



ABN 53 075 582 740

BIONOMICS LIMITED

ASX half-year information –
31 December 2016

Lodged with the ASX under Listing Rule 4.2A

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BIONOMICS LIMITED

Half-year ended 31 December 2016

(Previous corresponding period: Half-year ended 31 December 2015)

Results for announcement to the market

| | | | | \$ |
|--|--------------|-----|----|------------|
| Cash and cash equivalents as at 31 December 2016 from 30 June 2016 | decreased by | 5% | to | 43,122,288 |
| Net operating and investing cash outflows for the period | decreased by | 56% | to | 2,405,227 |
| Revenue from ordinary activities | decreased by | 30% | to | 7,136,513 |
| Loss for the half-year before income tax expense | decreased by | 1% | to | 9,631,057 |
| Loss from ordinary activities after tax attributable to members | decreased by | 0% | to | 9,696,734 |

Explanation of cash and cash equivalents position as at 31 December 2016:

Closing cash and cash equivalents is in line with expectations, with funds used to enable Bionomics to: complete the Phase 2 Generalised Anxiety Disorder (GAD) clinical trial of BNC210 in September 2016, progress the BNC101 Phase 1 clinical trial in patients with metastatic colorectal cancer and continue to utilize its drug discovery platforms to identify differentiated drug candidates. The FY16 R&D Tax Incentive refund (\$8.0 million) was received in October 2016.

Explanation of revenue from ordinary activities:

Revenue consists of licence fees, collaboration income, royalties, sales income, rental income and interest income received as a result of ordinary activities. Government grants and assistance (including the Research and Development Tax Incentive), and other sundry forms of income are classified as other income.

Explanation of net loss from ordinary activities after tax:

The loss was in line with Directors' and Management expectations.

Dividends/distributions:

Bionomics Limited does not propose to pay any dividends for the half-year ended 31 December 2016.

NTA Backing

| | <u>Half-year</u> | |
|---|------------------|-------------|
| | <u>2016</u> | <u>2015</u> |
| Net tangible asset backing per ordinary share | 5.3 cents | 8.2 cents |

ASX ANNOUNCEMENT
17 February 2017

BIONOMICS' HALF-YEAR REPORT

- **US\$10m Merck milestone triggered as a candidate entered a Phase 1 clinical trial as part of ongoing collaboration for treatment of cognitive dysfunction associated with Alzheimer's disease**
- **BNC210 clinical trial results in Generalized Anxiety Disorder met co-primary endpoints with a high level of significance**
- **Continued progress in patient enrolment in the clinical trials: BNC210 Phase 2 trial in Post Traumatic Stress Disorder and BNC101 Phase 1 trial in metastatic colon cancer**
- **Cash at 31 December 2016 was \$43,122,288**

Adelaide, Australia: Bionomics Limited (ASX: BNO, OTCQX: BNOEF) today announced its half-year report for the six months ended 31 December 2016.

Events reported in the period are supportive of Bionomics' strategy and continued progress in the development of its key drug candidates.

The Phase 2 trial of BNC210, a novel, first in class, negative allosteric modulator of the $\alpha 7$ nicotinic acetylcholine receptor, in Generalized Anxiety Disorder (GAD) completed enrolment in June 2016 with positive results reported on 21 September 2016. The objective of the study was to evaluate the capacity of BNC210 to engage brain systems relevant to anxiety while resting and in response to anxiety-related tasks.

The co-primary endpoints were change in cerebral perfusion measured by arterial spin labelling and change in anxiety-provoked brain activity, specifically in the brain's emotional centre, the amygdala. Both primary endpoints were met with a high level of significance. In addition, the secondary endpoint evaluating the effect of BNC210 on anxiety-induced behavior was also met with a high level of significance. The trial results indicate the rapid onset of BNC210 anti-anxiety activity and further support the potential for BNC210 to bring about a paradigm change in the treatment of anxiety disorders.

