

Corporate Governance Statement

Bionomics Limited (the Company) and the Board are committed to achieving and applying a high standard of corporate governance taking into consideration the Company's size and the industry in which the Company operates.

The Company's Governance framework is consistent with the Australian Securities Exchange (ASX) Corporate Governance Council (ASX CGC) guidelines.

The relationship and division of responsibilities between the Board and other key management personnel is critical to the Company's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and for seeking an appropriate balance between sometimes competing objectives in determining the best interests of the Company. Their focus is to enhance the interests of shareholders and to ensure the Company is properly governed.

Day to day management of the Company's affairs, including the implementation of its approved strategy and policy initiatives, is delegated by the Board to the Chief Executive Officer and Managing Director and other key management personnel, except for matters expressly required by law to be approved by the Board. This delegation process has been formalised by the documentation of responsibilities between the Chairman and the Chief Executive Officer and Managing Director and incorporated into the Board's charter.

The following corporate governance framework has been implemented to ensure the highest level of corporate governance is achieved:

- establishment of an internal control framework focusing on key business risks;
- adoption of a code of professional ethics and conduct which applies to all directors, officers and employees;
- implementation of strict policies regarding related party transactions and the acquisition and disposal of the Company's securities by directors, officers and employees; and
- adoption of clear reporting and communication policies and procedures.

A description of the Company's main corporate governance practices is set out over. All these practices, unless otherwise stated, were in place for the entire year.

THE BOARD OF DIRECTORS

The Board of Directors (the Board) operates in accordance with the broad principles formally set out in its charter (Board Charter) that is available from the corporate governance section of the Company website at www.bionomics.com.au. The Board Charter details the Board's composition and responsibilities.

The Board Charter (inter alia) states:

- the Bionomics' Board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in fulfilling its primary responsibility of looking after the interests of Bionomics' shareholders. These interests are well served by also taking into consideration the interests of other stakeholders such as employees and affiliated institutions.
- the Board is to be comprised of both executive and non-executive directors with a majority of non-executive directors.
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the majority of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision making.
- the Board shall undertake an annual Board performance evaluation to identify any improvements necessary for both its operations and the Board Charter.

Corporate Governance Statement

Responsibilities of the Board

The responsibilities of the Board include:

- approving the strategic direction, objectives and annual financial budget of Bionomics and monitoring the implementation of those strategies and achievement of those objectives and budget.
- monitoring compliance with regulatory requirements and ethical standards.
- appointing and reviewing the performance of the Chief Executive Officer and Managing Director and of the performance of the Chief Executive Officer's direct reports in achieving corporate goals.
- approving announcements to shareholders and the ASX.
- approving significant third party agreements.
- issuing shares, options, equity instruments or other securities.
- developing Bionomics' corporate governance procedures, systems of risk management and internal compliance and control, codes of conduct (including human resources policies) and legal compliance.
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestures.
- assessing the composition of the Board and reviewing its processes and performance.

Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence status are set out in the Directors' Report under the heading 'Information on Directors'. At the date of signing the Directors' Report there were four non-executive directors (including the Chairman), all of whom are deemed independent under the principles set out below and one executive director.

The Board seeks to ensure that it is cognisant of the state of development of Bionomics as a company:

- at any point in time, its membership as a group has expertise in areas of current and future importance to the Company as it grows.
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' Independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

Issues relating to an assessment of the independence of a director will be determined by reference to the guidance provided by the Australian Securities Exchange Corporate Governance Council (ASX CGC) guidelines. The Board shall determine the thresholds of materiality from the perspective of both the Company and its directors in determining whether a director maintains his or her independence of mind.

Term of Office

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third AGM following their last election, however they may offer themselves for re-election.

Role of the Chairman and Chief Executive Officer and Managing Director

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's key management personnel.

The Chief Executive Officer and Managing Director is responsible for implementing the Company strategies and policies.

Corporate Governance Statement

Commitment

Regular Board meetings and reviews of strategy are held throughout the year to monitor performance against both the Board approved objectives and the Board's broad strategic plan.

The number of meetings of the Company's Board and of each Board committee held during the year ended 30 June 2014 and the number of meetings attended by each director is disclosed in the Directors' Report under the heading 'Meetings of Directors'.

It is the Company's practice to allow its executive director to accept appointments outside the Company with prior written approval of the Board.

Conflict of Interests

All Board members are required as a continuing obligation to immediately notify the Board in writing of any actual or potential conflicts of interest or any circumstance that may affect a Board member's level of independence.

Independent Professional Advice

Directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. Copies of this advice will be made available to, and for the benefit of, all Board members at the discretion of the Chairman.

Performance Assessment

In line with the timetables setting out the adoption of the ASX CGC guidelines the Board undertakes an annual self-assessment comparing its performance with the requirements of the Board Charter. In this process, the Chairman meets directors individually to assess how Board performance may be improved.

Diversity

Bionomics has implemented a diversity policy. While the key focus of the Diversity Policy and the ASX Corporate Governance Council's recommendations is on promoting the role of women within organisations, the Company recognises that other forms of diversity are also important and seeks to promote and facilitate a range of diversity initiatives throughout the Company beyond gender diversity including setting measurable objectives as necessary.

The Board will ensure that appropriate procedures and measures are introduced and delegated to the Audit and Risk Management Committee to ensure that the Company's diversity commitments are implemented appropriately.

