

# **BIONOMICS LIMITED**

ASX half-year information –  
31 December 2011

Lodged with the ASX under Listing Rule 4.2A

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**BIONOMICS LIMITED**

Half-year ended 31 December 2011

(Previous corresponding period: Half-year ended 31 December 2010)

**Results for announcement to the market**

|                                                                                                                 |              |     |    | \$         |
|-----------------------------------------------------------------------------------------------------------------|--------------|-----|----|------------|
| Cash and cash equivalents as at 31 December 2011 from 30 June 2011                                              | increased by | 11% | to | 17,886,391 |
| Net operating and investing cash outflows for the period (excluding the proceeds from the sale of the building) | decreased by | 27% | to | 2,816,821  |
| Revenue from ordinary activities                                                                                | decreased by | 11% | to | 2,058,657  |
| Loss for the half-year before income tax expense                                                                | decreased by | 24% | to | 3,465,425  |
| Loss from ordinary activities after tax attributable to members                                                 | decreased by | 24% | to | 3,465,425  |

**Explanation of cash and cash equivalents position as at 31 December 2011:**

Closing cash and cash equivalents is in line with expectations with funds used to enable Bionomics to continue with the clinical trials for BNC105 and continue core research & development and commercialisation strategies. The balance includes the net proceeds received in July 2011 from the sale of the building in Thebarton.

**Explanation of revenue from ordinary activities:**

Revenue consists of licence fees, royalties, sales income, rental income and interest income received as a result of ordinary activities. Government grants and other sundry forms of income are classified as other income. The decrease in revenue for the period reflects reduced contract income from our European subsidiary.

**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 2011.

**NTA Backing**

|                                               | <u>Half-year</u> |             |
|-----------------------------------------------|------------------|-------------|
|                                               | <u>2011</u>      | <u>2010</u> |
| Net tangible asset backing per ordinary share | 4.8 cents        | 3.6 cents   |

**ASX ANNOUNCEMENT**  
**14 February 2012**

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## **BIONOMICS' HALF-YEAR REPORT**

**Adelaide, Australia:** Bionomics Limited (ASX: BNO) (ADR: BMICY) today announced its half-year report for the six months ended 31 December 2011.

### **Key Points – Financial**

- Cash at the end of the half-year was \$17,886,391 and net cash outflow for the six month period was \$1,834,161.
- Revenue for the period including other income was \$2,058,657, compared with revenue of \$2,316,825 for the period to 31 December 2010.
- The operating loss after tax of the Group for the half-year ended 31 December 2011 was \$3,465,425 compared to a loss of \$4,536,640 for the half-year ended 31 December 2010. This was in line with expectations and reflects the Company's continued investment in research and development.

### **R&D Highlights**

#### **BNC105 Clinical Development Program**

BNC105, Bionomics' highly selective and potent Vascular Disrupting Agent (VDA) for the treatment of solid tumours, reached key milestones.

- Completion of the Phase I component of the ongoing Phase II US renal cancer trial confirmed the compatibility of the BNC105 / Afinitor combination:
  - o Twelve patients were enrolled to the Phase I component with a number of patients having received over 10 cycles of treatment with the BNC105 and Afinitor combination.
  - o Currently one patient has completed 15 cycles of treatment and three patients remain on treatment.
  - o The results indicate that the recommended dose of Afinitor is well tolerated when combined with the previously identified Phase II dose level of BNC105 of 16 mg/m<sup>2</sup>, supporting the use of Afinitor and BNC105 at their full dose levels.
  - o Plasma pharmacokinetic analysis of drug levels indicated no interaction between BNC105 and Afinitor, confirming the compatibility of the drug combination.
- Phase II clinical data on BNC105 in patients with mesothelioma provided valuable data supporting the therapeutic window of BNC105:
  - o Patients with malignant pleural mesothelioma with relapse following prior chemotherapy with cisplatin and Alimta were treated with BNC105.
  - o Thirty patients were enrolled and treated with BNC105.
  - o The overall clinical benefit observed in the trial was 43.3% (13 patients with stable disease or better).
  - o One patient demonstrated an objective response with a reduction of 57% in tumour measurement. Twelve patients were classified as stable disease by RECIST.
- Plans were advanced for the clinical evaluation of BNC105 in women with ovarian cancer. BNC105 will be evaluated in combination with carboplatin and gemcitabine in a randomised multicentre trial which will take place in Australia and the US. Preclinical studies have demonstrated that the combination of BNC105 with gemcitabine or a platinum-based therapy results in increased therapeutic benefit.

