CogState

ASX Announcement

Melbourne, 25 July 2008

CogState Reports Cash Flow Positive 2nd Half Year

Highlights:

- **First cash flow positive half year result for CogState**
- **Revenue increase by 61 % to $3.78 million for the year**
- **Record sales in June quarter ($1.3 million)**
- **Record volume of signed contracts for the year ($5.02 million)**
- **Record volume of quotes issued for the year ($8.03 million)**

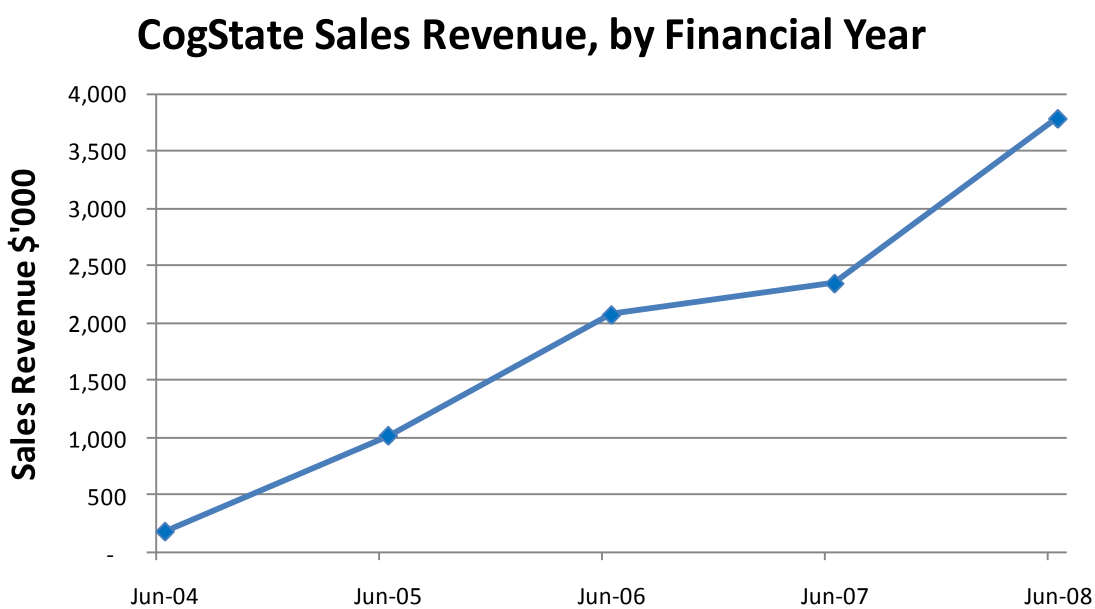
CogState Ltd (ASX:CGS) today announced that, due to its strong revenue growth, the company recorded its first ever cash flow positive half year result, recording a net cash inflow of $224,653. The positive June quarter cash result followed a similar result in the March quarter (please refer to the quarterly cash flow report, also lodged today, for further details).

Improved Results Driven By Increased Contract Revenue

For the financial year ended 30 June 2008, CogState generated a 61% increase in revenue to $3.78 million; up from $2.35 million recorded last year.

CogState recorded a record quarterly sales result of $1.3 million for the June quarter. The quarterly revenue result was a 45% increase on the previous best quarter of $0.9m, which was recorded in the December 2007 quarter.

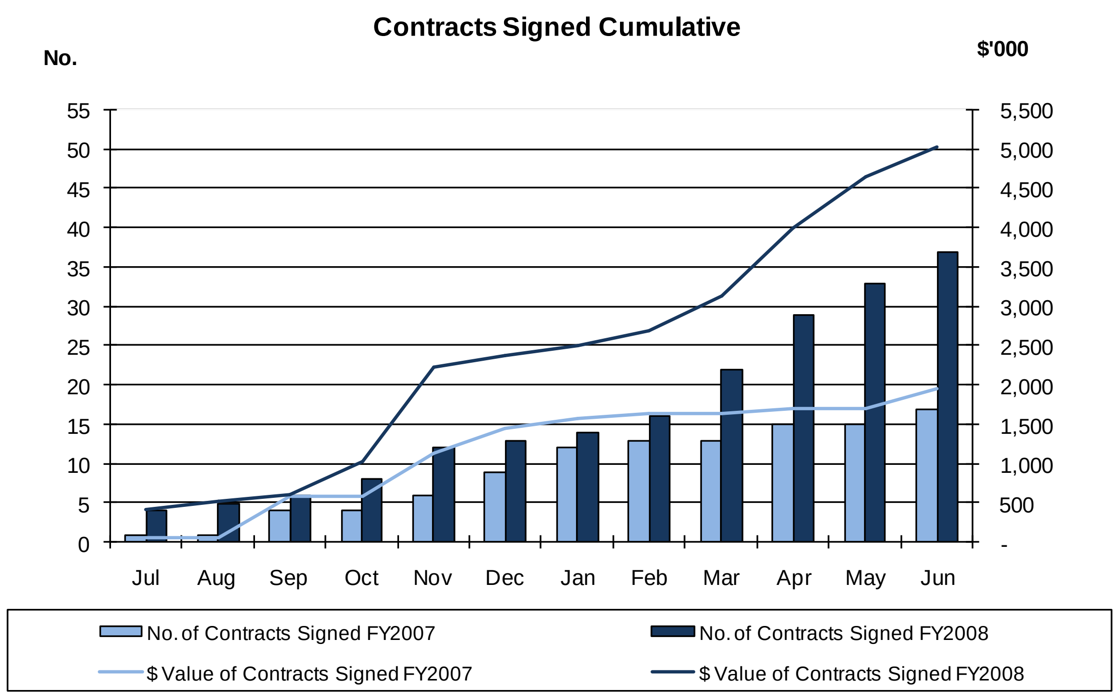
Since CogState began selling its technology solution into the pharmaceutical trials market in 2004, the company has consistently grown revenue, year on year, as shown in the graph below:



CogState increased its customer base during the year, signing sales contracts with 8 new customers. One of these new customers signed 9 contracts with a combined value of $1.18 million.