With an extremely limited pool of appropriate candidates for many roles throughout the organisation, the Company considers that it would be detrimental to shareholder interest to recruit on any basis other than merit, as such no measurable objectives have been established at this time.

Recommendation 3.4 of the Principles of ASX listing rules (Guidance Note 9) requires ASX listed entities to disclose in the Annual Report the proportion of women in the whole organisation, in senior executive positions and on the Board at the end of year.

	Total	Board	Senior Executive	Other
All Staff	64	5	2	57
Female Staff	32	1	1	30
% of total	50%	20%	50%	53%

CORPORATE REPORTING

For each of the half-year and full-year results, the Chief Executive Officer and Managing Director and Chief Financial Officer are required to make the following certifications to the Board:

- that the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards; and

Corporate Governance Statement

- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control are operating efficiently and effectively in all material respects.

BOARD COMMITTEES

The Board has established one committee to assist in the execution of its duties and to allow detailed consideration of complex issues. This committee is the Audit and Risk Management Committee, which is comprised entirely of non-executive directors.

All matters determined by the committee are submitted to the full Board as recommendations for final Board decision. Minutes of committee meetings are tabled at a subsequent Board meeting.

There is no formal nomination committee for the Company. Nominations for the Board are considered by the full Board as part of normal business reviewed by the Board at its regular meetings.

Under the Board Charter, in the event that the Board believes a new director should be appointed, the Board shall review the range of skills, experience and expertise currently existing on the Board in relation to areas of current and future importance to the Company as it grows. Candidates are assessed against this review of needs and, where appropriate, advice is sought from independent search consultants.

Where the Board appoints a suitable candidate that person must stand for election at the next AGM of the Company.

Notices of meeting for the election of directors comply with the ASX CGC guidelines.

New directors will be provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their appointment.

Compensation Committee

Due to the size of the Board, all Compensation Committee functions are handled by the full Board rather than a subcommittee.

In this context, the Board decides on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors and non-executive directors.

All key management personnel sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. A formal establishment of annual objectives and subsequent evaluation of performance including a half-year review is conducted by the Chief Executive Officer and Managing Director with all key management personnel who report directly to that position.

Further information on directors' and other key management personnel's remuneration is set out in the Directors' Report and note 22 to the financial statements.

The Compensation Committee previously had responsibility for reviewing any transactions between the Company and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction was in compliance with the *Corporations Act 2001* and was appropriately disclosed. This is now the responsibility of the full Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

- Mr Trevor Tappenden (Chairman)
- Mr Graeme Kaufman

Details of the directors' qualifications and all attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report.

Corporate Governance Statement

The Audit and Risk Management Committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. This charter is available on the Company website.

The main responsibilities of the Committee are to:

- review, assess and recommend the annual and half-year financial statements to the Board; and
- assist the Board in fulfilling its oversight responsibilities through reviewing:
 - the financial reporting process;
 - the system of internal control and management of risks;
 - the audit process; and
 - the Company's process for monitoring compliance with laws and regulations.

Included in these responsibilities, the Audit and Risk Management Committee:

- reviews the external auditors' proposed audit scope, approach and their performance;
- makes recommendations to the Board regarding the re-appointment of the external auditors;
- considers the independence of the external auditors including the range of non-audit related services provided by the external auditors to the Company; and
- ensures the Company establishes an effective Risk Management Policy and ensures compliance.

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- receives regular reports from management and external auditors;
- reviews whether management is adopting systems and processes sufficient for a company of Bionomics' size and stage of development;
- reviews any significant disagreements between the external auditors and management, irrespective of whether they have been resolved;
- meets separately with external auditors at least twice a year without the presence of management; and
- provides external auditors with a clear line of direct communication at any time to either the Chairman of the Audit and Risk Management Committee or the Chairman of the Board.

The Audit and Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party and to obtain external legal or other professional advice.

EXTERNAL AUDITORS

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually by the Audit and Risk Management Committee which also makes recommendations to the Board about the appointment of audit services for subsequent periods, taking into consideration assessment of performance, existing value and costs.

Deloitte Touche Tohmatsu were appointed as external auditor in 2007. Deloitte's policy is to rotate engagement partners every five years in line with the requirements of the *Corporations Act 2001*.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 25 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to both the Audit and Risk Management Committee and the Board.

The external auditor is requested to attend the Annual General Meeting (AGM) and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RISK ASSESSMENT AND RISK MANAGEMENT

The Board, through the Audit and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, Company policies are designed to ensure significant strategic, operational, legal, reputational and financial risks are identified, assessed and effectively monitored and managed in a manner sufficient for a

Corporate Governance Statement

company of Bionomics' size and stage of development to enable achievement of the Company's business strategy and objectives.

The Company's risk management policies are managed by the key management personnel and other senior staff. The policies are reviewed by the Audit and Risk Management Committee according to a timetable of assessment and review proposed by that Committee and approved by the Board.

ENVIRONMENTAL, WORK HEALTH AND SAFETY MANAGEMENT POLICIES

The Company recognises the importance of work health and safety (WHS) and is committed to the highest levels of performance. To help meet this objective, policies have been established to facilitate the systematic identification of WHS issues and to ensure they are managed in a structured manner.

This system allows the Company to:

- monitor its compliance with all relevant legislation; and
- encourage employees to actively participate in the management of WHS issues.

The Company is in full compliance with all necessary environmental and other licensing requirements required for its research facilities in Thebarton (South Australia), San Diego (Bionomics Inc) and for Neurofit SAS (Neurofit) in France.