The initiation of a BNC210 Phase 2 clinical trial in patients with Post Traumatic Stress Disorder (PTSD) was announced on 30 June 2016. All existing data, including the recent Phase 2 GAD clinical trial results, indicate that BNC210 could be an effective therapy for PTSD patients. Taking into account the data from the Phase 2 GAD clinical trial, the Bionomics' Board has approved additional investment in an expanded PTSD clinical trial to include additional treatment arms, an increase in patient numbers and additional US clinical trial sites. With an estimated 1 million Australians experiencing PTSD in any year there exists a significant unmet need for an effective therapy. We anticipate completing enrolment by the end of CY2017.

On 4 November 2016 the fourth annual Bionomics - MSD symposium attracted over 200 registrations. The keynote presentation was by Dr David Michelson, Vice President Neuroscience & Ophthalmology, Clinical Research, MSD on *Approaching an Answer to Alzheimer's Disease? Antibodies, BACE, and Beyond*. Another notable presenter was Professor Allan Young, Chair of Mood Disorders, King's College London, Institute of Psychiatry, Physiology and Neuroscience who spoke on *Neurodegeneration: From Depression to Dementia*. Professor Young was the Principal Investigator of the successful BNC210 Phase 2 clinical trial in patients with GAD.

Bionomics' oncology programs also recorded significant progress in the period. Bionomics initiated a Phase 1 clinical trial of BNC101 in April 2016 and this trial has continued to recruit well. Initial results are anticipated in Q3, CY2017. BNC101 is a new class of anti-cancer agent which targets cancer stem cells. Many current drugs do not specifically target cancer stem cells. It is believed that specific drugs, such as BNC101, target cancer stem cells which will reduce the risk of cancer recurrence and metastasis and have the potential to lead to better patient outcomes.

Over the period there were several new developments in the BNC105 program with renewed momentum in clinical development utilizing external funding. An investigator-initiated clinical trial evaluating BNC105 monotherapy and in combination with ibrutinib in patients with relapsed Chronic Lymphocytic Leukemia (CLL) is expected to be initiated in early 2017 at the Norris Cotton Cancer Centre, New Hampshire, USA. In addition, Novartis is funding a retrospective biomarker study utilizing clinical material from Bionomics' clinical trial combining BNC105 with Afinitor in patients with metastatic renal cell cancer. This study is being conducted by Dr Guru Sonpavde at the University of Alabama Comprehensive Cancer Centre.

Outlook

Bionomics has built a globally competitive business with integrated drug discovery and development expertise to support strategic partnerships and clinical development of its drug candidates.

Our collaboration with MSD strengthened as the cognition program advanced into a clinical trial triggering the first milestone payment to Bionomics. The collaboration with MSD validates Bionomics' platform technologies for drug discovery. We will continue to work closely with MSD, enabling MSD to reach milestones and demonstrate Bionomics strength in drug discovery.

Partnering discussions are ongoing with potential partners around a number of Bionomics' current R&D programs. In particular, we are exploring partnership options for BNC210. The next period is anticipated to be a period of considerable R&D progress for BNC210 as we recruit patients into the Phase 2 PTSD trial.

Bionomics is committed to being a leader in the cancer stem cell therapeutic space, an area which holds much promise in the eradication of cancer. With the Company's first cancer stem cell targeting agent, BNC101, now in the clinic we anticipate first clinical data in the forthcoming quarters. We also anticipate new developments for BNC105 in the near-term.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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About Bionomics Limited

Bionomics (ASX: BNO) is a global, clinical stage biopharmaceutical company leveraging its proprietary platform technologies to discover and develop a deep pipeline of best in class, novel drug candidates focused on the treatment of serious central nervous system disorders and on the treatment of cancer. Bionomics' lead drug candidate BNC210, currently in Phase 2 for the treatment of generalized anxiety disorder and for post-traumatic stress disorder, is a novel, proprietary negative allosteric modulator of the alpha-7 ($\alpha 7$) nicotinic acetylcholine receptor. The Company is also developing BNC101, its lead humanized monoclonal antibody targeting a key receptor on cancer stem cells that is overexpressed in metastatic colorectal cancer, metastatic pancreatic cancer and many other solid tumours; BNC101 entered clinical trials in the first half of 2016. Bionomics has strategic partnerships with Merck & Co., Inc (known as MSD outside the United States and Canada) in pain and cognition.