### **BNC210: a novel compound with potential for the treatment of anxiety disorders**

- Data from Phase I clinical trials indicating that BNC210 has anti-anxiety activity without the sedative side-effects that are typical of benzodiazepines, a class of drugs used to treat anxiety, were presented at the European Congress of Neuropsychopharmacology (ECNP) in September 2011 and at Neuroscience in November 2011.
- Since the signing of the BNC210 licensing agreement announced on 5 January 2012, Ironwood Pharmaceuticals has assigned a large internal team across all the disciplines required to progress the development of BNC210 and regular reporting structures have been put in place.

### **Alpha 7 Program: Improvement of memory in neurodegenerative and other conditions**

- Over the period Bionomics increased the resources allocated to the discovery of a well differentiated drug candidate targeting the alpha 7 nicotinic acetylcholine (Alpha 7) receptor.
- The program is very well matched to our ionX® drug discovery platform and the expertise of our European subsidiary Neurofit.
- Bionomics scientists have already been able to identify compounds which modulate the receptor to restore memory in animals whose memory has been lost through treatment with an agent called scopolamine.
- Compounds which modulate the function of the Alpha 7 receptor have potential utility in the treatment of Alzheimer's disease, Schizophrenia, Hyperactivity Disorder (ADHD) as well as Multiple Sclerosis and mood and anxiety disorders.

### **Outlook**

Financially the Company is well placed to continue to execute its drug discovery efforts, clinical plans and business strategy. We have further strengthened our cash position following the licensing of BNC210 to Ironwood Pharmaceuticals. Under the agreement with Ironwood, Bionomics could receive up to US\$345 million pending achievement of certain development and regulatory milestones plus if successful, royalties on sales of products incorporating BNC210 and other related compounds.

With the licensing of BNC210, Bionomics is able to focus its resources on the expanded clinical development of BNC105 and into the Alpha 7 program targeting highly prevalent conditions in need of effective treatments for memory loss for which there is a significant commercial opportunity.

Milestones for 2012 include:

- Initiation of BNC105 ovarian cancer trial
- Completion of enrolment in the BNC105 renal cancer trial
- Identification of an Alzheimer's Disease drug candidate for clinical development
- Progress, in collaboration with the CRC for Cancer Therapeutics, in the cancer kinase program towards the identification of a novel drug candidate for the treatment of solid tumours
- BNC105 and BNC210 patent approvals in key markets

Bionomics will work closely with our partners Ironwood Pharmaceuticals and Merck Serono to progress BNC210 and the Kv1.3 program respectively to the next stage.

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### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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## About Bionomics Limited

Bionomics (ASX: BNO) (ADR: BMICY) is a leading international biotechnology company which discovers and develops innovative therapeutics for cancer and diseases of the central nervous system. Bionomics has small molecule product development programs in the areas of cancer, anxiety, Alzheimer's Disease, epilepsy and multiple sclerosis. BNC105, which is undergoing clinical development for the treatment of cancer, is based upon the identification of a novel compound that potently and selectively restricts blood flow within tumours. Bionomics' partner Ironwood Pharmaceuticals is developing BNC210 which exhibits anxiolytic activity without side effects associated with benzodiazepines, a drug class used to treat anxiety, in preclinical models. Both compounds offer blockbuster potential if successfully developed.

Bionomics' discovery and development activities are driven by its three technology platforms: Angene®, a drug discovery platform which incorporates a variety of genomics tools to identify and validate novel angiogenesis targets (involved in the formation of new blood vessels). MultiCore® is Bionomics' proprietary, diversity orientated chemistry platform for the discovery of small molecule drugs. ionX® is a set of novel technologies for the identification of drugs targeting ion channels for diseases of the central nervous system.

For more information about Bionomics, visit [www.bionomics.com.au](http://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 press release that relate to prospective events or developments 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 the clinical evaluation of either BNC105 or BNC210, our available funds or existing funding arrangements, our partnerships with Ironwood or Merck Serono, 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. 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 press release.*

# **BIONOMICS LIMITED**

## Half-Year Report – 31 December 2011

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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 2011 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**

### **Directors' Report**

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The 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 2011.