CODE OF CONDUCT

In its Board Charter, the Board has recognised its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in fulfilling its primary responsibility of looking after the interests of Bionomics' shareholders. The Board believes that the interests of shareholders are best served by also taking into account the interests of other stakeholders such as Bionomics' employees and individuals engaged in Bionomics' directed research at Bionomics' affiliated institutions.

The Board will work to promote and maintain an environment within Bionomics that establishes these principles as basic guidelines for all employees.

Bionomics has formalised a code of business conduct and ethics. A number of policies that relate to business conduct are in place including harassment prevention and share trading, with training provided to all employees as new policies are implemented.

Copies of the share trading policies for directors and employees are available on the Company's website.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has written policies and procedures that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at AGMs. These policies and procedures are available on the Company's website.

The Chief Executive Officer and Managing Director has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All announcements disclosed to the ASX are posted on the Company's website as soon as practical after disclosure to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders are entitled to receive a copy of the Company's Annual Report. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making all Company announcements, details of Company meetings, press releases for the last three years and financial statements available on the Company's website along with transcripts of the Chairman's and Chief Executive Officer and Managing Director's addresses to the Company's AGMs.

Corporate Governance Statement

The website also includes a feedback and information request mechanism for investors and shareholders via the Contact Us page of the website.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

The financial statements are prepared in accordance with AIFRS.

Directors' Report

Your directors present their report on the financial statements of the Group for the year ended 30 June 2014, comprising the parent entity Bionomics Limited (Bionomics) and its subsidiaries. In order to comply with the *Corporations Act 2001*, the directors report as follows:

Directors

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

- Mr Graeme Kaufman, Non-Executive Chairman
- Dr Deborah Rathjen, Chief Executive Officer and Managing Director
- Mr Trevor Tappenden, Non-Executive Director
- Dr Errol De Souza, Non-Executive Director
- Dr Jonathan Lim, Non-Executive Director

The directors held office during the whole of the financial year and since the end of the financial year.

Principal Activities

The principal activities of the Group during the period were:

- 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;
- to commercialise intellectual property assets; and
- 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

Consolidated revenue for the year to 30 June 2014 increased by 133% to \$27,545,996, predominately attributable to the Merck & Co (known as MSD outside the USA and Canada) research collaboration and license agreement announced on 24 June 2014 for commercialising BNC375. Grant funding and government assistance for the period was \$7,624,490 relating to the Research and Development (R&D) Tax Incentive introduced from 1 July 2011. This compared with revenues of \$3,724,169 and grant funding of \$8,101,787 for the year to 30 June 2013. The operating profit after tax of the Group for the year to 30 June 2014 was \$3,206,616 compared with the prior year after tax loss of \$10,001,350.

The cash position at 30 June 2014 was \$10,501,307 (2013: \$22,452,089). The current trade and other receivables balance includes the US\$20m receivable at 30 June 2014 (2013: nil) which has since been received, strengthening the consolidated Group's Statement of Financial Position.

The financial performance of key operating segments of Drug discovery, Drug development and Contract services are included in Note 3.

Review of Operations

Bionomics is developing innovative biopharmaceuticals to tackle serious diseases where there is a need for new treatments, such as cancer, Alzheimer's disease and pain. Our technology platforms give the company the capacity to generate small molecule and antibody therapeutics, the major forms of new drugs developed by Pharmaceutical companies. Bionomics was recognised by peers when named Innovative Asian Biotech of the Year at the 2014 BioPharma Asia Industry Awards.

Two major partnerships book-ended the year for Bionomics. The year commenced with the US\$172 million option and license agreement with Merck & Co (known as MSD outside the US and Canada), announced on 31 July 2013. This agreement is to develop novel small molecule candidates for the treatment of chronic pain, including neuropathic pain. Under the terms of the agreement, Merck has the option to exclusively license a compound from Bionomics for development and commercialisation.

The global pain treatment market recorded sales of US\$22 billion in 2010. However, as patent expiries loom, the global market value is anticipated by some analysts to contract to US\$18.7 billion by 2016. Within the global pain market the neuropathic pain market is expected to grow from US\$2.4 billion in 2010 to reach US\$3.6 billion by 2020. (The Pain Outlook to 2013, Scrip Business Insights 2011).

Directors' Report

In November 2013 Merck and Bionomics hosted a special Symposium at the BioSA Conference Centre in Adelaide. The meeting included renowned speakers from the field of pain research and focused on the clinical aspects of pain, novel targets for pain therapeutics and the overall pain landscape in Australia. Planning is already advanced for the second of what is anticipated to become an annual event to be hosted by Merck and Bionomics. The second Bionomics-Merck Symposium will focus on pain and migraines.

Towards year end, on 24 June 2014 Bionomics and Merck announced a second partnership, an exclusive Research Collaboration and License Agreement for Bionomics' BNC375 research program targeting cognitive dysfunction associated with Alzheimer's disease and other central nervous system conditions.

BNC375 and related compounds have displayed potent efficacy in animal cognitive impairment models with the results of Bionomics' research presented at prestigious international forums in the past year including at the invitation only COGNITO meeting in Denmark and at Neuroscience 2013 in San Diego.

Under the agreement, Merck will fund all research and development, including clinical development, and will be responsible for worldwide commercialisation of any products from the collaboration. Bionomics will receive upfront payments totalling US\$20 million and is eligible to receive up to US\$506 million for achievement of certain research and clinical development milestones in addition to undisclosed royalties on any product sales.