www.bionomics.com.au

Factors Affecting Future Performance

This announcement contains "forward-looking" statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Any statements contained in this announcement that relate to

prospective events or developments, including, without limitation, statements made regarding Bionomics' drug candidates (including BNC210 and BNC101), its licensing agreements with Merck & Co. and any milestone or royalty payments thereunder, drug discovery programs, ongoing and future clinical trials, and timing of the receipt of clinical data for our drug candidates are deemed to be forward-looking statements. Words such as "believes," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions are intended to identify forward-looking statements.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by these forward-looking statements, including unexpected safety or efficacy data, unexpected side effects observed in clinical trials, risks related to our available funds or existing funding arrangements, our failure to introduce new drug candidates or platform technologies or obtain regulatory approvals in a timely manner or at all, regulatory changes, inability to protect our intellectual property, risks related to our international operations, our inability to integrate acquired businesses and technologies into our existing business and to our competitive advantage, as well as other factors. Results of studies performed on our drug candidates and competitors' drugs and drug candidates may vary from those reported when tested in different settings.

Subject to the requirements of any applicable legislation or the listing rules of any stock exchange on which our securities are quoted, we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this announcement.



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BIONOMICS LIMITED

Half-Year Report – 31 December 2016

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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 2016 and any public announcements made by Bionomics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

BIONOMICS LIMITED

Director's Report

Your Directors present their report on the consolidated entity (the Group) consisting of Bionomics Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors of the Company during or since the end of the half-year:

- Dr Errol De Souza, Non-Executive Director and Chairman (appointed Chairman 1 September 2016)
- Dr Deborah Rathjen, Chief Executive Officer and Managing Director
- Mr David Wilson, Non-Executive Director
- Mr Peter Turner, Non-Executive Director
- Mr Alan Fisher, Non-Executive Director (appointed 31 August 2016)
- Dr Alan W. Dunton, Non-Executive Director (retired 4 July 2016)
- Mr Graeme Kaufman, Non-Executive Director and Chairman (retired 31 August 2016)
- Mr Trevor Tappenden, Non-Executive Director (retired 8 November 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period include the discovery and development of novel drug candidates focused on the treatment of central nervous system disorders and cancer by leveraging our proprietary platform technologies.

DIVIDENDS

The Directors' do not propose to make any recommendation for dividends for the current financial year.

REVIEW OF OPERATIONS

Cash at the end of the half-year was \$43,122,288 (\$45,450,382 at 30 June 2016) and net cash used in the six month period was \$2,338,900, compared to net cash generated of \$24,804,257 for the six month period ended 31 December 2015. Cash inflows for the current period included \$9,222,092 of Research and Development incentives, compared to \$9,308,657 for the six month period ended 31 December 2015.

Revenue for the period including other income was \$7,136,513, including the R&D Tax Incentive estimate for the half-year ended 31 December 2016, compared with revenue of \$10,209,076 for the period to 31 December 2015.

The operating loss after tax of the Group for the half-year ended 31 December 2016 was \$9,696,734, compared to \$9,690,834 for the prior comparable period ended 31 December 2015, which was in line with expectations and reflects the Company's continued investment in its research and development programs.