#### **DIRECTORS**

The following persons were directors of the Company during the period and up to the date of this report:

- Mr Christopher Fullerton, Non-Executive Director and Chairman
- Dr Deborah Rathjen, Chief Executive Officer and Managing Director
- Mr Trevor Tappenden, Non-Executive Director
- Dr Errol De Souza, Non-Executive Director

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the period were:

- a) To undertake research and development utilising Bionomics' proprietary technology platforms with the aim of identifying and developing therapies to treat cancer and conditions of the Central Nervous System (CNS), including anxiety, Multiple Sclerosis and epilepsy;
- b) To commercialise intellectual property assets; and
- c) To identify strategic alliances and project opportunities capable of increasing shareholder value and of enhancing the competitive advantage of Bionomics within the biotechnology industry.

#### **OPERATING RESULTS**

Cash at the end of the half-year was \$17,886,391 and net cash inflow for the six month period was \$1,834,161.

Revenue for the period including other income was \$2,058,657, compared with revenue of \$2,316,825 for the period to 31 December 2010.

The operating loss after tax of the Group for the half-year ended 31 December 2011 was \$3,465,425 which was in line with expectations and reflects the Company's continued investment in research and development.

#### **DIVIDENDS**

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

#### **REVIEW OF OPERATIONS**

##### **BNC105**

BNC105 is a potent and highly selective Vascular Disrupting Agent (VDA) with the potential to treat all solid tumour types.

Among its advantages, BNC105 has a well-defined mechanism of action and importantly is the first of the VDAs to show "on target" activity in cancer patients. The high level of selectivity BNC105 has for the blood vessels which feed solid tumours clearly differentiates BNC105 from the most advanced VDAs in development. Selectivity for cancer blood vessels provides BNC105 with a broader therapeutic window than its competitors with the potential for fewer side-effects. When this high level of selectivity is combined with the ability of BNC105 to cause direct cancer cell killing, it gives rise to a very potent anti-cancer agent. BNC105 also enhances the effectiveness of other forms of cancer treatment including chemotherapy, radiation and biological agents such as Avastin®.

In the period, BNC105 clinical trials reached key milestones and the BNC105 clinical trial program was expanded to a third clinical trial in women with ovarian cancer.

Bionomics is conducting a US multi-centre Phase II clinical trial of BNC105 in combination with everolimus (Afinitor) in patients with metastatic Renal Cell Carcinoma (RCC). Afinitor is an mTOR inhibitor, which is used as a treatment after patients have failed therapy with Tyrosine Kinase Inhibitors (TKIs).

In the period Bionomics announced the completion of the Phase I component of this trial. Twelve patients were enrolled to the Phase I component. A number of patients had completed over 10 cycles of treatment with the BNC105 and Afinitor combination at the time of completion of the Phase I component of the trial and five patients remained on treatment. Currently one patient has completed 15 cycles of treatment and three patients remain on treatment. The results indicate that the recommended dose of Afinitor is well tolerated when combined with the previously identified Phase II dose level of BNC105 of 16 mg/m<sup>2</sup>, supporting the use of Afinitor and BNC105 at their full dose levels. Plasma pharmacokinetic analysis of drug levels indicated no interaction between BNC105 and Afinitor, confirming the compatibility of the drug combination.

In addition to the potential clinical benefits of BNC105, renal cell cancer offers a strong market opportunity for BNC105 if successfully developed. Worldwide sales of the TKI Sutent were US\$1.18 billion in 2011, whilst reported sales of Nexavar in 2010 were €705 million. Afinitor, which was approved by the FDA for the treatment of renal cancer in 2009 and is marketed by global Pharma company Novartis, had sales of US\$443 million in 2011.

Mesothelioma is a form of cancer that is usually caused by exposure to asbestos. In this disease malignant cells develop in the protective lining that covers most of the body's internal organs. Its most common site is the outer lining of the lungs and internal chest wall. This condition has virtually no effective treatments after first line chemotherapy and patients typically have a life expectancy of less than one year.

In the Phase II clinical trial of BNC105 in patients with malignant pleural mesothelioma, all patients had relapsed following prior chemotherapy with cisplatin and Alimta. Thirty patients were enrolled and treated with BNC105. The overall clinical benefit observed in the trial was 43.3% (13 patients with stable disease or better). One patient demonstrated an objective response with a reduction of 57% in tumour measurement. Twelve patients were classified as stable disease by RECIST.

