	Levo-dopa, the main treatment for Parkinson's disease.
Lead optimisation	The process of improving a drug candidate to produce the best possible form of the drug.

M

MCI	Mild cognitive impairment, an impaired cognitive state that precedes Alzheimer's disease and dementia.
memory	The ability to recall events, places, people and information over both long and short periods.
Mini Mental State Examination (MMSE)	A brief cognitive status test using paper and pencil

N

NCE	New Chemical Entity.
NDA	New Drug Approval - the regulatory approval required in the USA to market a drug.
neocortex	Another term used to describe the superficial parts of the human brain responsible for language, planning and complex thoughts.
neurodegenerative disease	A disease of the brain marked by gradual increasing damage to the brain.
neurological disorders	Disorders or diseases of the brain or peripheral nervous system.
neurologist	A medical doctor who has received specialist training in assessment and treatment of brain disease.
neurons	Cells that transmit signals to, from and within the brain.

neuropsychologist	A behavioural scientist who has received additional training in brain sciences.
neuroscience	The application of scientific approach to understanding the brain.
neurotoxic	Being toxic to neurons and causing illness or ultimately neuronal death.
n linoleic acid tyrosine (NLT) n-linolenic acid	n-linoleic acid and tyrosine. One of the components of NLT that is thought to act as a transporter molecule to carry tyrosine across the blood-brain barrier.

NMDA	Glutamate receptor sub type (see excitatory amino acids). N methyl D aspartate receptor channels.
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NMDA receptor	A protein on the surface of a cell that binds only to NMDA.
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NMDA receptor agonist	A compound that will activate an NMDA receptor.
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NMDA receptor antagonists	A molecule that will block an NMDA receptor.
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P

Parkinson's disease (PD)	Parkinson's disease is a neuro-degenerative disease characterised by slowing of movements and tremor and is more particularly described at pages 27 and 28 of this Prospectus.
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patent	A patent is a property right which gives the holder the exclusive right to exclude others from manufacture, use, or sale of the invention the subject of the patent.
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pathology	Disease, or the study thereof.
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peptides	Any compound consisting of two or more amino acids, the building blocks of proteins. Peptides are combined to make proteins.
----------	--

pergolide	A drug used to treat Parkinson's disease.
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pharmacology	A field of science that seeks to understand the actions of chemicals in biological systems.
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Phase I clinical trial	Human trial to evaluate the safety of a drug.
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Phase II clinical trial	Human trial to evaluate efficacy and side effect profile of a drug.
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Phase III clinical trial	Human trial to extend the proof of efficacy in wider range of patient groups and monitor side effects.
Phase IV clinical trial	Post marketing evaluation of a drug to ensure adverse events are reported and build up a complete side effect profile for the drug.
plaques	Small deposits of protein that form in the brain.
postsynaptic	The neuron that is receiving a signal from a presynaptic neuron.
pramipexole	A drug used to treat Parkinson's disease.
preclinical studies	Drug development studies that occur prior to giving the drug to people. These evaluate the safety and pharmacological properties of the potential drug.
presynaptic	The neuron that is transmitting the signal.
prevalence	Statistic that equals the total number of people in a population with a certain disease at a given time.
priority date	Date from which a patent application has a priority right over competing patent applications.
proteolytic cleavage	Cutting by enzymes.
psychomotor	A type of cognitive function in which thinking is linked to manual actions.

R

R&D	Research and development.
receptor	A chemical on the surface of a cell that can bind only to a specific type of molecule.
Rey Auditory Verbal Learning Test	A memory test that examines how many words an individual can remember.
RNA	Ribonucleic acid.
ropinirole	A drug used to treat Parkinson's disease.

S

Selegiline	A drug used to treat Parkinson's disease.
START	A grant from the Australian government.

Symbol Digit Modalities Test

A paper and pencil psychological test that measures how fast an individual can decode information.

T

Temporal regions	Areas at the side of the brain.
thalamus	A large, ovoid gray mass on either side of the third ventricle of the brain.
therapeutic	Pertaining to treatment.
trauma	The process or event leading to an injury or wound.
Trail Making Test Part A and B	A paper and pencil psychological test that measures the ability to identify targets by drawing lines toward them.
tyrosine	The amino acid from which dopamine is made.

