Cogstate Limited

ABN 80 090 975 723

Half-year report

For the half-year 31 December 2018

The interim financial statements are presented in United States dollars

Cogstate Limited

Appendix 4D Preliminary Half-year Report

Half-year 31 December 2018

Name of entity: Cogstate Limited
ABN or equivalent company reference: ABN 80 090 975 723
Half-year 31 December 2018
(Previous corresponding period: 31 December 2017)

Results for announcement to the market

	Note		%		US$
Total revenue from ordinary activities	3	↓	17.0	to	11,107,900
Clinical Trials revenue	3	↓	14.5	to	10,976,669
Earnings before interest & taxation (EBIT)		↓	418.3	to	(2,801,732)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		↓	1,049.3	to	(2,570,841)
Net Profit/(loss) before tax (from ordinary activities)					(2,802,081)
Depreciation (Direct and Indirect) and amortisation					230,892
Interest expense					11,099
Interest income					(10,750)
Net Profit/(loss) before tax (from ordinary activities)		↓	436.1	to	(2,802,081)
Net profit/(loss) after tax (from ordinary activities) for the period attributable to members		↓	53.0	to	(1,973,132)

Dividend/Distributions

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2018.

	31 December 2018 US$	31 December 2017 US$
Net tangible asset backing (per share)	**0.03**	0.07

Explanation of results

Operating results for the year

A summary of revenue and results, include commentary on the segment results, is set out below:

Net profit/(loss) from principal activities - summary

For the half year ended 31 December 2018, the Group recorded a decrease in revenue from the Clinical Trials segment of $1.85 million from the prior half. The increase in other operating expenditure resulted in a net loss before tax of $2.80 million for the half year to 31 December 2018 (2017: loss before tax of $0.52 million). All figures are noted are $US.

In July 2018, Cogstate announced the future cancellation of sales contracts as a result of the failure of two distinct phase 3 trials of investigational compounds in Alzheimer's disease. Presently, Cogstate is undertaking an ongoing, and as yet uncompleted, reconciliation of those sales contracts as we work with our pharmaceutical company customers to finalise contract amendments. The reconciliations and contract amendments are complex and therefore final contract amendments are expected to be executed within the next six months. Cogstate will provide a further update once those reconciliations and amendments are finalised.

In the course of the ongoing reconciliation of these contracts, it is likely that a refund will be payable to two customers of certain amounts previously invoiced, paid and recognised as revenue. As a result of this reconciliation, Cogstate has taken up an accrual for these refunds as at 31 December 2018, in the amount of $1.6 million.

This accrual is based on the best and most recent data available but, as stated above, the contract amendments have not been finalised. These amounts are not presently payable to the customers but are expected to be payable following final reconciliation and execution of the contract amendments.

The nature of these refunds relate to a particular service item where there is necessarily an element of estimation in the invoice generation, based on best data available at the time at which the actual work is undertaken. These estimates were agreed with the customer and the customer paid the invoice at the time of issue based upon the agreed estimate.

As a result of the impact of this analysis, Cogstate has undertaken further analysis to ascertain whether the revenue on other (unrelated) sales contracts is affected by similar issues. This additional analysis has resulted in a deferral of recognition of $0.30 million revenue at 31 December 2018. It is estimated that the $0.30 million of deferred revenue will be recognised in 2H FY2019.

Following the ongoing reconciliation of the contracts that will be cancelled, along with adjustments to revenue recognition, Cogstate has calculated an updated value for future contracted revenue. In the Business update released to the ASX in January 2019, Cogstate reported a future contracted revenue position of $22.1m as at 31 December 2018. With these adjustments, the future contracted revenue position is now restated to $23.4m as at 31 December 2018, of which $8.2m is expected to be recognised by 20 June 2019, $7.15m is expected to be recognised in the 2020 financial year and $8.06m in the 2021-28 financial years.

	31 December 2018 $US	30 June 2018 $US	31 December 2017 $US
Revenue from Operations	**11,107,900**	15,578,466	13,378,418
Clinical Trials			
Revenue	**10,976,669**	15,249,451	12,830,736
Cost of Sales (excluding direct depreciation)	**(4,254,063)**	(4,497,233)	(4,051,222)
Gross Margin	**6,722,606**	**10,752,218**	**8,779,514**
SG&A	**(1,598,452)**	(1,868,781)	(1,757,758)
Pass through costs, net of recovery	**-**	-	-
Clinical Trials EBITDA	**5,124,154**	**8,883,437**	**7,021,756**
	46.7%	**58.3%**	**54.7%**
R&D (incl. academic research studies, normative data studies & technology validation)			
Revenue	**67,712**	117,632	374,136
Cost of sales & SG&A	**(159)**	(4,457)	(25,990)
Other operating expenditure - salaries and wages	**(356,148)**	(388,125)	(400,178)
R&D EBITDA	**(288,595)**	**(274,950)**	**(52,032)**
Total Other Expenditure (Net)	**(6,606,062)**	**(6,300,992)**	**(5,713,685)**
Adjusted EBITDA from continuing operations, excluding share based compensation	**(1,770,503)**	**2,307,495**	**1,256,039**
Share based payments (expense of employee options)	**133,021**	(319,645)	(633,358)
Depreciation (Direct and Indirect) and Amortisation	**(230,892)**	(334,956)	(316,762)
Profit/(Loss) before tax from continuing operations	**(1,868,374)**	**1,652,894**	**305,919**
Investment in Cognigram (start-up)			
Healthcare EBITDA	**(933,707)**	**(1,023,958)**	**(828,639)**
Net Profit/(Loss) before tax	***(2,802,081)**	**628,936**	**(522,720)**

*Includes non-recurring costs, refer to proforma analysis on next page.

