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CEO Report

Dear Shareholders

With 2011 now in full swing this update has been prepared to inform you of your company's progress since the previous newsletter in December last year.

Edison Investment Research has upgraded its valuation of Bionomics to \$235 million (73 cents per share) and one of Australia's leading biotech investments publications, *Bioshares*, has listed Bionomics amongst its top 10 biotech stock picks for 2011. Recent presentations in San Francisco have highlighted further developments in our drug discovery and development pipeline to global pharmaceutical companies and US investors, as we pursue our partnership strategies for BNC105 and BNC210.

We anticipate new data from our two clinical trials of BNC210 this quarter. BNC210 is a potentially groundbreaking "first in class" drug candidate which is potent across a broad range of anxiety and depression models and with a very wide therapeutic window. The data from the trials is eagerly awaited. If positive, the value of BNC210 from a licensing perspective will substantially increase.

In the BNC105 program we expect the release of initial data from both our renal and mesothelioma cancer trials in the second quarter of 2011. The projected timeline for the BNC105 trial in renal cancer patients has moved due to the need to recruit additional patients. Patients enrolled in the renal cancer trial are in the late stage of their disease with poor health status. In some cases this necessitated withdrawal from the trial over the holidays and replacements brought into the trial.

In January two additional clinical trial sites were initiated in New York and New Mexico and these are expected to contribute strongly to patient recruitment into this trial. I hasten to add that **BNC105 has been well tolerated by patients in both the renal and mesothelioma trials with individual patients continuing treatment for over 9 months at this time.**

This month the science team presented three posters at the 23rd Lorne Cancer Conference covering the discovery of BNC105, biomarker data from the Phase I clinical trial and data demonstrating the vascular disrupting activity (VDA) of BNC105 on preclinical renal cancer models.



**UK analyst values
Bionomics at
\$235 Million**

On 6 January Edison Investment Research published a review of Bionomics, its first for 2011. **The review contained a revised valuation of Bionomics of \$235 million, or approximately 73 cents per share, reflecting the progress achieved in 2010 and the improved competitive position of our anti-cancer VDA BNC105.**

The previous valuation, determined by Edison in February 2010, was \$175 million. The valuation is based on a risk adjusted Net Present Value (NPV) derived from Edison's assessment of the potential economic reward associated with the successful development of BNC105 and BNC210. It excludes to a large extent the value of milestone payments receivable under our Merck Serono collaboration or from BNC105 and BNC210 licensing deals, indicating that there is further potential for significant value to be attributed to our R&D programs.

Edison is widely recognised as Europe's leading independent investment research company. A copy of the report is available on **Bionomics' website (www.bionomics.com.au)**, both on the homepage and in the investor section.

**If you would like a copy sent to you
please email us investorrelations@bionomics.com.au.**

Bionomics amongst *Bioshares'* top stock picks for 2011

Each year the respected life sciences analysts at *Bioshares* choose their **Top 10 biotech stocks** to watch and on 14 January *Bioshares* published its picks for 2011, which included Bionomics. *Bioshares* commented "**Bionomics has the leading vascular disrupting agent in development**". An extract of the *Bioshares* report is available on Bionomics' website in the investor section and we are happy to send a copy of the *Bioshares* report to interested shareholders if you contact us.

BNC105 presentations at the Lorne Cancer Conference

Bionomics' vascular disrupting agent BNC105 was the subject of three poster presentations by Bionomics' scientists at the Lorne Cancer Conference this month.

Dr Gabriel Kremmidiotis' poster outlined the key steps in the discovery of BNC105 and highlighted the unique selectivity of BNC105 in targeting the blood vessels inside solid tumours. Dr David Bibby presented on behalf of the clinical team the results of biomarker analysis, consistent with the anti-cancer effect of BNC105, from the Phase I clinical trial. Dr Tina Lavaras presented preclinical data which detailed the impressive vascular disruption effect of BNC105 against both primary renal cancer and secondary lung cancers in an animal model of metastatic renal cancer.

JP Morgan conference report

As part of activities associated with the JP Morgan Healthcare conference held in San Francisco in January, Bionomics presented to the Biotech Showcase. The presentation, which was lodged with the ASX, highlighted the progress made with Bionomics' pipeline. In addition to this presentation Bionomics CEO Dr Deborah Rathjen had over 30 pharmaceutical company and investor meetings during the four days. A representative of Greenhill Caliburn, Bionomics' adviser on the Start-up Australia tender, attended many of these meetings to assist in addressing any queries relating to the Start-up Australia tender. Bionomics is not involved in this tender process (which may or may not result in a bid for the company) and remains focused on executing its existing strategy which includes securing partners for its key compounds.

The Biotech Showcase gave the opportunity to introduce a new program Bionomics has incubated over 2010 and recently brought formally into its pipeline. The new program targets improvement of memory in conditions such as Alzheimer's disease, ADHD and Schizophrenia as well as in mood and anxiety disorders.

	PREVALENCE OF MEMORY DISORDERS	GLOBAL SALES PER ANNUM
Alzheimer's Disease	9.7 million	\$5.6 billion
Cognitive Dysfunction in Schizophrenia	3.4 million	No approved products
ADHD	44.9 million	\$4.2 billion

This discovery program centres on the modulation of the alpha7 nicotinic acetylcholine receptor and adopts a unique approach in seeking to identify positive allosteric modulators of the receptor. It is well matched to our proprietary MultiCore® chemistry and ionX® drug discovery tools as well as the skills and expertise of our CNS pharmacology group at Neurofit. Positive allosteric modulators exert their effects only when acetylcholine is present, improving the natural function of the receptor without unwelcome side-effects. **Put simply, our approach allows "fine-tuning" of receptor activity with a broader margin of safety.** The prevalence of conditions where an effective drug which improves memory may find clinical application is large with associated strong commercial opportunities. We already have compounds capable of restoring memory in animals and our strategy is to seek an early stage licensing agreement for this program, similar to our Merck Serono Multiple Sclerosis collaboration.

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See Bionomics

2-6 April, 2011

AACR,
Orlando USA

BNC210 clinical trials update

As shareholders are aware, two clinical trials of BNC210, Bionomics' drug candidate for the treatment of anxiety and depression, are in progress in Europe. I am pleased to report that the Lorazepam comparison trial has been completed and that unblinding and analysis of the data gathered during the study is underway. Results of the Lorazepam comparison and the CCK challenge (panic) trial are expected later this quarter.



Dr Deborah Rathjen
Chief Executive Officer

Factors Affecting Future Performance This publication contains "forward-looking" statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Any statements contained in this publication that relate to prospective events or developments, including, without limitation, statements made regarding Bionomics' development candidates BNC105 and BNC210, its drug discovery programs and pending patent applications 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 risks related to our available funds or existing funding arrangements, a downturn in our customers' markets, our failure to introduce new products or technologies in a timely manner, regulatory changes, risks related to our international operations, our inability to integrate acquired businesses and technologies into our existing business and to our competitive advantages, as well as other factors. Results of studies performed on competitors products 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 publication.