Alzheimer's is the most common type of dementia and thought to be caused by damage to nerve cells in the brain. Symptoms are characterised by a decline in memory or other thinking skills; it affects a person's everyday activities and is fatal. 1 in 9 Americans older than 65 years has Alzheimer's disease (5 million people). It is the 6th leading cause of death in the United States. By 2025 the number of Americans aged 65 and older with Alzheimer's is forecast to rise 40% to 7.1 million (2014 Alzheimer's disease, Alzheimer's Association). More than 332,000 Australians suffer from Alzheimer's disease.

In addition to the successes of its neuroscience programs, Bionomics continues to develop its cancer drug pipeline including compounds focused on cancer stem cells and solid tumours.

In February 2014 Bionomics announced results from the Phase I clinical trial of its BNC105 drug candidate in women with ovarian cancer after completing the enrolment of 15 patients for the Phase I portion of the trial during 2013. Ten patients achieved a positive response according to the RECIST 1.1 and/or GCIG CA125 criteria. The patients were treated with BNC105 in combination with the current standard therapy of carboplatin and gemcitabine. In line with the primary endpoint of the trial, 12mg/m² was identified as the recommended BNC105 dose to take into Phase II in this combination. These results were updated with the addition of biomarker data in June 2014 when the clinical trial data was presented in the US at ASCO. The results strongly support continued development of BNC105 in the ovarian cancer setting.

Ovarian cancer is the fifth leading cause of cancer related deaths in women. The market for ovarian cancer treatments is over \$2 billion per annum and there is a pressing need for more effective treatments.

In March 2014 Bionomics announced results of its international clinical trial of BNC105 in patients with kidney cancer which had spread beyond the kidney. The Phase 2 trial recruited 129 patients who had failed previous treatment with Tyrosine Kinase Inhibitors. Patients received either Afinitor (Novartis) or BNC105 in combination with Afinitor. Although the trial failed to achieve the primary endpoint, the DISRUPTOR-1 trial was ground breaking in demonstrating potential biomarkers that will enable selection of patients most likely to benefit from BNC105 and/or Afinitor in future clinical trials. Potential partners are increasingly looking for biomarkers to help design cancer clinical trials and this has been a strong and focussed element in the BNC105 development program.

Whilst BNC105 is known to target a broad range of solid tumour types, studies conducted in the laboratory of Dr Alan Eastman, Professor of Pharmacology and Toxicology at The Geisel School of Medicine, Dartmouth College, New Hampshire, USA and presented at this year's American Association for Cancer Research (AACR) meeting, highlight a new element in the mechanism of action of BNC105, being a potent activator of proteins that lead to cancer cell death. This suggests BNC105 is an excellent candidate for clinical trials to induce acute cancer cell death in blood cancers, in particular chronic lymphocytic leukemia (CLL).

Directors' Report

The depth of Bionomics' cancer medicines pipeline was highlighted at AACR in April. This meeting is attended by representatives from major pharmaceutical companies and academia, patient advocates and other cancer professionals worldwide. In addition to the poster presented by the Eastman laboratory on its BNC105 work, Bionomics presented the latest data on BNC101, which is in development for the treatment of colorectal cancer, pancreatic cancer and other solid tumour types. Bionomics' cancer stem cell antibody BNC101 specifically targets LGR5, a validated cancer stem cell target, and preclinical data demonstrates that the antibody is active in models of colorectal cancer, pancreatic cancer and triple-negative breast cancer. It has also shown effectiveness when combined with standard of care chemotherapy treatments in pancreatic cancer. Cancer stem cells are resistant to conventional therapies and tackling cancer stem cells is key to preventing recurrence in an approach which should complement all other therapies. BNC101 has now completed formal toxicology studies and Bionomics is targeting the initiation of a Phase I clinical trial in 2015.

Work on a fore-runner to Bionomics latest cancer drug candidate BNC420, BL-011256, was also presented at AACR. BNC420 is a novel VEGFR3 selective inhibitor, which suppresses tumour lymphatics and lymph node metastasis in an animal model of melanoma. The mechanism of action of both BL-011256 and Bionomics' new drug candidate BNC420 operates through the inhibition of this important receptor which controls the formation of tumour lymphatic vessels which in turn serve as conduits for cancer to spread to lymph nodes. This receptor is also involved in the suppression of immune responses to tumours, an emerging area of significant interest in cancer treatment. BNC420 was discovered in collaboration with the Co-operative Research Centre for Cancer Therapeutics (CTX). In February 2014 Bionomics was pleased to announce the CTX had received a further \$34 million over six years as an extension to the Australian Government's Co-operative Research Centre initiative. During the extension, which is for a period of 6 years, the collaboration will focus on new treatments for childhood cancers, metastasis and cancer stem cells. During the year Bionomics took the decision to de-prioritise the RET cancer drug discovery program as it was no longer aligned with the Company's focus on cancer stem cell therapeutics.

Outlook

With its first recorded profit, Bionomics is well financed having received US\$20 million from Merck post 30 June 2014, and with an anticipated \$7.5 million to be received from the Federal Government R&D Tax Incentive in addition to the \$10.5 million cash held at 30 June 2014.

The Company will focus on its important relationship with Merck in pain and cognition to bring new treatments to patients suffering chronic pain and sufferers of Alzheimer's Disease, Parkinson's disease, Schizophrenia and ADHD which are amongst the disorders where cognitive impairment is a significant problem.