Proforma P&L excluding non-recurring costs

	31 December 2018 $US	30 June 2018 $US	31 December 2017 $US
Revenue from Operations	**11,107,900**	15,578,466	13,378,418
Clinical Trials			
Revenue	**10,976,669**	15,249,451	12,830,736
Cost of Sales (excluding direct depreciation)	**(4,059,522)**	(4,497,233)	(4,051,222)
Gross Margin	**6,917,117**	**10,752,218**	**8,779,514**
SG&A	**(1,598,452)**	(1,868,781)	(1,757,758)
Pass through costs, net of recovery	**-**	-	-
Clinical Trials EBITDA	**5,318,665**	**8,883,437**	**7,021,756**
	48.5%	58.3%	54.7%
R&D (incl. academic research studies, normative data studies & technology validation)			
Revenue	**67,712**	117,632	374,136
Cost of sales & SG&A	**(159)**	(4,457)	(25,990)
Other operating expenditure - salaries and wages	**(356,148)**	(388,125)	(400,178)
R&D EBITDA	**(288,595)**	**(274,950)**	**(52,032)**
Total Other Expenditure (Net)	**(6,317,035)**	**(6,300,992)**	**(5,713,685)**
Adjusted EBITDA from continuing operations, excluding share based compensation	**(1,286,965)**	**2,307,495**	**1,256,039**
Share based payments (expense of employee options)	**133,021**	(319,645)	(633,358)
Depreciation (Direct and Indirect) and Amortisation	**(230,892)**	(334,956)	(316,762)
Profit/(Loss) before tax from continuing operations	**(1,384,836)**	**1,652,894**	**305,919**
Investment in Cognigram (start-up)			
Healthcare EBITDA	**(225,003)**	**(1,023,958)**	**(828,639)**
Net Profit/(Loss) before tax from continuing operations	**(1,609,839)**	**628,936**	**(522,720)**
Non-recurring costs			
- Clinical Trials cost of sales	**(194,511)**	-	-
- Cognigram	**(708,704)**	-	-
- Administration	**(289,027)**	-	-
Net Profit/(Loss) before tax	**(2,802,081)**	**628,936**	**(522,720)**

Clinical Trials Contracted Revenue

Clinical Trials revenue recognised during the year is a function of:

1. Revenue recognised from sales contracts on hand at the beginning of the financial year; and
2. Revenue recognised from sales contracts executed during the year.

For the half year to 31 December 2018, Cogstate executed US$10.0m of Clinical Trials sales contracts, a 54% decrease on US$21.6m sales contracts executed for the half year to 31 December 2017.

Cogstate enters into a contract with the customer for the provision of technology and services for each study, the contract value will differ for each contract, depending upon the scope of the technology and services provided as well as the complexity and length of the study. Revenue from clinical trials contracts is recognised over the life of the contract. The length of a clinical trial can vary from 9 months for a phase 1 study and up to 4-5 years for a phase 3 study. Invoices are issued and revenue is recognised based upon achievement of pre-determined milestones.

	31 December 2018 $US	31 December 2017 $US
Clinical Trials revenue contracted at 1 July *	**28,410,884**	28,694,351
Contracts signed during the period *	**10,027,224**	21,589,827
Revenue recognised	**(10,976,669)**	(12,830,736)
Adjustment for contracted study put on hold & other pass-through revenue	**(4,069,064)**	(2,434,124)
Contracted future Clinical Trial and Precision Recruitment revenue at 31 December	**23,392,375**	35,019,318

* Clinical trials contracts are predominantly denominated in $US.

At 1 July 2018, Cogstate had $28.4m of contracted revenue that would be recognised in future periods, consistent with the amount of future revenue contracted at 1 July 2017. During the half year to 31 December 2018, Cogstate signed $10.0m on of new sales contracts. After recognising $10.9m of revenue from those contracts during the half year, Cogstate had, at 31 December 2018, $23.4m held of contracted revenue expected to be recognised in future periods.

The future contracted revenue position has been impacted by the cancellations of four clinical trials in July 2018. As a result, at 31 December 2018, the value of contracted future revenue had decreased to $23.4m, of which $8.2m is expected to be recognised by 30 June 2019, $7.15m is expected to be recognised in the 2020 financial year and $8.06m in the 2021-2028 financial years.

Results - Expenses

1. Employment expenses

Full Time Equivalent (FTE) employees totalled 152.80 at 31 December 2018, broken down as follows:

Business Unit	FTE at 31 December 2018	FTE at 30 June 2018	FTE at 31 December 2017
Clinical Trials	**74.25**	78.00	72.00
Business Development	**13.25**	15.00	14.70
Healthcare	**-**	12.00	10.40
Research & Development	**7.60**	7.00	6.60
Product Development	**39.30**	38.00	38.80
Administration	**18.40**	20.00	19.00
Total	**152.80**	**170.00**	**161.50**

The staff numbers reflect the strategic decision made in August 2018 to seek a distribution arrangement to commercialise Cognigram rather than the direct sales model, as well as the adjustment to balance resources in the Clinical Trials group against the contracted revenue position.