Major achievements in the period include:

- Announcement of positive results from the Phase 2 clinical trial of BNC210 in Generalised Anxiety Disorder (GAD)
 - Both primary endpoints met with a high level of significance; suggesting potential for paradigm change for treatment of anxiety disorders
 - Secondary endpoint met with a high level of significance; BNC210 suppressed anxiety-related defensive behaviour in the Joystick Operated Runway Task, out-performing lorazepam relative to placebo
- Initiation of a Phase 2 clinical trial of BNC210 in patients with Post Traumatic Stress Disorder (PTSD)
- Two posters presented at the European College of Neuropsychopharmacology (ECNP) Congress in September 2016:
 - BNC210 Phase 1 clinical trial results completed in September 2015 which demonstrated target engagement
 - Presentation of data from an animal model of cognitive dysfunction that demonstrates the cognitive-enhancing efficacy of marketed drugs for attention deficit hyperactivity disorder (ADHD), showing a novel method for assessing drugs in development for ADHD (the poster was co-authored with Bionomics' subsidiary Neurofit SAS)

OUTLOOK

Bionomics will continue to invest in its pipeline programs, positioning them for partnering at the appropriate time, in line with its business strategy.

We anticipate significant progress across our clinical programs.

The Phase 2 PTSD clinical trial is being expanded as a result of the successful GAD trial results reported in September 2016. We see this trial as being pivotal in the development of BNC210 and have seen strong partnering interest by big pharma companies.

BNC101, an exciting first-in-class antibody drug candidate targeting cancer stem cells is progressing enrolment in the Phase 1 clinical trial in patients with metastatic colorectal cancer. We are currently anticipating data readouts in Q3 of calendar year 2017.

Recent developments for BNC105 have been encouraging with an investigator-initiated clinical trial in patients with Chronic Lymphocytic Leukemia (CLL) anticipated to start enrolment and an ongoing Novartis-funded retrospective biomarker study.

With a robust pipeline and partnerable assets, major validating partnerships in place with Merck & Co, clinical progress across key programs and a strong balance sheet Bionomics is well placed to attract both new strategic partnerships and recognition in global capital markets, an important objective for 2017.

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 9.

Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors

Dated at Adelaide this 17th day of February 2017

Errol De Souza
Chairman

Deborah Rathjen
CEO & Managing Director

16 February 2017

The Board of Directors
Bionomics Limited
31 Dalglish Street
THEBARTON SA 5031

Dear Board Members

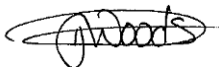
Bionomics Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bionomics Limited.

As lead audit partner for the review of the financial statements of Bionomics Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



Penny Woods
Partner

BIONOMICS LIMITED**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

for the half-year ended 31 December 2016

| | | <u>Half-year ended</u> | |
|--|-------------|--|--|
| | <u>Note</u> | <u>31 December</u> <u>2016</u> <u>\$</u> | <u>31 December</u> <u>2015</u> <u>\$</u> |
| Continuing operations | | | |
| Revenue | | 2,505,854 | 4,076,756 |
| Other income | | 4,630,659 | 6,132,320 |
| Expenses | | | |
| Research and development expenses | | (9,337,487) | (12,073,699) |
| Administration expenses | | (2,306,518) | (1,945,455) |
| Unrealised exchange differences | | (941,048) | (2,290,644) |
| Occupancy expenses | | (1,272,053) | (1,493,644) |
| Compliance expenses | | (439,489) | (1,192,082) |
| Finance expenses | | (986,208) | (904,386) |
| Mark-to-market - warrants | | (1,484,767) | - |
| Loss before tax | | <u>(9,631,057)</u> | <u>(9,690,834)</u> |
| Income tax expense | | <u>(65,677)</u> | <u>-</u> |
| Loss after tax | | <u>(9,696,734)</u> | <u>(9,690,834)</u> |
| Other comprehensive income, net of income tax | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | <u>517,202</u> | <u>1,216,592</u> |
| Total comprehensive loss for the year | | <u>(9,179,532)</u> | <u>(8,474,242)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | <u>(9,179,532)</u> | <u>(8,474,242)</u> |
| Loss per share from continuing operations | | | |
| | | <u>Cents</u> | <u>Cents</u> |
| Basic loss per share | 4 | (2.0) | (2.2) |
| Diluted loss per share | 4 | (2.0) | (2.2) |