During the period plans were advanced for the clinical evaluation of BNC105 in women with ovarian cancer. BNC105 will be evaluated in combination with carboplatin and gemcitabine in a randomised multi-centre trial which will take place in Australia and the US. Preclinical studies have demonstrated that the combination of BNC105 with gemcitabine or a platinum based therapy results in increased therapeutic benefit.

Drugs used to treat ovarian cancer reported sales of approximately US\$3.6 billion in 2010. Ovarian cancer is the fifth leading cause of cancer-related death among women. Ovarian cancer is often diagnosed at an advanced stage, after the cancer has spread beyond the ovary. In 2010 there were an estimated 21,880 new cases and 13,850 deaths from ovarian cancer in the US. It is estimated that approximately US\$2.2 billion is spent in the US each year on treatment of ovarian cancer. In 2006 in Australia 1,226 ovarian cancer cases were diagnosed. The number of ovarian cancer cases in Australia increased by 47% between 1982 and 2006. It is anticipated that the number of new cases will continue to increase, with an estimated 1,434 women expected to be diagnosed with ovarian cancer in 2015.

## **BNC210**

BNC210 is a novel compound, proprietary to Bionomics, with potential for the treatment of anxiety and depression. Data from Phase I clinical trials reported in 2011 indicate that BNC210 has anti-anxiety activity without the sedative side-effects that are typical of benzodiazepines, a class of drugs used to treat anxiety. Data from these clinical trials were presented at the European Congress of Neuropsychopharmacology (ECNP) in September 2011 and at Neuroscience in November 2011.

Throughout the period Bionomics continued to execute its plan of licensing BNC210 for further development and on 5 January 2012 Bionomics announced the licensing of BNC210 to Cambridge, Massachusetts-based Ironwood Pharmaceuticals. Under the agreement with Ironwood, Bionomics could receive up to US\$345 million pending achievement of certain development and regulatory milestones plus if successful, royalties on sales of products incorporating BNC210 and other related compounds. Ironwood has assumed all costs for this program and is anticipated to make significant investment in the future clinical development of BNC210.

Since the signing of this agreement Ironwood has assigned a large internal team across all the disciplines required to progress the development of BNC210 and regular reporting measures are in place. Bionomics has received the initial payment of US\$3 million.

## **Partnership with Merck Serono**

Bionomics has a development and licensing agreement with Merck KGaA (Merck Serono) covering its drug discovery project targeting the potassium ion channel Kv1.3. Kv1.3 blockers have the potential to be used in the treatment of Multiple Sclerosis and other autoimmune diseases. Under our research



agreement and licensing deal with Merck Serono, we received an upfront payment of US\$2 million and receive ongoing, dedicated research funding for all activities plus milestone payments up to US\$47 million for each compound selected by Merck Serono, noting that Merck Serono intends to select an undisclosed number of compounds during the research collaboration. Merck Serono is responsible for meeting all development costs.

The collaboration was extended for an additional 12 month period from 13 June 2011 and is progressing satisfactorily.

### **Alpha 7 Nicotinic Acetylcholine Receptor Project**

The prevalence of conditions where an effective, memory-improving drug may find clinical application is large, providing a very significant commercial opportunity. Compounds which modulate the function of the alpha 7 nicotinic acetylcholine receptor (Alpha 7) have potential utility in the treatment of Alzheimer's Disease, Schizophrenia, Hyperactivity Disorder (ADHD) as well as Multiple Sclerosis and mood and anxiety disorders. Over the period Bionomics increased its resource allocation to the discovery of a well differentiated drug candidate targeting the Alpha 7 receptor. The program is very well matched to our ionX® drug discovery platform and the expertise of our European subsidiary Neurofit. Bionomics' scientists have already been able to identify compounds which modulate the receptor to restore memory in animals whose memory has been lost through treatment with an agent called scopolamine.

### **CRC**

Bionomics continues its close association with the CRC for Cancer Therapeutics. The arrangement with the CRC allows Bionomics to incubate new oncology projects in a cost and time efficient manner. It also provides Bionomics with the opportunity to work with many of the best cancer researchers and clinicians in Australia. Current discovery programs include compounds for the treatment of solid tumours targeting an undisclosed kinase.

### **OUTLOOK**

Continued progress in the development of BNC105 and in the Alpha 7 Alzheimer's Disease program has set the scene for Bionomics to continue to make solid R&D progress in 2012.