Bionomics will continue to execute its partnership strategy across its portfolio of oncology and neuroscience programs, whilst progressing clinical and preclinical development of its drug candidates including BNC101 and BNC420.

Dividends

The directors do not propose to make any recommendation for dividends for the current financial year. There were no dividends declared in respect of the previous financial year.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the results of the operations of the Group.

Likely Developments and Expected Results of Operations

The Group will continue to undertake drug discovery and will seek to commercialise the outcomes of its research and development in the form of diagnostic products and drugs for the treatment of disease.

Environmental Regulation

The Group is subject to environmental regulations and other licenses in respect of its research facilities in Thebarton (South Australia), Bionomics Inc in San Diego and for Neurofit in France. The Group is subject

Directors' Report

to regular inspections and audits by responsible State and Federal authorities. The Group was in compliance with all the necessary environmental regulations throughout 2013/2014 and no related issues have arisen since the end of the financial year to the date of this report.

INFORMATION ON DIRECTORS

Mr Graeme Kaufman

Chairman – Non-Executive

Director since 18 September 2012

Experience and Expertise

Mr Kaufman has wide ranging experience across the biotechnology sector, spanning scientific, commercial and financial areas. His experience with CSL Limited, Australia's largest biopharmaceutical company included responsibility for all of their manufacturing facilities, and the operation of an independent business division operating in the high technology medical device market. As CSL's General Manager Finance, Mr Kaufman had global responsibility for finance, strategy development, human resources and information technology. Mr Kaufman has also served as an executive director of ASX-listed Circadian Technologies and a non-executive director of Amrad Corporation. He was previously Executive Vice President Corporate Finance with Mesoblast Limited and is currently a non-executive director of IDT Australia Limited and Cellmid Limited.

Current Directorships (in addition to Bionomics Limited)

Listed: Non-Executive Director, Cellmid Limited (ASX:CDY) (since August 2012); Chairman, IDT Australia Limited (ASX:IDT) (since June 2013)

Unlisted: Paradigm BioPharmaceuticals Limited

Former Listed Directorships in Last Three Years

None

Special Responsibilities

Member of Audit and Risk Management Committee

Interests in Shares and Options at Date of Report

178,750 ordinary shares in Bionomics Limited

1,000,000 unlisted options over ordinary shares in Bionomics

Dr Deborah Rathjen BSc (Hons), MAICD, PhD

Chief Executive Officer and Managing Director

Director since 18 May 2000

Experience and Expertise

Dr Rathjen joined Bionomics in 2000 from Peptech Limited, where she was general manager of business development and licensing. Dr Rathjen was a co-inventor of Peptech's TNF technology and leader of the company's successful defence of its key TNF patents against a legal challenge by BASF. Dr Rathjen has significant experience in company building and financing, mergers and acquisitions, therapeutic product research, business development and licensing and specific expertise in inflammation and cancer. Dr Rathjen is Chairperson of the AusBiotech Board.

Current Directorship (in addition to Bionomics Limited)

Listed: Nil

Other: Director and Chairperson of AusBiotech Limited (since 2008), Director of CRC Cancer Therapeutics

Former Listed Directorships in Last Three Years

None

Special Responsibilities

Chief Executive Officer and Managing Director

Directors' Report

Interests in Shares and Options at Date of Report

1,910,401 ordinary shares in Bionomics Limited
2,715,000 unlisted options over ordinary shares in Bionomics Limited

Mr Trevor Tappenden CA, FAICD Non-Executive Director

Director since 15 September 2006

Experience and Expertise

Mr Tappenden commenced a career as a Non-Executive Director in 2003 after a career with Ernst & Young spanning 30 years. During his time at Ernst & Young Mr Tappenden held a variety of positions including Managing Partner of the Melbourne Office, member of the Board of Partners, Head of the Victorian Government Services Group and National Director of the Entrepreneurial Services Division. He holds directorship in various private, government and not-for-profit organisations and is the Chairman of the Audit and Risk Management Committees of many of those organisations.

Current Directorships (in addition to Bionomics Limited)

Listed companies: Nil

Other: Director, Buckfast Pty Ltd; Director, Advanced Manufacturing CRC; Director & Chairman, Intellicomms Pty Ltd; Director, RMIT University Vietnam; Director (Chairman), RMIT University Foundation

Former Listed Directorships in Last Three Years

Director, Metal Storm Limited

Special Responsibilities

Chairman of Audit and Risk Management Committee

Interests in Shares and Options at Date of Report

307,500 ordinary shares in Bionomics Limited
300,000 unlisted options over ordinary shares in Bionomics Limited

Dr Errol De Souza Non-Executive Director

Director since 28 February 2008

Experience and Expertise

Dr De Souza is a leader in the development of therapeutics for treatment of central nervous system (CNS) disorders. He is currently President and CEO of leading US company Biodel Inc (Nasdaq:BIOD) and is the former President and CEO of US biotech companies Archemix Corporation and Synaptic Pharmaceutical Corporation. Dr De Souza formerly held senior management positions at Aventis and its predecessor Hoechst Marion Roussel Pharmaceuticals, Inc. Most recently, he was Senior Vice President and Site Head of US Drug Innovation and Approval (R&D), at Aventis, where he was responsible for the discovery and development of drug candidates through Phase IIa clinical trials for CNS and inflammatory disorders. Prior to Aventis, he was a co-founder and Chief Scientific Officer of Neurocrine Biosciences (Nasdaq:NBIX). Dr De Souza has served on multiple editorial boards, National Institutes of Health (NIH) Committees and is currently a Director of several public and private companies.