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

BIONOMICS LIMITED
Condensed Consolidated Statement of Financial Position
as at 31 December 2016

| | <u>Note</u> | <u>31 December 2016</u> | <u>30 June 2016</u> |
|--|-------------|--------------------------|--------------------------|
| | | <u>\$</u> | <u>\$</u> |
| <u>CURRENT ASSETS</u> | | | |
| Cash and cash equivalents | | 43,122,288 | 45,450,382 |
| Trade and other receivables | | 1,156,053 | 1,401,594 |
| Other financial assets | | 550,000 | 550,000 |
| Inventories | | 427,936 | 438,856 |
| Research and development incentives receivable | | 4,364,323 | 9,601,355 |
| Other assets | | 364,735 | 643,582 |
| <u>TOTAL CURRENT ASSETS</u> | | <u>49,985,335</u> | <u>58,085,769</u> |
| <u>NON-CURRENT ASSETS</u> | | | |
| Property, plant and equipment | | 2,739,768 | 2,835,066 |
| Goodwill | | 10,797,883 | 10,642,229 |
| Other intangible assets | | 15,808,502 | 16,062,954 |
| Other financial assets | | 384,000 | 384,000 |
| <u>TOTAL NON-CURRENT ASSETS</u> | | <u>29,730,153</u> | <u>29,924,249</u> |
| <u>TOTAL ASSETS</u> | | <u>79,715,488</u> | <u>88,010,018</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| Trade and other payables | | 3,622,964 | 5,855,143 |
| Borrowings | | 6,894,128 | 2,731,837 |
| Provisions | | 1,601,105 | 1,590,979 |
| Other financial liabilities | | 119,807 | 1,142,320 |
| Other liabilities | | 352,400 | 65,811 |
| <u>TOTAL CURRENT LIABILITIES</u> | | <u>12,590,404</u> | <u>11,386,090</u> |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Other payables | | 126,780 | 144,938 |
| Borrowings | | 14,799,683 | 18,436,717 |
| Provisions | | 53,872 | 61,928 |
| Deferred tax liability | | 5,088,364 | 5,057,861 |
| Contingent consideration | | 10,869,505 | 10,489,438 |
| <u>TOTAL NON-CURRENT LIABILITIES</u> | | <u>30,938,204</u> | <u>34,190,882</u> |
| <u>TOTAL LIABILITIES</u> | | <u>43,528,608</u> | <u>45,576,972</u> |
| <u>NET ASSETS</u> | | <u>36,186,880</u> | <u>42,433,046</u> |
| <u>EQUITY</u> | | | |
| Capital | | 134,517,210 | 134,392,813 |
| Reserves | | 14,542,209 | 11,216,038 |
| Accumulated losses | | (112,872,539) | (103,175,805) |
| <u>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</u> | | <u>36,186,880</u> | <u>42,433,046</u> |

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

BIONOMICS LIMITED**Condensed Consolidated Statement of Changes in Equity**

for the half-year ended 31 December 2016

| <u>Consolidated</u> | <u>Capital</u> | <u>Foreign currency translation reserve</u> | <u>Share- based payments reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|--|----------------|---|--|-------------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 111,990,220 | 4,206,214 | 2,336,439 | (86,567,048) | 31,965,825 |
| Loss for the period | - | - | - | (9,690,834) | (9,690,834) |
| Exchange differences on translation of foreign operations | - | 1,216,592 | - | - | 1,216,592 |
| Total comprehensive income for the period | - | 1,216,592 | - | (9,690,834) | (8,474,242) |
| Recognition of Share-based payments | - | - | 251,397 | - | 251,397 |
| Issue of ordinary shares & warrants, net of transaction costs | 22,113,875 | - | 3,305,054 | - | 25,418,929 |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 240,999 | - | - | - | 240,999 |
| Balance at 31 December 2015 | 134,345,094 | 5,422,806 | 5,892,890 | (96,257,882) | 49,402,908 |
| Balance at 1 July 2016 | 134,392,813 | 5,174,632 | 6,041,406 | (103,175,805) | 42,433,046 |
| Loss for the period | - | - | - | (9,696,734) | (9,696,734) |
| Exchange differences on translation of foreign operations | - | 517,202 | - | - | 517,202 |
| Total comprehensive income for the period | - | 517,202 | - | (9,696,734) | (9,179,532) |
| Recognition of Share-based payments | - | - | 301,689 | - | 301,689 |
| Issue of conditional warrants | - | - | 2,507,280 | - | 2,507,280 |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 124,397 | - | - | - | 124,397 |
| Balance at 31 December 2016 | 134,517,210 | 5,691,834 | 8,850,375 | (112,872,539) | 36,186,880 |

