CogState

CogState Ltd
ABN 80 090 975 723

Level 7
21 Victoria Street
Melbourne Vic 3000
Australia

ASX Announcement

Melbourne, Tuesday 24th July 2007

CogState Sales and Cash Flow Update

CogState (ASX: CGS) has recently experienced an increase in demand for its services as computerised cognitive testing is becoming more common in clinical trial designs. The signing of its first contract with AstraZeneca last week marked the addition of the sixth major international pharmaceutical company to the list of current CogState customers. CogState has on-going contracts with Pfizer, GlaxoSmithKline, Merck, Abbott Laboratories, and AstraZeneca, all top 10 pharmaceutical companies, as measured by sales revenue. Each of these pharmaceutical companies has substantial central nervous system portfolios of drugs in development, which will require cognitive testing as part of their clinical trials.

CogState now has signed contracts in place that will generate in excess of A$1.5 million of revenue from this point until the completion of the contracts. Additionally, CogState is bidding on a number of clinical trial contracts that, if successful, will generate in excess of a further A$1.6 million of revenue over the course of the contracts.

Quarterly Cash Flow Report Highlights:

Highlights of CogState's quarterly cash flow results for the quarter ended 30 June 2007 include:

- Recognised sales revenue from customers of $379,011 for the quarter, generating cash receipts from customers of $227,155 for the quarter
- The decline in the fourth quarter revenue traces primarily to timing delays in completion of contracts slowing the receipt of final instalment payments. This delayed revenue will be recognised in the September quarter.
- Total sales revenue from customers for the financial year ended 30 June 2007 totalled $2,349,855, a 13.2% increase on the previous year
- Sales revenue from the Clinical Trials segment of the business (2006/07: $2.15 million) increased by 29.6% compared to the previous financial year (2005/06: $1.66 million)
- Trade debtors of $209,027 as at 30 June 2007, 67% of which is less than 30 days old
- Staff costs have increased over the course of the 2006/07 financial year, reflecting the addition of sales and project management personnel in the USA office of CogState, who are vital to servicing key pharmaceutical company customers. CogState now has 6 full time staff working out of its New Haven, Connecticut office, all with a sales and/or customer management focus.

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- Net cash outflow of $503,467 for the quarter
- Cash reserves of $1,250,053 at 30 June 2007

Results summary:

	Qtr Ended 30 Sep 06	Qtr Ended 31 Dec 06	Qtr Ended 31 Mar 07	Qtr Ended 30 Jun 07	FY2007	FY2006	% Change Improvement
Recognised Sales Revenue	$367,309	$821,362	$782,173	$379,011	$2,349,855	$2,075,939	13.2%
Cash Receipts from Customers	$429,006	$629,742	$1,154,555	$227,155	$2,440,458	$2,164,034	12.8%
Staff Costs	($538,653)	($677,505)	($624,148)	($740,639)	($2,580,945)	($2,767,403)	6.7%
Net Operating Cash Flows	($429,742)	($482,988)	$157,953	($490,189)	($1,244,966)	($1,444,605)	13.8%
Net Investing Cash Flows	($74,790)	($21,992)	($33,557)	($6,880)	($137,219)	($106,971)	(28.3%)
Net Financing Cash Flows	-	-	-	-	-	$756,557	
Net Increase/(Decrease) in Cash held	($504,532)	($504,980)	$124,396	($497,069)	($1,382,185)	($795,019)	(73.9%)

Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

CogState Limited

ABN	Quarter ended ("current quarter")
80 090 975 723	30 June 2007

Consolidated statement of cash flows

		Current quarter $A	Year to date (12 months) $A
Cash flows related to operating activities			
1.1	Receipts from customers	227,155	2,440,458
1.2	Payments for (a) staff costs (incl R&D)	(740,638)	(2,580,945)
	(b) advertising and marketing	(31,813)	(140,437)
	(c) research and development (direct external costs relating to therapeutic drug development)	(332)	(98,651)
	(d) leased assets	(44,171)	(128,831)
	(e) other working capital	(157,725)	(655,108)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22,435	108,779
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	Accounting & Audit	(30,783)	(116,880)
	Computer costs	(5,524)	(33,102)
	Legal Costs, including patent costs	(18,784)	(116,660)
	Listing fees & assoc. costs	(5,703)	(43,582)
	Travel costs	(98,844)	(344,544)
	Grant Income	394,537	464,537
	Net operating cash flows	**(490,190)**	**(1,244,966)**

+ See chapter 19 for defined terms.

		Current quarter $A	Year to date (12 months) $A
1.8	Net operating cash flows (carried forward)	**(490,190)**	**(1,244,966)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	(6,880)	(137,219)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(6,880)	(137,219)
1.14	**Total operating and investing cash flows**	**(497,070)**	**(1,382,185)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings – convertible notes	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	**(497,070)**	**(1,382,185)**
1.21	Cash at beginning of quarter/year to date	1,753,520	2,661,164
1.22	Exchange rate adjustments to item 1.20	(6,397)	(28,926)
1.23	**Cash at end of quarter**	1,250,053	1,250,053

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A
1.24	**Aggregate amount of payments to the parties included in item 1.2**	**52,833**
1.25	**Aggregate amount of loans to the parties included in item 1.11**	**Nil**

1.26 **Explanation necessary for an understanding of the transactions**

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A	Amount used $A
3.1	Loan facilities	N/A	N/A
3.2	Credit standby arrangements	N/A	N/A

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter $A	Previous quarter $A
4.1 Cash on hand and at bank	413,168	359,890
4.2 Deposits at call	836,885	1,393,630
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,250,053	1,753,520

Acquisitions and disposals of business entities

	Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 23 July 2007
Director

Print name: Martyn Myer

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards**. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.