Current Directorships (in addition to Bionomics Limited)

Listed companies: Director of Biodel Inc (Nasdaq:BIOD), Director of Targacept, Inc (Nasdaq:TRGT)

Former Listed Directorships in Last Three Years

Massachusetts Biotechnology Council

Special Responsibilities

None

Interests in Shares and Options at Date of Report

146,698 ordinary shares in Bionomics Limited
400,000 unlisted options over ordinary shares in Bionomics Limited

Directors' Report

Dr Jonathan Lim Non-Executive Director

Director since 14 September 2012

Experience and Expertise

Jonathan Lim, MD is Chairman, CEO and Co-Founder of Ignyta, Inc. (NASDAQ: RXDX), an oncology precision medicine biotechnology company that he helped take public in October 2013 and raised nearly \$120 million during the subsequent six months, and advanced the clinical development of RXDX-101, the company's lead product candidate. He is also Managing Partner of City Hill Ventures, LLC, which he established in 2010 prior to co-founding Eclipse in early 2011. Dr Lim was formerly President, CEO, and Board Director of Halozyme Therapeutics, Inc. where he grew the company from five employees and a market value of \$5 million in May 2003 to 140 employees and peak market capitalisation of nearly \$1 billion during his tenure. Under Dr Lim's eight years of leadership, the company went public and raised \$300 million from financing and corporate partnerships with Roche and Baxter, achieved two US FDA approvals and built a late stage pipeline of two Phase III, two Phase II, and two Phase I product candidates. Dr Lim's prior experience includes management consulting at McKinsey, NIH Postdoctoral Fellowship at Harvard and general surgery residency at New York Hospital-Cornell. He has BS and MS degrees from Stanford, MD from McGill and MPH from Harvard.

Current Directorships (in addition to Bionomics Limited)

Listed companies: Ignyta, Inc (Nasdaq: RXDX)

Other: Managing Partner, City Hill Ventures, LLC

Former Listed Directorships in Last Three Years

President, Halozyme Therapeutics, Inc (Nasdaq:HALO)

Special Responsibilities

None

Interests in Shares and Options at Date of Report

5,091,828 ordinary shares in Bionomics Limited

500,000 unlisted options over ordinary shares in Bionomics Limited

Ms Melanie Young

Chief Financial Officer and Company Secretary

Ms Young has over 15 year's experience, with six years in the medical device field, including two years as CFO of an ASX-listed company covering all facets of the company's global finance function. In particular, her considerable commercial experience in listed company reporting requirements, international finances and working capital management complements the Bionomics team. Ms Young has also gained experience in negotiating distributor agreements, due diligence, cost reduction strategies and improving operating efficiencies. Previously Ms Young worked for Deloitte Touche Tohmatsu in the Growth Solutions Division. Ms Young holds a Bachelor of Commerce from Deakin University and is a Chartered Accountant.

Meetings of Directors

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Meetings of directors		Meetings of Audit and Risk Management (ARM) Committee	
	Held	Attended	Held	Attended
Mr Graeme Kaufman	9	9	4	4
Dr Deborah Rathjen	9	9	*	*
Mr Trevor Tappenden	9	9	4	4
Dr Errol De Souza	9	8	*	*
Dr Jonathan Lim	9	9	*	*

* = Not a member of the relevant committee, may attend by invitation.

Directors' Report

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation
5. Additional information

1. Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Group's key management personnel remuneration framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns key management personnel rewards with achievement of strategic objectives and the creation of value for shareholders.

Key management personnel remuneration and other terms of employment are determined by the Board having regard to performance, relevant comparative information and the Group's financial performance.

Remuneration packages are set at levels that are intended to attract and retain first class key management personnel capable of managing the Group's operations and achieving the Group's strategic objectives.

The framework provides a mix of base cash remuneration and performance-based remuneration through the Bionomics Limited Employee Share Option Plan (the Bionomics ESOP) in order to align the interests of key management personnel with those of shareholders.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands that are made on and the responsibilities of the directors.

Non-executive directors may receive share options at the time of their initial appointment to the Board or at other such times as approved by shareholders.

Directors' Fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit that is periodically recommended for approval by shareholders under the Constitution. The current aggregate non-executive directors' fee pool limit is \$500,000 per annum (as approved by shareholders at the AGM held on 14 November 2012). The Chairman and non-executive directors' fees are \$120,000 per annum and \$65,000 per annum respectively, inclusive of superannuation. The Chairman of the Audit and Risk Management Committee, Mr Trevor Tappenden, received an additional \$15,000 per annum inclusive of superannuation for services relating to his Audit and Risk Management Committee duties. Dr Errol De Souza received an additional \$15,000 per annum inclusive of superannuation for being a member of the Scientific Advisory Board.

Any value that may be attributed to options issued to non-executive directors is not included in the shareholder approved aggregate limit of directors' fees applying from time to time.

Retirement Allowance for Directors

The Group does not provide retirement allowances for its non-executive directors.

Key Management Personnel Remuneration

The key management personnel pay and reward framework has three components:

- a cash remuneration package, including superannuation and other entitlements;
- longer-term incentives through participation in the Bionomics ESOP; and
- in exceptional circumstances, a cash bonus may be paid.