U

US	See USA.
USA	United States of America.

W

Weschler Adult Intelligence Scale Revised	A set of psychological tests that measure different aspects of thinking and which require approximately two hours to give.
Weschler Memory Scale	A set of paper and pencil tests which measure different aspects of memory and which requires about one hour to complete.
WMS	Weschler Memory Scale.

DIRECTORS' RESPONSIBILITY STATEMENT

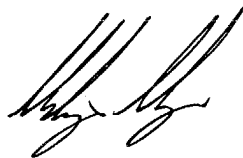
The Directors of the Company report that for the purposes of Section 731 of the Corporations Act, they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by Section 716(2) of the Corporations Act and have not withdrawn that consent before lodgment of this Prospectus with ASIC.

Each Director of the Company consents to the lodgment of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Prospectus is dated the 3rd day of December 2003.



Martyn Myer

Chairman



Peter Bick

Chief Executive Officer

CogState Limited ABN 80 090 975 723

This Application Form relates to an offer by CogState Limited for an underwritten offer of 11 million Shares at an issue price of A\$0.50 per Share to raise A\$5,500,000 with the right to accept oversubscriptions for up to a further 3,000,000 Shares. Any person applying for Shares declares to CogState that they have received the entire prospectus to which this Application Form relates.

This Application Form must not be handed to another person unless attached to or accompanied by the Prospectus dated 3 December 2003 and any relevant supplementary Prospectus. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus.

Number of Shares applied for **A** **0 0 0** at Issue price per Share **B** **A\$** **0 0 . 0 0** **+**
 (minimum 4,000 Shares, thereafter in multiples of 1,000 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant
Surname/Company Name

C

Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

D

Unit Number/Level Street Number Street Name

Suburb/City or Town

State Postcode

Email address if available

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

E X

The name or address on CHESS must exactly match the name you have given here on this Application Form.

TFN/ABN/Exemption Code
First Applicant

Joint Applicant #2

F

Joint Applicant #3

+

TFN/(ABN) type - if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

G

Cheque or money orders should be drawn on an Australian branch of an Australian bank in Australian currency and be made payable to "CogState Ltd Share Subscription Account" and crossed "Not Negotiable".

Cheque or Money Order Number

BSB

Account Number

H

LODGEMENT INSTRUCTIONS: Your application must be received on or before 5:00pm AEST on 16 January 2004:

Mail to: ASX Perpetual Registrars Limited, GPO Box 2785, Melbourne, VIC, 3001
or hand deliver to: ASX Perpetual Registrars Limited, Level 4, 333 Collins Street, Melbourne, VIC.

COG IPO001

Your Guide to the Application Forms

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The securities to which this Application Form relates are CogState Limited ("CogState") Shares. Further details about the Shares are contained in the Prospectus dated 3 December 2003 issued by CogState. The expiry date of the Prospectus is 2 January 2005. While the Prospectus is current, CogState will send paper copies of the Prospectus, any supplementary document and the Application Form free of charge on request.

This Application Form accompanies the Prospectus. The Prospectus contains important information about investing in the Shares. It is advisable to read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 4,000 Shares and thereafter in multiples of 1,000 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque(s) equals this amount.
- C** Write the full name you wish to appear on the statement of Shares. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from CogState and the Registrar will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form your Shares will be issued to CogState's Issuer Sponsored subregister.
- F** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your application. However, if these are not provided, CogState will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from income payments.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete cheque details and make it payable to "CogState Ltd Share Subscription Account" as follows:
- Make your cheques payable to "CogState Ltd Share Subscription Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian branch of an Australian bank.
 - The amount should agree with the amount shown in Section B.
 - Sufficient cleared funds should be held in your account, as cheques dishonoured by your Bank are likely to result in your Application being rejected.
 - Pin (do not staple) your cheque(s) to the Application Form where indicated.