It is anticipated that a number of important R&D milestones will be achieved in 2012 including:

- Initiation of BNC105 ovarian cancer trial
- Completion of enrolment in the BNC105 renal cancer trial
- Identification of an Alzheimer's Disease drug candidate for clinical development
- Progress, in collaboration with the CRC for Cancer Therapeutics, in the cancer kinase program towards the identification of a novel drug candidate for the treatment of solid tumours
- BNC105 and BNC210 patent approvals in key markets

With the licensing of BNC210 the Company is well placed to continue to execute its drug discovery efforts, clinical plans and business strategy.

### **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 10.

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 14<sup>th</sup> day of February 2012.



**Christopher Fullerton**  
Chairman



**Deborah Rathjen**  
CEO & Managing Director

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

14 February 2012

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 2011, 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



DELOITTE TOUCHE TOHMATSU



Philip Teale  
Partner  
Chartered Accountants

**BIONOMICS LIMITED****Condensed Consolidated Statement of Comprehensive Income**

for the half-year ended 31 December 2011

|                                                                                |             | <u>Half-year ended</u> |                    |
|--------------------------------------------------------------------------------|-------------|------------------------|--------------------|
|                                                                                | <u>Note</u> | <u>31 December</u>     | <u>31 December</u> |
|                                                                                |             | <u>2011</u>            | <u>2010</u>        |
|                                                                                |             | <u>\$</u>              | <u>\$</u>          |
| <b>Continuing operations</b>                                                   |             |                        |                    |
| Revenue                                                                        |             | 2,055,820              | 2,289,325          |
| Other Income                                                                   |             | 2,837                  | 27,500             |
| <b>Total revenue</b>                                                           |             | <u>2,058,657</u>       | <u>2,316,825</u>   |
| <b>Expenses</b>                                                                |             |                        |                    |
| Administrative                                                                 |             | (843,261)              | (1,184,383)        |
| Financing costs                                                                |             | (24,761)               | (116,182)          |
| Occupancy                                                                      |             | (661,804)              | (460,426)          |
| Compliance                                                                     |             | (207,636)              | (154,490)          |
| Research and development                                                       |             | <u>(3,786,620)</u>     | <u>(4,937,984)</u> |
| <b>Loss before tax</b>                                                         |             | <u>(3,465,425)</u>     | <u>(4,536,640)</u> |
| Income tax expense                                                             |             | <u>-</u>               | <u>-</u>           |
| <b>Loss for the half-year after income tax from continuing operations</b>      |             | <u>(3,465,425)</u>     | <u>(4,536,640)</u> |
| <b>Other comprehensive income</b>                                              |             |                        |                    |
| Exchange differences arising on translation of foreign operations              |             | (71,812)               | (111,896)          |
| Loss on cash flow hedges taken to equity                                       |             | -                      | (87,493)           |
| <b>Total comprehensive income for the half-year from continuing operations</b> |             | <u>(3,537,237)</u>     | <u>(4,736,029)</u> |
| Loss attributable to:                                                          |             |                        |                    |
| Owners of the Company                                                          |             | <u>(3,537,237)</u>     | <u>(4,736,029)</u> |
| Earnings per share from continuing operations                                  |             |                        |                    |
|                                                                                |             | <u>Cents</u>           | <u>Cents</u>       |
| Basic loss per share                                                           | 4           | (1.0)                  | (1.4)              |
| Diluted loss per share                                                         | 4           | (1.0)                  | (1.4)              |