The combination of these comprises the key management personnel's total remuneration.

Directors' Report

Base Remuneration

The cash remuneration package of key management personnel is structured as a total employment cost package that may be delivered as a mix of cash and prescribed salary sacrifice benefits at the key management personnel's discretion, inclusive of superannuation or equivalent retirement benefits.

Remuneration levels are reviewed annually and an assessment made against market comparable roles balanced with individual key management personnel's performance and the Group's financial position. The key management personnel's remuneration may also be reviewed on promotion. The Board reviews and approves the salary of the Chief Executive Officer and Managing Director and other key management personnel directly reporting to the Chief Executive Officer and Managing Director.

There is no link between the company's performance and the setting of remuneration except as discussed on pages 19 and 20 in relation to options and cash bonuses for certain executives.

There are no guaranteed base pay increases for key management personnel.

Retirement Benefits

Retirement benefits through superannuation (or local equivalent) are paid for all Group employees in line with relevant legislative requirements into funds nominated by the individual employee. The Group does not have any on-going responsibility for the individual employee superannuation and does not have in place a defined benefits plan for employees.

The Bionomics ESOP

Information on the Bionomics ESOP is set out in section 4 of this Remuneration Report.

2. Details of Remuneration

Details of the remuneration of each director of Bionomics and each of the other key management personnel (as defined in the *Corporations Act, 2001*) are set out in the following tables.

Non-Executive Chairman

Mr Graeme Kaufman

Executive Director

Dr Deborah Rathjen, Chief Executive Officer and Managing Director

Non-Executive Directors

Mr Trevor Tappenden

Dr Errol De Souza

Dr Jonathan Lim

The following persons were the key company and group executives and those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity (Key Management Personnel) during the financial year and the prior year unless otherwise stated:

Name

Dr Deborah Rathjen

Dr José Iglesias

Ms Melanie Young

Position

Chief Executive Officer and Managing Director

Chief Medical Officer

Chief Financial Officer and Company Secretary

Details of options granted by Bionomics to and exercised by directors, other key management personnel and the five highest remunerated officers during the year ended 30 June 2014 are set out further in this report.

Directors' Report

Directors and Other Key Management Personnel – 2014

Name	Short-term benefits		Post employment	Share-based payments			Total \$
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Shares \$	Options \$	Options % of Total %	
Mr Graeme Kaufman	109,876	-	10,164	-	76,509	38.93	196,549
Mr Trevor Tappenden	73,227	-	6,773	-	-	-	80,000
Dr Errol De Souza	80,000	-	-	-	-	-	80,000
Dr Jonathan Lim	65,000	-	-	-	23,305	26.39	88,305
Dr Deborah Rathjen	407,637	75,368	17,775	-	17,892	3.45	518,672
Dr José Iglesias	378,941	-	-	-	51,387	11.94	430,328
Ms Melanie Young	160,838	12,224	16,008	-	42,742	18.44	231,812
	1,275,519	87,592	50,720	-	211,835	13.02	1,625,666

Directors and Other Key Management Personnel – 2013

Name	Short-term benefits		Post employment	Share-based payments			Total \$
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Shares \$	Options \$	Options % of Total %	
Mr Graeme Kaufman ³	78,249	-	7,042	-	16,551	16.25	101,842
Mr Christopher Fullerton ⁵	48,739	-	4,386	-	16,586	23.79	69,711
Mr Trevor Tappenden	73,395	-	6,605	-	-	-	80,000
Dr Errol De Souza	80,000	-	-	-	1,024	1.26	81,024
Dr Jonathan Lim ²	51,458	-	-	-	16,551	24.34	68,009
Dr Deborah Rathjen ¹	419,820	53,710	16,470	-	(8,255)	(1.71)	481,745
Dr José Iglesias ⁴	270,330	-	-	-	2,398	0.88	272,728
Ms Melanie Young	156,047	13,678	15,275	-	51,170	21.67	236,170
	1,178,038	67,388	49,778	-	96,025	6.90	1,391,229

¹2013 includes the reversal of the estimated fair value of options at 30 June 2013 (\$48,900) and the actual fair value at vesting date 15 August 2012 of \$33,300.

²Appointed 14 September 2012

³Appointed 18 September 2012

⁴Appointed 1 November 2012

⁵Retired 31 December 2012

Options are granted to directors and other key management personnel under the Bionomics ESOP, details of which are set out in section 4 of this Remuneration Report.

No director or senior management person appointed during the period received a payment as part of their consideration for agreeing to hold the position.

3. Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer and Managing Director and the other key management personnel are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below:

Directors' Report

Dr Deborah Rathjen, *Chief Executive Officer and Managing Director*

- Term of agreement – 5 years commencing 15 October 2010.
- Total remuneration package for the year ended 30 June 2014 of \$500,780 per annum (excluding options), to be reviewed annually by the Board.
- Payment of termination benefit on early termination by the employer without cause equal to six months' salary. In the event of redundancy, purchase or merger of Bionomics by a third party resulting in a material diminution in duties, an additional six months' salary will be paid.

Dr José Iglesias, *Chief Medical Officer*

- Term of agreement – open, commencing 1 November 2012.
- Total remuneration package for the year ended 30 June 2014 of \$378,941 per annum, pro-rated (excluding options) to be reviewed annually by the Chief Executive Officer & Managing Director and approved by the Board.
- Payment of termination benefit on early termination by the employer without cause equal to three months' salary. In the event of redundancy, purchase or merger of Bionomics by a third party resulting in a material diminution in duties, six months' salary will be paid.