2. Total employment expenses

	Half year ended 31 December 2018 $US	Half year ended 30 June 2018 $US	Half year ended 31 December 2017 $US
Direct wages & salaries (COS)	**(5,390,665)**	(5,975,894)	(5,645,369)
Wages & salaries (OPEX)	**(4,698,229)**	(4,514,755)	(4,321,733)
Less capitalisation of software development costs	**880,562**	1,254,840	1,123,065
	(9,208,331)	(9,235,809)	(8,844,038)
Share based payments expense	**133,021**	(319,645)	(633,358)
	(9,075,312)	(9,555,454)	(9,477,396)
Non-recurring costs	**1,192,242**	-	-
Total	**(7,883,069)**	**(9,555,454)**	**(9,477,396)**
Proforma with non-recurring costs excluded			
Direct wages & salaries (COS)	**(5,196,154)**	(5,975,894)	(5,645,369)
Wages & salaries (OPEX)	**(3,700,498)**	(4,514,755)	(4,321,733)
	(8,896,652)	(10,490,650)	(9,967,103)
Less capitalisation of software development costs	**880,562**	1,254,840	1,123,065
Share based payments expense	**133,021**	(319,645)	(633,358)
	(7,883,069)	(9,555,454)	(9,477,396)
Non-recurring costs	**1,192,242**	-	-
Total	**(9,075,311)**	**(9,555,454)**	**(9,477,396)**

Cogstate Limited
ABN 80 090 975 723

Half-year Report

31 December 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Cogstate Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements are the condensed consolidated interim financial statements of the consolidated entity consisting of Cogstate Limited and its subsidiaries. The interim financial statements are presented in United States dollars.

Cogstate Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Cogstate Limited
Level 2, 255 Bourke Street
Melbourne Vic 3000

Corporate Directory

Directors

Martyn Myer AO BE, MESc, MSM - *Chairman*

Brad O'Connor B Bus, CA - *Chief Executive Officer*

Richard van den Broek CFA - *Non-Executive Director*

David Dolby BSE, MBA - *Non-Executive Director*

Richard Mohs PhD - *Non-Executive Director*

Jane McAloon BEc (Hons), LLB, GDipGov, FAICD, FCIS
Non-Executive Director

Secretary

Claire Newstead-Sinclair BBus, CA

Principal registered office in Australia

Level 2, 255 Bourke Street

Melbourne Vic 3000 Australia

Share and debenture register

Link Market Services

Tower 4, Collins Square, 727 Collins Street

Melbourne Vic 3008

Auditor

Pitcher Partners

Level 13, 664 Collins Street, Docklands Vic 3000

Solicitors

Clayton Utz

333 Collins Street, Melbourne Vic 3000

Bankers

National Australia Bank

Level 3/330 Collins Street, Melbourne Vic 3000

www.cogstate.com

Directors' report

Your directors present their report together with the condensed financial report of the consolidated entity (referred to hereafter as the Group) consisting of Cogstate Limited and the entities it controlled at the end of, or during, the half-year 31 December 2018 and the independent review report thereon. The financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The following persons held office as directors of Cogstate Limited during the financial period:

- Martyn Myer AO
- Brad O'Connor
- Richard van den Broek
- David Dolby
- Richard Mohs
- Jane McAloon

Review of operations

Cogstate brings together science, innovation and operational excellence to optimise the measurement of cognition in clinical trials, academic research and healthcare. Through our enabling technologies and professional services, we provide quality-assurance solutions for traditional neuropsychological tests and commercialise rapid, reliable and highly sensitive digital brain health assessments. Cogstate customers include the world's leading biopharmaceutical companies; elite sporting organizations and military; physicians and patients; and renowned academic institutions and public-private partnerships.

The Group's principal continuing activity during the year was the sale of technology and services for the measurement of cognition, where services include scientific consultancy, project management, data management, statistical analysis and reporting. Principally Cogstate technology and associated services are utilised in three market segments; clinical trials, academic research and healthcare.

In the clinical trials segment, technology and services are sold to pharmaceutical and biotechnology companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials. The technology and services encompass:

- computerised assessment of cognition as study endpoint;
- computerised assessment of cognition as a screening tool (online or at a clinical trial site) when recruiting study participants with specific levels of cognitive impairment;
- expert advice in respect of clinical trial design; and
- expert management, training, scoring and monitoring of standard neuro-psychological assessments of cognition.

In an academic research setting, Cogstate provides access to many of the features of Cogstate Clinical Trials at a discounted price, reflecting the value that Cogstate places upon participating in ongoing academic studies and public-private partnerships because of the access to validating data, relationships and profile building provided by the inclusion of Cogstate technology in these studies.

In healthcare, Cogstate technology is used by healthcare professionals in clinical practice or a hospital environment to allow for regular and standardised testing of cognitive function to detect even subtle changes that could be important in the context of neurological disorders (including dementia), concussion or treatment with medication or other types of interventions. After receiving clearance from the US Food and Drug Administration (FDA) in July 2017, Cogstate has begun commercialisation in the USA of its technology to healthcare professionals in private practice and hospitals. Branded as Cognigram, the Cogstate system is a computerised self-assessment that can be completed both in-clinic or at home, providing the healthcare professional with an objective measurement of cognition for use in individuals from ages 6 - 99.