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

**BIONOMICS LIMITED**  
**Condensed Consolidated Statement of Financial Position**  
as at 31 December 2011

|                                              | <u>Note</u> | <u>31 December</u><br><u>2011</u><br><u>\$</u> | <u>30 June</u><br><u>2011</u><br><u>\$</u> |
|----------------------------------------------|-------------|------------------------------------------------|--------------------------------------------|
| <b><u>CURRENT ASSETS</u></b>                 |             |                                                |                                            |
| Cash and cash equivalents                    |             | 17,886,391                                     | 16,052,230                                 |
| Trade and other receivables                  |             | 765,555                                        | 8,448,810                                  |
| Inventories                                  |             | 79,168                                         | 42,646                                     |
| Other assets                                 |             | 354,690                                        | 342,329                                    |
| <b><u>TOTAL CURRENT ASSETS</u></b>           |             | <u>19,085,804</u>                              | <u>24,886,015</u>                          |
| <b><u>NON-CURRENT ASSETS</u></b>             |             |                                                |                                            |
| Property, plant and equipment                |             | 764,379                                        | 302,704                                    |
| Intangible assets                            |             | 8,799,868                                      | 9,120,180                                  |
| <b><u>TOTAL NON-CURRENT ASSETS</u></b>       |             | <u>9,564,247</u>                               | <u>9,422,884</u>                           |
| <b><u>TOTAL ASSETS</u></b>                   |             | <u>28,650,051</u>                              | <u>34,308,899</u>                          |
| <b><u>CURRENT LIABILITIES</u></b>            |             |                                                |                                            |
| Trade and other payables                     |             | 1,400,100                                      | 1,713,141                                  |
| Borrowings                                   |             | 691,417                                        | 2,827,622                                  |
| Provisions                                   |             | 729,958                                        | 728,077                                    |
| Other financial liabilities                  |             | 15,399                                         | 163,484                                    |
| Other liabilities                            |             | 2,849                                          | 47,774                                     |
| <b><u>TOTAL CURRENT LIABILITIES</u></b>      |             | <u>2,839,723</u>                               | <u>5,480,098</u>                           |
| <b><u>NON-CURRENT LIABILITIES</u></b>        |             |                                                |                                            |
| Other payables                               |             | 50,000                                         | 50,000                                     |
| Borrowings                                   |             | 402,259                                        | 7,402                                      |
| Provisions                                   |             | 60,511                                         | 72,219                                     |
| <b><u>TOTAL NON-CURRENT LIABILITIES</u></b>  |             | <u>512,770</u>                                 | <u>129,621</u>                             |
| <b><u>TOTAL LIABILITIES</u></b>              |             | <u>3,352,493</u>                               | <u>5,609,719</u>                           |
| <b><u>NET ASSETS</u></b>                     |             | <u>25,297,558</u>                              | <u>28,699,180</u>                          |
| <b><u>EQUITY</u></b>                         |             |                                                |                                            |
| Issued capital                               |             | 87,702,490                                     | 87,690,990                                 |
| Reserves                                     |             | 747,163                                        | 694,861                                    |
| Accumulated losses                           |             | (63,152,095)                                   | (59,686,671)                               |
| Equity attributable to owners of the Company |             | <u>25,297,558</u>                              | <u>28,699,180</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 2011

| <u>Consolidated</u>                                                | <u>Issued capital</u> | <u>Foreign currency translation reserve</u> | <u>Share-based payments reserve</u> | <u>Hedging reserve</u> | <u>Asset revaluation reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|--------------------------------------------------------------------|-----------------------|---------------------------------------------|-------------------------------------|------------------------|----------------------------------|---------------------------|--------------|
|                                                                    | \$                    | \$                                          | \$                                  | \$                     | \$                               | \$                        | \$           |
| <b>Balance at 1 July 2010</b>                                      | 75,114,469            | (483,071)                                   | 1,164,664                           | -                      | 2,505,509                        | (52,835,683)              | 25,465,888   |
| Loss for the period                                                | -                     | -                                           | -                                   | -                      | -                                | (4,536,640)               | (4,536,640)  |
| Other comprehensive income for the period                          | -                     | (111,896)                                   | -                                   | (87,493)               | -                                | -                         | (199,389)    |
| Total comprehensive income for the period                          | -                     | (111,896)                                   | -                                   | (87,493)               | -                                | (4,536,640)               | (4,736,029)  |
| Employee share options                                             | -                     | -                                           | 48,255                              | -                      | -                                | -                         | 48,255       |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 24,000                | -                                           | -                                   | -                      | -                                | -                         | 24,000       |
| <b>Balance at 31 December 2010</b>                                 | 75,138,469            | (594,967)                                   | 1,212,919                           | (87,493)               | 2,505,509                        | (57,372,323)              | 20,802,114   |
| <b>Balance at 1 July 2011</b>                                      | 87,690,990            | (552,274)                                   | 1,247,135                           | -                      | -                                | (59,686,670)              | 28,699,181   |
| Loss for the period                                                | -                     | -                                           | -                                   | -                      | -                                | (3,465,425)               | (3,465,425)  |
| Other comprehensive income for the period                          | -                     | (71,812)                                    | -                                   | -                      | -                                | -                         | (71,812)     |
| Total comprehensive income for the period                          | -                     | (71,812)                                    | -                                   | -                      | -                                | (3,465,425)               | (3,537,237)  |
| Recognition of Share-based payments                                | -                     | -                                           | 124,114                             | -                      | -                                | -                         | 124,114      |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 11,500                | -                                           | -                                   | -                      | -                                | -                         | 11,500       |
| <b>Balance at 31 December 2011</b>                                 | 87,702,490            | (624,086)                                   | 1,371,249                           | -                      | -                                | (63,152,095)              | 25,297,558   |