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

BIONOMICS LIMITED
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2016

| | Half-year ended | |
|--|-------------------------|-------------------------|
| | 31 December 2016 | 31 December 2015 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Research and development incentives received | 9,222,092 | 9,308,657 |
| Receipts from customers | 3,291,659 | 4,303,138 |
| Payments to suppliers and employees | (14,560,163) | (18,446,722) |
| Interest paid | (977,636) | (783,207) |
| Net cash used in operating activities | (3,024,048) | (5,618,134) |
| Cash flows from investing activities | | |
| Interest received | 656,004 | 262,214 |
| Payments for purchases of property, plant and equipment | (37,183) | (61,696) |
| Net cash generated by/(used in) investing activities | 618,821 | 200,518 |
| Cash flows from financing activities | | |
| Net proceeds from share issues | 124,397 | 27,863,297 |
| Proceeds from borrowings | 62,279 | 3,055,636 |
| Repayment of borrowings | (120,349) | (697,060) |
| Net cash generated by financing activities | 66,327 | 30,221,873 |
| Net increase/(decrease) in cash and cash equivalents | (2,338,900) | 24,804,257 |
| Cash and cash equivalents at the beginning of the half-year | 45,450,382 | 26,558,006 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 10,806 | 45,716 |
| Cash and cash equivalents at the end of the half-year | 43,122,288 | 51,407,979 |

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

BIONOMICS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2016

NOTE 1: Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by Bionomics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards (IFRS).

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no significant changes to the consolidated entity's accounting policies.

NOTE 2: Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the nature of work processes performed. The Group's reportable segments under AASB 8 (IFRS 8) are:

- Drug discovery and development is the discovery, development and commercialisation of compounds to match a target product profile; and
- Contract services is the provision of scientific services on a fee for service basis to both external and internal customers.

Information regarding these segments is presented below.

a) Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

| | <u>Segment revenue</u> <u>Half-year ended</u> | | <u>Segment result</u> <u>Half-year ended</u> | |
|--|--|--------------------|---|--------------------|
| | <u>31 Dec 2016</u> | <u>31 Dec 2015</u> | <u>31 Dec 2016</u> | <u>31 Dec 2015</u> |
| | \$ | \$ | \$ | \$ |
| Drug discovery and development | 2,212,233 | 2,115,442 | (5,287,262) | (8,552,663) |
| Contract services | 3,600,803 | 3,992,500 | 241,059 | 958,748 |
| | 5,813,036 | 6,107,942 | (5,046,203) | (7,593,915) |
| Less: | | | | |
| Intercompany revenue included in | | | | |
| Contract services | (3,389,642) | (2,446,451) | - | - |
| Corporate | 82,460 | 415,265 | 82,460 | 415,265 |
| | 2,505,854 | 4,076,756 | (4,963,743) | (7,178,650) |
| Interest income | | | 645,599 | 317,821 |
| Corporate financing expenses | | | (975,811) | (884,548) |
| Corporate administration expenses | | | (4,337,102) | (1,945,457) |
| Loss before income tax (continuing operations) | | | (9,631,057) | (9,690,834) |

Revenue reported above for Contract services includes intersegment sales. There were no intersegment sales for the other reportable segment.