There was no significant change in the nature of the activity of the Group during the year.

Cogstate has 4 primary offices in the following locations: an Australian head office based in Melbourne; two locations in the USA including a primary office in New Haven, CT and a smaller office in New York, NY as well as an office in London, UK. Staff who are not based in one of these offices work remotely.

For the half year ended 31 December 2018, total revenue decreased by 17.0%, compared to the previous corresponding half year. In July 2018, Cogstate announced the future cancellation of sales contracts as a result of the failure of two distinct phase 3 trials of investigational compounds in Alzheimer's disease. Presently, Cogstate is undertaking an ongoing, and as yet uncompleted, reconciliation of those sales contracts as we work with our pharmaceutical company customers to finalise contract amendments. The reconciliations and contract amendments are complex and therefore final contract amendments are expected to be executed within the next six months. Cogstate will provide a further update once those reconciliations and amendments are finalised.

In the course of the ongoing reconciliation of these contracts, it is likely that a refund will be payable to two customers of certain amounts previously invoiced, paid and recognised as revenue. As a result of this reconciliation, Cogstate has taken up an accrual for these refunds as at 31 December 2018, in the amount of $1.6 million.

This accrual is based on the best and most recent data available but, as stated above, the contract amendments have not been finalised. These amounts are not presently payable to the customers but are expected to be payable following final reconciliation and execution of the contract amendments.

The nature of these refunds relate to a particular service item where there is necessarily an element of estimation in the invoice generation, based on best data available at the time at which the actual work is undertaken. These estimates were agreed with the customer and the customer paid the invoice at the time of issue based upon the agreed estimate.

As a result of the impact of this analysis, Cogstate has undertaken further analysis to ascertain whether the revenue on other (unrelated) sales contracts is affected by similar issues. This additional analysis has resulted in a deferral of recognition of $0.30 million revenue at 31 December 2018. It is estimated that the $0.30 million of deferred revenue will be recognised in 2H FY2019.

Following the ongoing reconciliation of the contracts that will be cancelled, along with adjustments to revenue recognition, Cogstate has calculated an updated value for future contracted revenue. In the Business update released to the ASX in January 2019, Cogstate reported a future contracted revenue position of $22.1m as at 31 December 2018. With these adjustments, the future contracted revenue position is now restated to $23.4m as at 31 December 2018, of which $8.2m is expected to be recognised by 20 June 2019, $7.15m is expected to be recognised in the 2020 financial year and $8.06m in the 2021-28 financial years.

The revenue decrease also reflects a reduction in revenue from the Healthcare (Cognigram) and Research segments, compared to the prior corresponding half year.

The decrease in Healthcare revenue is reflective of changes made in that segment (see Significant changes in the state of affairs) with removal of Business Development resources for this segment.

The decrease in revenue from the Research segment reflects some lumpiness in the prior corresponding period as well as some distraction caused by the absorption of the ongoing Healthcare contracts.

Full time equivalent employees at 31 December 2018 totalled 152 compared to 161 full time equivalent employees at 31 December 2017.

Significant changes in the state of affairs

As previously announced, a restructure was undertaken in August 2018 to seek to reduce costs within the business. The full benefit of the restructure will be realised in H2 FY2019.

As part of this restructure, a strategic decision was made to seek distribution or licensing arrangements to commercialise Cognigram, rather than the direct sales model employed previously. In addition, an adjustment was made to staffing levels in the Clinical Trials group, balancing resources against contracted revenue position to maintain gross margins.

Staffing levels were also reduced across legal, finance and administration functions to increase efficiencies.

There have been no other significant changes in the state of affairs of the Group during the period ended 31 December 2018.

The Company has entered into a debt facility, with two entities, which are affiliated with Martyn Myer and David Dolby respectively. That facility, combined with current cash reserves, are expected to meet the forecast cash requirements of the business. Further details are provided below in the Events occurring after the reporting period note (13).

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Rounding of amounts to nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*, the amounts in the directors’ report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

This report is made in accordance with a resolution of directors.

Martyn Myer AO, Chairman

Melbourne

PITCHER PARTNERS

COGSTATE LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF COGSTATE LIMTIED

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional* Accountants.

This declaration is in respect of Cogstate Limited and the entities it controlled during the period.

M HARRISON
Partner

26 February 2019

PITCHER PARTNERS
Melbourne

Condensed consolidated statement of profit or loss and other comprehensive income

For the half-year 31 December 2018

	Notes	Half-year 31 December 2018 $US	 31 December 2017 $US
Operations			
Revenue	3	**11,107,900**	13,378,418
Finance income	3	**10,750**	22,402
Total Revenue	**3**	**11,118,650**	**13,400,820**
Cost of sales	4	**(6,372,738)**	(6,258,312)
Gross Profit		**4,745,912**	**7,142,508**
Other income	5	**272,277**	13,338
Employee benefits expense	6	**(4,565,208)**	(4,955,091)
Depreciation & Amortisation		**(96,109)**	(138,137)
Occupancy		**(571,466)**	(584,212)
Marketing		**(158,152)**	(105,114)
Professional Fees		**(658,751)**	(292,065)
General Administration		**(1,237,407)**	(1,332,139)
Net foreign exchange gain/(loss)		**(87,590)**	58,340
Travel expenses		**(405,937)**	(297,119)
Finance expenses		**(39,650)**	(28,778)
Other expenses		**-**	(4,251)
Loss before income tax		**(2,802,081)**	**(522,720)**
Income tax benefit/(expense)		**828,949**	(767,279)
Loss from continuing operations		**(1,973,132)**	**(1,289,999)**
Loss for the year		**(1,973,132)**	**(1,289,999)**
Total comprehensive loss for the year		**(1,973,132)**	**(1,289,999)**