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 2011

|                                                                                  | <b>Half-year ended</b>         |                                |
|----------------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                                  | <b><u>31 December 2011</u></b> | <b><u>31 December 2010</u></b> |
|                                                                                  | <b>\$</b>                      | <b>\$</b>                      |
| <b>Cash flows from operating activities</b>                                      |                                |                                |
| Grants received                                                                  | 568,648                        | 27,500                         |
| Receipts from customers                                                          | 1,529,781                      | 2,174,051                      |
| Payments to suppliers and employees                                              | (4,690,602)                    | (6,193,611)                    |
| Financing costs                                                                  | (24,761)                       | (116,182)                      |
| <b>Net cash outflow from operating activities</b>                                | <b>(2,616,934)</b>             | <b>(4,108,242)</b>             |
| <b>Cash flows from investing activities</b>                                      |                                |                                |
| Interest received                                                                | 321,129                        | 235,833                        |
| Proceeds from sale of PPE                                                        | 6,388,521                      | -                              |
| Payments for purchases of PPE                                                    | (521,016)                      | (10,383)                       |
| <b>Net cash inflow from investing activities</b>                                 | <b>6,188,634</b>               | <b>225,450</b>                 |
| <b>Cash flows from financing activities</b>                                      |                                |                                |
| Proceeds from share issues                                                       | 11,500                         | 24,000                         |
| Proceeds of borrowings                                                           | 522,840                        | -                              |
| Repayments of borrowings                                                         | (2,264,189)                    | (269,399)                      |
| <b>Net cash outflow from financing activities</b>                                | <b>(1,729,849)</b>             | <b>(245,399)</b>               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                    | <b>1,841,851</b>               | <b>(4,128,191)</b>             |
| Cash at the beginning of the half-year                                           | 16,052,230                     | 12,612,244                     |
| Effect of exchange rate changes on the balances of cash held in foreign currency | (7,690)                        | (8,839)                        |
| <b>Cash and cash equivalents at the end of the half-year</b>                     | <b>17,886,391</b>              | <b>8,475,214</b>               |

*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 2011

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#### NOTE 1: Summary of significant accounting policies

The Board has reviewed current operating plans and budgets and are of the opinion that sufficient cash flows adequate for the Company's requirements are in place.

#### 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 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect of the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

#### 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 are:

- Drug discovery
- Drug development
- Contract services

Drug discovery is the creation and ongoing testing of compounds to determine the best compound that matches the product profile. Drug development is defined as the ongoing testing including clinical trials of the best compound with a view to commercialisation of the compound. 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. The accounting policies of the reportable segments are the same as the Group's accounting policies.

##### 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><br><u>Half-year ended</u> |                    | <u>Segment result</u><br><u>Half-year ended</u> |                    |
|-----------------------------------|--------------------------------------------------|--------------------|-------------------------------------------------|--------------------|
|                                   | <u>31 Dec 2011</u>                               | <u>31 Dec 2010</u> | <u>31 Dec 2011</u>                              | <u>31 Dec 2010</u> |
|                                   | \$                                               | \$                 | \$                                              | \$                 |
| Drug discovery                    | 821,549                                          | 883,942            | (1,003,173)                                     | (872,641)          |
| Drug development                  | 81,995                                           | 68,439             | (1,698,589)                                     | (2,973,149)        |
| Contract services                 | 781,558                                          | 1,470,205          | (74,329)                                        | 399,755            |
|                                   | 1,685,102                                        | 2,422,586          | (2,776,091)                                     | (3,446,035)        |
| Less:                             |                                                  |                    |                                                 |                    |
| Intercompany revenue included in: |                                                  |                    |                                                 |                    |
| Contract services                 | (291,932)                                        | (456,190)          |                                                 |                    |
| Drug discovery                    | -                                                | (64,679)           |                                                 |                    |
| Investment & other revenue        | 662,650                                          | 387,608            | 662,650                                         | 387,608            |
|                                   | 2,055,820                                        | 2,289,325          | (2,113,441)                                     | (3,058,427)        |
| Unallocated financing costs       |                                                  |                    | (21,892)                                        | (45,106)           |
| Central administration costs      |                                                  |                    | (1,330,092)                                     | (1,433,107)        |
| Loss before income tax            |                                                  |                    | (3,465,425)                                     | (4,536,640)        |

Revenue reported above for Contract services and Drug discovery 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 costs and investment and other revenue. Financing costs are allocated to segments with a residual amount being unallocated financing costs.