Segment result represents the profit/(loss) for each segment without allocation of central administration expenses and investment and other revenue.

Segment Assets

The following is an analysis of the Group's assets by reportable operating segment:

| ASSETS | <u>31 Dec 2016</u> | <u>30 June 2016</u> |
|--------------------------------|--------------------|---------------------|
| | \$ | \$ |
| Drug discovery and development | 30,448,153 | 38,644,359 |
| Contract services | 5,518,290 | 5,145,211 |
| | 35,966,443 | 43,789,570 |
| Corporate | 43,749,045 | 44,220,448 |
| Total assets | 79,715,488 | 88,010,018 |

NOTE 3: Equity securities issued

| | <u>Half-year</u> | | <u>Half-year</u> | |
|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | <u>Number of</u> | <u>Number of</u> | <u>\$</u> | <u>\$</u> |
| | <u>shares</u> | <u>shares</u> | | |
| Ordinary shares | | | | |
| Balance at the beginning of the half-year | 480,986,821 | 418,198,869 | 134,392,813 | 111,990,220 |
| Share issue - Employee Share Option Plan option exercise | 420,000 | 737,500 | 124,397 | 240,999 |
| Placements (net of warrants) ¹ | | 61,866,702 | | 22,113,875 |
| Share issue - Employee Share Plan Loan Agreements | 37,500 | - | - | - |
| Balance at the end of the half-year | 481,444,321 | 480,803,071 | 134,517,210 | 134,345,094 |
| Treasury Stock | | | | |
| Balance at the beginning of the half-year | 75,625 | - | - | - |
| Share issue - Employee Share Plan Loan Agreements | (37,500) | 75,625 | - | - |
| Balance at the end of the half-year | 38,125 | 75,625 | - | - |
| Total Issued Capital | 481,482,446 | 480,878,696 | 134,517,210 | 134,345,094 |

NOTE 4: Loss per share

| | <u>Half-year</u> | |
|------------------------|------------------|-------------|
| | <u>2016</u> | <u>2015</u> |
| | (\$0.020) | (\$0.022) |
| Basic loss per share | (2.0 cents) | (2.2 cents) |
| | (\$0.020) | (\$0.022) |
| Diluted loss per share | (2.0 cents) | (2.2 cents) |

Weighted average number of shares used as the denominator

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| | <u>Number</u> | <u>Number</u> |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 481,218,184 | 433,672,443 |

NOTE 5: Change in accounting estimates

There has been no change in the basis of accounting estimates since the last annual reporting date.

NOTE 6: Contingencies and commitments

There has been no change in contingent liabilities and commitments since the last annual reporting date.

NOTE 7: Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

NOTE 8: Subsequent events

No matter or circumstance has arisen since 31 December 2016 that has significantly affected or may affect the consolidated entity's operations, the results of those operations or the state of affairs in future financial years, except as noted below.

On 3 February 2017, the consolidated entity announced the completion of the first milestone in the collaboration with MSD (known as Merck & Co., Inc. in the US and Canada) to develop novel candidates for treatment of cognitive dysfunction associated with Alzheimer's disease. As part of the research collaboration and license agreement announced in June 2014, the first administration of a candidate therapy in a clinical trial triggers a US\$10 million milestone payment to Bionomics.


BIONOMICS LIMITED
Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Errol De Souza
Chairman



Deborah Rathjen
CEO & Managing Director

Adelaide, 17 February 2017

Independent Auditor's Review Report to the members of Bionomics Limited

We have reviewed the accompanying half-year financial report of Bionomics Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 17.

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 consolidated entity's financial position as at 31 December 2016 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 Bionomics Limited, 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.

Auditor's Independence Declaration

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 Bionomics Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

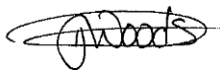
Conclusion

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 Bionomics Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



P J Woods
Partner
Chartered Accountants
Adelaide, 17 February 2017