	Cents ($US)	Cents ($US)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:		
Basic loss per share	**(1.7)**	(1.1)
Diluted loss per share	**(1.7)**	(1.1)
Earnings per share for loss attributable to the ordinary equity holders of the company:		
Basic loss per share	**(1.7)**	(1.1)
Diluted loss per share	**(1.7)**	(1.1)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

As at 31 December 2018

	Notes	31 December 2018 US$	30 June 2018 US$
ASSETS			
Current assets			
Cash and cash equivalents		**4,064,926**	4,366,304
Trade and other receivables		**4,641,384**	6,336,396
Other current assets		**2,250,005**	1,842,245
Total current assets		**10,956,315**	**12,544,945**
Non-current assets			
Property, plant and equipment		**1,363,627**	1,429,778
Intangible assets	8	**3,573,733**	2,693,172
Deferred tax assets	7	**3,258,887**	2,123,810
Total non-current assets		**8,196,247**	**6,246,760**
Total assets		**19,152,562**	**18,791,705**
LIABILITIES			
Current liabilities			
Trade and other payables		**5,956,031**	4,743,469
Borrowings	9	**751,062**	81,349
Provisions		**1,665,759**	1,923,792
Total current liabilities		**8,372,852**	**6,748,610**
Non-current liabilities			
Provisions		**32,107**	75,812
Deferred tax liabilities		**308,480**	282,614
Total non-current liabilities		**340,587**	**358,426**
Total liabilities		**8,713,439**	**7,107,036**
Net assets		**10,439,123**	**11,684,669**
EQUITY			
Contributed equity	10	**25,341,063**	24,163,398
Other reserves		**(1,243,858)**	(793,779)
Retained earnings		**(13,658,082)**	(11,684,950)
Capital and reserves attributable to owners of Cogstate Limited		**10,439,123**	**11,684,669**
Total equity		**10,439,123**	**11,684,669**

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

For the half-year 31 December 2018

	Notes	Issued Capital $US	Share option reserve $US	Foreign currency translation reserve $US	Retained earnings $US	Total equity $US
As at 1 July 2017		23,915,433	1,230,722	(2,944,799)	(11,119,033)	11,082,323
Loss for the year		-	-	-	(1,289,999)	(1,289,999)
Other comprehensive income		-	62,451	-	-	62,451
Total comprehensive income for the year		**-**	**62,451**	**-**	**(1,289,999)**	**(1,227,548)**
Transactions with owners in their capacity as owners						
Issue of capital		-	-	-	-	-
Transfer to share capital on exercise of options		89,224	(89,224)	-	-	-
Exercise of options		137,475	-	-	-	137,475
Cost of share-based payment	6	-	633,358	-	-	633,358
As at 31 December 2017		**24,142,132**	**1,837,307**	**(2,944,799)**	**(12,409,032)**	**10,625,608**
As at 1 July 2018		24,163,398	2,151,020	(2,944,799)	(11,684,950)	11,684,669
Loss for the year		-	-	-	(1,973,132)	(1,973,132)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**(1,973,132)**	**(1,973,132)**
Transactions with owners in their capacity as owners						
Issue of capital		**-**	**-**	**-**	**-**	**-**
Transfer to share capital on exercise of options	10	317,058	(317,058)	-	-	-
Exercise of options	10	860,607	-	-	-	860,607
Cost of share-based payment	6	-	(133,021)	-	-	(133,021)
As at 31 December 2018		**25,341,063**	**1,700,941**	**(2,944,799)**	**(13,658,082)**	**10,439,123**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year 31 December 2018

	Notes	31 December 2018 $US	31 December 2017 $US
Cash flows from operating activities			
Receipts from customers		**14,996,420**	12,717,469
Payments to suppliers and employees		**(15,342,412)**	(14,439,385)
Other income		**272,277**	-
Net cash flows used in operating activities	**11**	**(73,715)**	**(1,721,916)**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(231,006)**	(236,237)
Payment for capitalised software development labour costs		**(880,561)**	(1,123,065)
Interest received		**23,297**	26,549
Net cash flows used in investing activities		**(1,088,270)**	**(1,332,753)**
Cash flows from financing activities			
Proceeds from issue of shares		**860,607**	137,475
Net cash flows from financing activities		**860,607**	**137,475**
Net increase in cash and cash equivalents		**(301,378)**	(2,917,194)
Cash and cash equivalents at beginning of period		**4,366,304**	7,157,027
Cash and cash equivalents at end of period		**4,064,926**	**4,239,833**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 Basis of preparation (interim report)

These condensed consolidated financial reports for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

These condensed consolidated financial reports do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for 30 June 2018 and any public announcements made by Cogstate Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Cogstate Ltd is a for profit entity for the purposes of preparing the financial statements.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2018 and the corresponding half-year except as described below in Note 1(a), (b) and (c).