**b) Segment Assets**

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

| <b>ASSETS</b>      | <u>31 Dec 2011</u> | <u>30 June 2011</u> |
|--------------------|--------------------|---------------------|
|                    | \$                 | \$                  |
| Drug discovery     | 2,013,240          | 1,858,722           |
| Drug development   | 6,986,457          | 6,958,258           |
| Contract services  | 1,324,257          | 2,197,506           |
|                    | 10,323,954         | 11,014,486          |
| Unallocated assets | 18,326,097         | 23,294,413          |
| Total assets       | 28,650,051         | 34,308,899          |

Assets used jointly by reporting segments are allocated on the basis of employee numbers of the individual reportable segment. The reduction in assets in the Contract services segment from the prior period is due to a reduction in the level of working capital (including cash on hand) necessary to manage the business and the relative strength of the Australian dollar compared to the Euro during the period (6.7% devaluation).



**NOTE 3: Equity securities issued**

|                                                | <u>Half-year</u>                                 |                                                  | <u>Half-year</u>         |                          |
|------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------|--------------------------|
|                                                | <u>2011</u><br><u>Number of</u><br><u>shares</u> | <u>2010</u><br><u>Number of</u><br><u>shares</u> | <u>2011</u><br><u>\$</u> | <u>2010</u><br><u>\$</u> |
| <b>Movements in ordinary share capital</b>     |                                                  |                                                  |                          |                          |
| Balance at the beginning of the half-year      | 344,731,779                                      | 318,354,279                                      | 87,690,990               | 75,114,469               |
| Shares issued:                                 |                                                  |                                                  |                          |                          |
| • to shareholders upon the exercise of options | 50,000                                           | 100,000                                          | 11,500                   | 24,000                   |
| Balance at the end of the half-year            | 344,781,779                                      | 318,454,279                                      | 87,702,490               | 75,138,469               |

**NOTE 4: Earnings per share**

|                        | <u>Half-year</u>            |                             |
|------------------------|-----------------------------|-----------------------------|
|                        | <u>2011</u><br><u>Cents</u> | <u>2010</u><br><u>Cents</u> |
| Basic loss per share   | (1.0)                       | (1.4)                       |
| Diluted loss per share | (1.0)                       | (1.4)                       |

|                                                                                                        | <u>Half-year</u>             |                              |
|--------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
|                                                                                                        | <u>2011</u><br><u>Number</u> | <u>2010</u><br><u>Number</u> |
| <b>Weighted average number of shares used as the denominator</b>                                       |                              |                              |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 344,739,714                  | 318,385,257                  |

**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: Subsequent events**

No matter or circumstance has arisen since 31 December 2011 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 other than described below.

On 5 January 2012, the Group announced a collaboration, research and licensing agreement had been entered into with Ironwood Pharmaceuticals, Inc. Since entering into this agreement, the initial payment of US\$3 million has been received. Under the agreement with Ironwood, Bionomics could receive up to US\$345 million pending achievement of certain development and regulatory milestones plus if successful, royalties on sales of products incorporating BNC210 and other related compounds.

**BIONOMICS LIMITED**  
**Directors' Declaration**

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, its changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Bionomics Limited will be able to pay its debts as and when they become due and payable.

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



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**Christopher Fullerton**  
**Chairman**



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**Deborah Rathjen**  
**CEO & Managing Director**

Dated at Adelaide this 14<sup>th</sup> day of February 2012.

## 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 statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes 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 11 to 18.

### *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 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 2011 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.

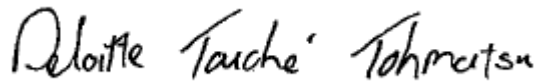
### *Auditor's Independence Declaration*

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 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 2011 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



Philip Teale  
Partner  
Chartered Accountants  
Adelaide, 14 February 2012