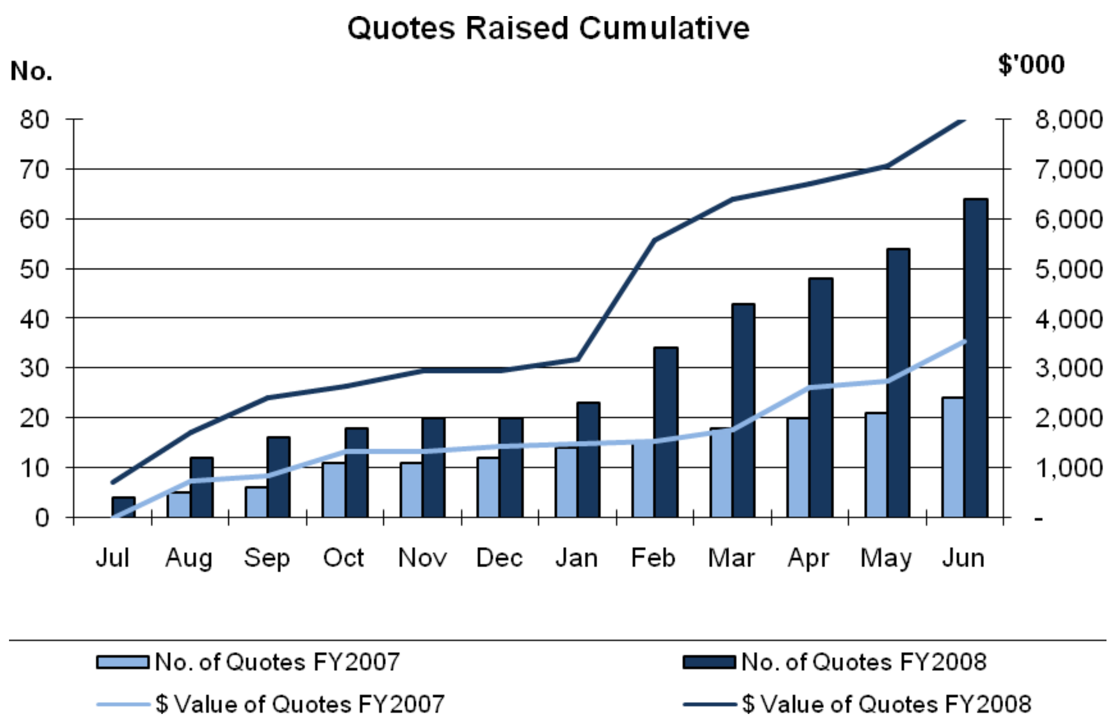
In total for the year, CogState signed 37 sales contracts (up from 17 in FY 07) to the value of $5.018 million (up from $1.95m in FY 07).

The graph below shows the increase in the number and value of contracts signed this financial year compared to the previous financial year:



The increase in demand for CogState's technology solution is demonstrated by the increasing number of requests for pricing proposals. During the year, CogState issued 64 quotes (up from 24 in FY 07) with a combined value of $8.03 million (up from $3.53m in FY 07).

The graph below shows the increase in the number and value of quotes issued this financial year compared to the previous financial year:



Average Value of Contracts Increasing

The Company is progressively also winning an increasing number of larger value contracts. These typically involve use of CogState's services in large scale phase II or III studies which are conducted over longer periods of time, making more extensive use of Cogstate testing and therefore generating more revenue.

It is important to note that not only did the number of contracts increase (from 17 in FY 07 to 37 in FY 08) but the average value of each contract increased by 18.2% to $136,000.

Currently, CogState has 19 quotes outstanding with a combined value of $3.68 million; an average value of $194,000.

Outlook

CogState is well positioned for further growth:

- The industry trend is moving towards an increasing use of computerised testing in clinical trials;
- CogState's technology is predominantly used to support new product development work in central nervous system disorders - a major therapeutic focus for the large pharmaceutical companies;
- CogState already has signed agreements in place which will generate almost $2m in future revenue - $1.6m is expected to be recognised in FY09; and
- CogState has outstanding quotes for a further $3.68 million and its rate of converting quotes to contracted sales continues to improve.

About CogState

CogState Ltd (ASX: CGS) specialises in the development and commercialisation of rapid, computerised tests of cognition (brain function). The tests are sold to pharmaceutical, biotechnology, nutraceutical and functional food companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials.

Since sales into the clinical trials market began in 2004, CogState has secured agreements with organisations including Pfizer, AstraZeneca, GlaxoSmithKline, Merck, Abbott Laboratories, Centres for Disease Control (USA), ALZA Corporation (a member of the Johnson and Johnson group), Lundbeck and Organon USA. CogState is currently expanding its existing activities in the US and European clinical trial markets. For additional information:

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