(a) Impact of standards issued but not yet applied by the entity

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The directors anticipate that upon adoption the Groups Financial Position will be grossed up (both assets and liabilities) to reflect the rights and obligations relating to the Groups leases. Further, that operating lease payments will be replaced with a net interest expense and straight-line depreciation expense. The likely quantitative impact is still to be assessed.

AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2019).

1 Basis of preparation (interim report) (cont.)

(a) Impact of standards issued but not yet applied by the entity (cont.)

This Amending Standard amends AASB 2: Share-based Payment to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2018-1: Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (applicable for annual reporting periods beginning on or after 1 January 2019).

AASB 2018-1 amends:

AASB 3: Business Combinations to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business;

AASB 11: Joint Arrangements to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;

AASB 112: Income Taxes to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and

AASB 123: Borrowing Costs to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

This Standard is not expected to significantly impact the Group's financial statements.

AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

This Standard is not expected to significantly impact the Groups financial statements.

(b) New standards issued

AASB 9: Financial Instruments and AASB 15: Revenue from Contracts with Customers apply for the first time to this half-year report resulting in no material impact to the financial statements.

(c) Going Concern

The Directors have concluded that the going concern basis is appropriate, based on the Group's internal cash flow forecasts for the next 12 months. These forecasts contain assumptions in relation to future revenue and profitability and are based on currently available information including management's assessment of probable future contracts and other information. The forecasts recognise the potential need for additional capital financing, subject to the level of future revenue, and the Directors have, subsequent to period end, approved and enacted a capital management strategy to ensure the Group has sufficient cash reserves to meet the going concern requirements.

As at the date of this report, the Group has entered into a debt facility provided by two entities affiliated with Martyn Myer and David Dolby respectively. That facility, combined with current cash reserves, is expected to meet the forecast cash requirements of the business.

(d) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

2 Segment information

(a) Description of segments

Identification of reportable segments

The consolidated entity has three reportable segments as described below:

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (deemed the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the market the services are provided in (i.e. cognitive testing in clinical trials, cognitive assessment in academic research and cognitive assessment in healthcare). Discrete financial information is reported to the executive management team on at least a monthly basis, as these are the source of the Group's major risks and have the most effect on the rates of return.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Interest expense
- Foreign exchange gain/(loss)
- Profit/(loss) on disposal of assets
- Royalty income
- Finance costs
- Depreciation
- Other income/(expenses)
- Administration costs

Types of services

Cogstate's first operating segment is cognitive testing in clinical trials, which includes precision recruitment. In this market, Cogstate's technology and associated services are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials primarily conducted by pharmaceutical, and biotechnology companies.

The second operating segment is the healthcare market. In this market, the technology and associated services are provided as a tool for healthcare professionals in clinical practice and/or hospitals to assess cognition.

The third identified segment is provision of technology and associated services to academic researchers.

Although sales in each market are conducted in different geographic regions, none have been determined as operating or reporting segments as often the geographic source of the revenue can differ to the geographic source of the costs for the same project. Therefore, management currently review internal reports based on worldwide revenue and results.

2 Segment information (cont.)

(b) Segment information

The following table's present revenue and profit information regarding the segments of Clinical Trials, Healthcare and Research for the periods ended 31 December 2018 and 31 December 2017.

2018	Clinical Trials $US	Healthcare market $US	Research $US	Administration $US	Total $US
Sales to external customers	10,976,669	63,519	67,712	-	11,107,900
Revenue from external customers	**10,976,669**	**63,519**	**67,712**	**-**	**11,107,900**
Cost of Sales	(5,852,515)	(757)	(159)	(384,524)	(6,237,955)
Direct depreciation	(134,783)	-	-	-	(134,783)
Total Segment Gross Profit	**4,989,371**	**62,762**	**67,553**	**(384,524)**	**4,735,162**
Interest revenue	-	-	-	10,750	10,750
Total gross profit per statement of comprehensive income					**4,745,912**
Operating profit/(loss)	4,989,371	(933,707)	(288,596)	(6,618,077)	(2,851,009)
Indirect depreciation expenses	-	-	-	(96,109)	(96,109)
Foreign exchange loss realised and unrealised	-	-	-	(87,590)	(87,590)
Royalty income	-	-	-	5,000	5,000
Finance costs	-	-	-	(39,650)	(39,650)
Other income	-	-	-	267,277	267,277
Segment result	**4,989,371**	**(933,707)**	**(288,596)**	**(6,569,149)**	**(2,802,081)**
Profit/(loss) before tax per statement of comprehensive income	4,989,371	(933,707)	(288,596)	(6,569,149)	(2,802,081)