ASX Perpetual Registrars Limited advise that once you become a shareholder in CogState Limited, Chapter 2G of the Corporations Act 2001 requires information about you (including your name, address and details of the Shares you hold) to be included in CogState Limited's public register. This information must continue to be included in CogState Limited's public register if you cease to be a shareholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Our privacy policy is available on our website (www.asxperpetual.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs / Unincorporated Bodies / Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Use the name of the trustee of the fund and an account designation using < > as indicated above in designated spaces at section C on the Application.

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Number of Shares applied for Issue price per Share I/We lodge full Application Money (A\$0.50 per share)

A **0 0 0** at **A\$0.50** **B** **A\$** **0 0 . 0 0** **+**
 (minimum 4,000 Shares, thereafter in multiples of 1,000 Shares)

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Surname/Company Name

C

Title First Name Middle Name

Joint Applicant #2

Surname

Title First Name Middle Name

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D

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TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

F

Joint Applicant #3

+

TFN/(ABN) type - if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

Telephone Number where you can be contacted during business hours Contact Name (PRINT)

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Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

- Put the name(s) of any joint applicant(s) and/or account designation using "&" as indicated above in designated spaces at section C on the Application.

CogState Limited ABN 80 090 975 723

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 (minimum 4,000 Shares, thereafter in multiples of 1,000 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant
Surname/Company Name

C
 Title First Name Middle Name

Joint Applicant #2
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

D
 Unit Number/Level Street Number Street Name
 Suburb/City or Town State Postcode
 Email address if available

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

The name or address on CHESS must exactly match the name you have given here on this Application Form.

E X
 TFN/ABN/Exemption Code Joint Applicant #2
 First Applicant

F **+**
 Joint Applicant #3

TFN/(ABN) type - if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

Telephone Number where you can be contacted during business hours Contact Name (PRINT)

G
 Cheque or money orders should be drawn on an Australian branch of an Australian bank in Australian currency and be made payable to "CogState Ltd Share Subscription Account" and crossed "Not Negotiable".

Cheque or Money Order Number BSB Account Number

H

LODGEMENT INSTRUCTIONS: Your application must be received on or before 5:00pm AEST on 16 January 2004:

Mail to: ASX Perpetual Registrars Limited, GPO Box 2785, Melbourne, VIC, 3001
or hand deliver to: ASX Perpetual Registrars Limited, Level 4, 333 Collins Street, Melbourne, VIC.

COG IPO001

Your Guide to the Application Forms

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The securities to which this Application Form relates are CogState Limited ("CogState") Shares. Further details about the Shares are contained in the Prospectus dated 3 December 2003 issued by CogState. The expiry date of the Prospectus is 2 January 2005. While the Prospectus is current, CogState will send paper copies of the Prospectus, any supplementary document and the Application Form free of charge on request.

This Application Form accompanies the Prospectus. The Prospectus contains important information about investing in the Shares. It is advisable to read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 4,000 Shares and thereafter in multiples of 1,000 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque(s) equals this amount.
- C** Write the full name you wish to appear on the statement of Shares. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from CogState and the Registrar will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.
- E** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form your Shares will be issued to CogState's Issuer Sponsored subregister.
- F** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your application. However, if these are not provided, CogState will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from income payments.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete cheque details and make it payable to "CogState Ltd Share Subscription Account" as follows:
- Make your cheques payable to "CogState Ltd Share Subscription Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian branch of an Australian bank.
 - The amount should agree with the amount shown in Section B.
 - Sufficient cleared funds should be held in your account, as cheques dishonoured by your Bank are likely to result in your Application being rejected.
 - Pin (do not staple) your cheque(s) to the Application Form where indicated.

ASX Perpetual Registrars Limited advise that once you become a shareholder in CogState Limited, Chapter 2C of the Corporations Act 2001 requires information about you (including your name, address and details of the Shares you hold) to be included in CogState Limited's public register. This information must continue to be included in CogState Limited's public register if you cease to be a shareholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Our privacy policy is available on our website (www.asxperpetual.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs / Unincorporated Bodies / Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint applicant(s) and full account description using < > as indicated above in designated spaces at section C on the Application.