2017	Clinical Trials $US	Healthcare market $US	Research $US	Administration $US	Total $US
Sales to external customers	12,830,736	173,546	374,136	-	13,378,418
Revenue from external customers	**12,830,736**	**173,546**	**374,136**	**-**	**13,378,418**
Cost of Sales	(5,808,980)	(244,718)	(25,990)	-	(6,079,688)
Direct depreciation	(178,624)	-	-	-	(178,624)
Total Segment Gross Profit	**6,843,132**	**(71,172)**	**348,146**	**-**	**7,120,106**
Interest revenue	-	-	-	22,402	22,402
Total gross profit per statement of comprehensive income					**7,142,508**
Operating profit/(loss)	6,843,132	(828,639)	(52,032)	(6,385,693)	(423,232)
Indirect depreciation expenses	-	-	-	(138,137)	(138,137)
Foreign exchange gain realised and unrealised	-	-	-	58,340	58,340
Loss on disposal of assets	-	-	-	(4,251)	(4,251)
Royalty income	-	-	-	6,798	6,798
Finance costs	-	-	-	(28,778)	(28,778)
Other income	-	-	-	6,540	6,540
Segment result	**6,843,132**	**(828,639)**	**(52,032)**	**(6,485,181)**	**(522,720)**
Profit/(loss) before tax per statement of comprehensive income	6,843,132	(828,639)	(52,032)	(6,485,181)	(522,720)

3 Revenue

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see Note 2).

	31 December 2018 $US	31 December 2017 $US
Revenue		
Timing of Revenue Recognition		
At a point in time		
Clinical Trials	**1,982,827**	2,160,629
Healthcare	**63,519**	173,546
Research	**67,712**	374,136
	2,114,058	2,708,311
Over time		
Clinical Trials	**8,993,842**	10,670,107
	8,993,842	10,670,107
Finance Income	**10,750**	22,402
Total revenue	**11,118,650**	13,400,820

4 Cost of sales

	31 December 2018 $US	31 December 2017 $US
Direct Wages and Salaries	**(5,390,665)**	(5,645,369)
Direct Contractors	**(432,729)**	(327,834)
Direct Depreciation	**(134,783)**	(178,624)
Other Cost of Sales	**(414,561)**	(106,485)
Total cost of sales	**(6,372,738)**	**(6,258,312)**

5 Other income

	31 December 2018 $US	31 December 2017 $US
Royalty Revenue	**5,000**	6,798
Other Income	**267,277**	6,540
Net pass-through position	**-**	-
Total other income	**272,277**	**13,338**

6 Employee benefit expense

	31 December 2018 $US	31 December 2017 $US
Employee benefit expenses		
Wages and Salaries	**(4,698,229)**	(4,321,733)
Share based payment expense*	**133,021**	(633,358)
Total employee benefits expense	**(4,565,208)**	**(4,955,091)**

*For the period to 31 December 2018, share based payments expense was a negative expense, reflecting the write-back of option expense following the cancellation of options for terminated employees.

Share based payment expense	(662,204)
Write-back of expense upon cancellation	795,225
Total Share based payment expense	**133,021**

7 Non-current assets - Deferred tax assets

	31 December 2018 $US	30 June 2018 $US
The balance comprises temporary differences attributable to:		
Tax losses	**1,745,677**	623,857
R&D tax offsets	**861,863**	760,608
Employee benefits	**435,090**	505,686
Accrued expenses	**192,496**	216,915
Unrealised foreign exchange loss/gain	**23,267**	(15,231)
Doubtful debts	**494**	21,200
Rights issue	-	10,775
	3,258,887	2,123,810

In Cogstate Ltd tax losses of $1,745,677 are available for future use at 31 December 2018, an increase of US$1,239,155 from 30 June 2018. The increase in the available tax losses within Cogstate Ltd represents tax losses that have been booked during the period.

In Cogstate Inc no further tax losses are available for future use at 31 December 2018. The balance of Cogstate Inc tax losses had previously been adjusted to reflect the reduction of the corporate income tax rate in the United States from 40% to 21% from 1 January 2018 and these losses will be utilised fully in the 2019 financial year.

The deferred tax asset of $1,745,677 represents all available tax losses for use within Australian and the United States at the applicable tax rate.

Tax losses incurred in Canada and Spain have not yet been recognised as a deferred tax asset for future use.

Of the $828,949 charge to income tax benefit at 31 December 2018, there was a $913,800 change to income tax benefit for the movement in deferred tax balances due to movement in balance sheet accounts such as accrued expenses, employee provisions and the tax base treatment of the foreign exchange component of the inter-company loan between Cogstate Ltd and Cogstate Inc, as well as the tax losses booked in Australia.

A further $84,851 of United States state based income tax payments has also been included in the income tax expense.

The remainder of the balance relates to a small taxable profit following the add-back of non-deductible items including share-based payments and unrealized foreign exchange gains.

8 Non-current assets - Intangible assets

	31 December 2018 $US	30 June 2018 $US
Intellectual Property		
Gross Value	**308,898**	308,898
Accumulated Amortisation	**-**	-
Capitalisation of Software Development Costs		
Gross Value	**3,264,835**	2,384,274
Accumulated Amortisation	**-**	-
Total	**3,573,733**	**2,693,172**
Opening Net Book Amount	**2,693,172**	308,898
Amortisation	**-**	-
Capitalisation	**880,561**	2,384,274
Closing net book amount	**3,573,733**	**2,693,172**

During the reporting period, Cogstate has been developing a new database platform infrastructure for use within the clinical trials segment. The new platform will replace a custom-built infrastructure that was launched in 2006. Following internal review, it was determined that the existing infrastructure was inefficient to maintain and did not provide the necessary functionality for Cogstate's future commercial plans.

From the new platform, once completed, Cogstate will launch the various cognitive tests, process raw data and produce necessary reports. The platform will incorporate a commercial electronic data capture (EDC) system to store and manage both cognitive test outcomes as well as other clinical outcomes collected as part of Cogstate's current service offering.

As part of the development, it has been necessary to develop a custom-built integration layer to synchronise data between the commercial EDC system and Cogstate's proprietary computerised cognitive assessments.

The platform, once implemented commercially, is expected to provide operational efficiency through better and easier management and reporting of data. The platform will also provide Cogstate a more scalable and flexible system from which Cogstate will be able to incorporate other technologies and/or assessment modalities that, in the future, may be complementary to Cogstate's commercial solutions. The development of the platform is being undertaken by Cogstate employees and the amount capitalised to 31 December reflects the labour effort expended in building the new platform. The work is ongoing during the 2019 financial year and will be available for use in the 2020 financial year, upon which the capitalised balance will commence amortisation.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

9 Borrowings

	31 December 2018 $US	30 June 2018 $US
Insurance Premium Funding	**289,062**	81,349
Trade Finance Facility	**462,000**	-
Total	**751,062**	**81,349**

The premium funding for insurance is part of a cash management policy undertaken for a number of years. The funding period runs from November to August each year.

The trade finance facility was put in place in June 2017 and is drawn upon for funding for computer hardware for customers to match the payment terms from the customer.

10 Contributed equity

(a) Share capital

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $US	30 June 2018 $US
Ordinary shares - fully paid	**119,196,193**	114,360,182	**25,341,063**	24,163,398

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price $
1 July 2018	Opening balance	114,360,182	24,163,398
31 December 2018	Exercise of options	4,836,011	860,607
	Transfer to share capital on exercise of options	-	317,058
31 December 2018	Balance	119,196,193	25,341,063

11 Reconciliation of profit after income tax to net cash inflow from operating activities

	31 December 2018 $US	31 December 2017 $US
Loss of the year	**(1,973,132)**	(1,289,999)
Depreciation and amortisation	**230,892**	316,762
Loss on disposal of assets	**-**	(4,251)
Non-cash employee benefits expense - share-based payments	**(133,021)**	633,358
Net Exchange differences	**(42,967)**	78,823
Change in Operating Assets & Liabilities:		
(Increase) in trade debtors and other receivables	**1,695,013**	(2,234,036)
(Increase) decrease in deferred tax assets	**(1,135,076)**	644,913
(Increase) decrease in other operating assets	**(408,199)**	(1,341,245)
(Increase) decrease in prepayments	**(114,115)**	(576,353)
(Decrease) increase in trade creditors	**1,871,912**	1,091,400
(Decrease) increase in provision for income taxes payable	**114,555**	(15,717)
(Decrease) increase in deferred tax liabilities	**25,865**	(17,484)
(Decrease) increase in employee provisions	**(291,375)**	67,428
Net cash inflow/(outflow) from operating activities	**(73,715)**	**(1,721,916)**

12 Commitments & Contingencies

At period end there were no new commitments or contingent liabilities have arisen.

13 Events occurring after the reporting period

The Company has entered into an unsecured debt facility with two entities, affiliated with Martyn Myer and David Dolby respectively. The Board (other than Messrs Myer and Dolby who declared their interest and recused themselves) considers that the terms of the facility are reasonable and more favourable to the Company than those available to the Company from arm's length sources of debt capital. The facility has not been drawn down upon at this time. If drawn down, the Company can repay the debt and cancel the facility at any time, with no penalty to the Company. If drawn down, the Company will pay interest, quarterly, to the debt providers. There are no warrants or other instruments or any security interests attached to the facility. The debt facility, in the amount of A$2m, is available to the Company until 31 December 2019 unless terminated earlier by the company, or a default event.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Directors' declaration

The directors' declare that:

(1) In the directors' opinion the financial statements and notes thereto, as set out on pages 14-25, are in accordance with the *Corporations Act 2001*, including:

(a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the half-year ended on that date.

(2) In the directors' opinion there are reasonable grounds at the date of this declaration, to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Martyn Myer AO, Chairman
Melbourne

Independent auditor's review report to the members to the members of Cogstate Limited

PITCHER PARTNERS

COGSTATE LIMITED
AND CONTROLLED ENTITIES
ABN 80 090 957 723

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF COGSTATE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cogstate Limited "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Cogstate Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

PITCHER PARTNERS

COGSTATE LIMITED
AND CONTROLLED ENTITIES
ABN 80 090 957 723

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF COGSTATE LIMITED

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty related to going concern

We draw attention to Note 1 (c) that states the Directors have concluded that the going concern basis is appropriate, based on the Group's internal cash flow forecasts for the next 12 months. These forecasts contain assumptions in relation to future revenue and profitability and are based on currently available information including management's assessment of probable future contracts and other information. The forecasts recognise the potential need for additional capital financing, subject to the level of future revenue, and the Directors have, subsequent to period end, approved and enacted a capital management strategy to ensure the Group has sufficient cash reserves to meet the going concern requirements.

As at the date of this report, the Group has entered into a debt facility provided by two entities affiliated with Martyn Myer and David Dolby respectively. That facility, combined with current cash reserves, is expected to meet the forecast cash requirements of the business.

These events or conditions indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

M HARRISON
Partner

PITCHER PARTNERS
Melbourne

26 February 2019