Ms Melanie Young, *Chief Financial Officer and Company Secretary*

- Term of agreement – open, commencing 9 May 2011.
- Total remuneration package for the year ended 30 June 2014 of \$189,070 per annum (excluding options and shares) to be reviewed annually by the Chief Executive Officer and Managing Director and approved by the Board.
- Payment of termination benefit on early termination by the employer without cause equal to three months' salary. In the event of redundancy, purchase or merger of Bionomics by a third party resulting in a material diminution in duties, six months' salary will be paid.

4. **Share-based Compensation**

Share-based compensation benefits are provided to employees via the Bionomics ESOP and an Employee Share Plan.

The market value of shares issued to employees for no cash consideration under the Employee Share Plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become unconditionally entitled to the shares.

The Bionomics ESOP was approved by the Board and Shareholders in 2011. Staff eligible to participate in the plan are those who have been a full-time or part-time employee of the Group for a period of not less than six months or a director of the Company.

Options are granted under the plan for no consideration and vest equally over five years, unless they are bonus options which vest immediately.

The amounts disclosed as remuneration relating to options are the assessed fair values at grant date of those options allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Option Modification

The terms of the options under the Bionomics ESOP were modified at 30 June 2014 for all options on issue prior to the fully underwritten 1:8 non-renounceable rights issue announced on 4 March 2013. The exercise price for all outstanding options have now been adjusted under ASX Listing Rule 6.22 and are shown in note 18(d)(i).

The terms and conditions of each grant of options affecting remuneration of directors, other key management personnel and any of the top five salaried officers in this or future reporting periods are as follows:

Directors' Report

Grant date	Expiry date	Revised Exercise price	Fair value per option at grant date	Vesting date
Granted in prior periods				
November 2006	16 November 2014	\$0.2976	\$0.1264	16 November 2009
	16 November 2015	\$0.2976	\$0.1307	16 November 2010
	16 November 2016	\$0.2976	\$0.1343	16 November 2011
November 2008	5 November 2014	\$0.2976	\$0.0963	5 November 2009
	5 November 2015	\$0.2976	\$0.1042	5 November 2010
	5 November 2016	\$0.2976	\$0.1114	5 November 2011
	5 November 2017	\$0.2976	\$0.1178	5 November 2012
	7 August 2014	\$0.3692	\$0.0828	7 August 2009
	7 August 2015	\$0.3692	\$0.0915	7 August 2010
	7 August 2016	\$0.3692	\$0.0993	7 August 2011
November 2011	25 November 2016	\$0.6116	\$0.1527	25 November 2011
	25 November 2016	\$0.9186	\$0.0333	15 August 2012
December 2011	12 December 2017	\$0.5156	\$0.2344	12 December 2012
	12 December 2018	\$0.5156	\$0.2487	12 December 2013
	12 December 2019	\$0.5156	\$0.2611	12 December 2014
	12 December 2020	\$0.5156	\$0.2720	12 December 2015
	12 December 2021	\$0.5156	\$0.2818	12 December 2016
August 2012	1 August 2017	\$0.2846	\$0.0942	1 August 2012
December 2012	11 December 2017	\$0.2846	\$0.1130	11 December 2012
	11 December 2018	\$0.3176	\$0.1226	11 December 2013
	11 December 2019	\$0.3176	\$0.1310	11 December 2014
	11 December 2020	\$0.3176	\$0.1383	11 December 2015
	11 December 2021	\$0.3176	\$0.1449	11 December 2016
	11 December 2022	\$0.3176	\$0.1509	11 December 2017
June 2013	5 June 2019	\$0.3873	\$0.1425	5 June 2014
	5 June 2020	\$0.3873	\$0.1525	5 June 2015
	5 June 2021	\$0.3873	\$0.1614	5 June 2016
	5 June 2022	\$0.3873	\$0.1696	5 June 2017
	5 June 2023	\$0.3873	\$0.1768	5 June 2018
Granted in current period				
August 2013	12 August 2018	\$0.3301	\$0.2668	12 August 2013
December 2013	17 December 2018	\$0.3301	\$0.3253	17 December 2013
	11 December 2018	\$0.7224	\$0.2304	11 December 2013
	11 December 2019	\$0.7224	\$0.2519	11 December 2014
	11 December 2020	\$0.7224	\$0.2706	11 December 2015
	11 December 2021	\$0.7224	\$0.2874	11 December 2016
	11 December 2022	\$0.7224	\$0.3023	11 December 2017

Options granted under the plan carry no dividend or voting rights.

Options Provided as Remuneration under the ESOP in the Current Year

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the other key management personnel are set out below. When exercisable, each option is convertible into one ordinary share of Bionomics.

During the year, and since the end of the year, options were issued to the following directors and other key management personnel:

Name	Number granted	Date granted	Total fair value \$	Number vested	% of grant vested	% of grant forfeited
Ms Melanie Young ¹	60,000	12 Aug 2013	16,008	60,000	100%	-
Dr José Iglesias ¹	65,000	12 Aug 2013	17,342	65,000	100%	-
Dr Deborah Rathjen ¹	55,000	17 Dec 2013	17,892	55,000	100%	-
Mr Graeme Kaufman ²	500,000	17 Dec 2013	134,258	100,000	20%	-

¹The options vested immediately.

²The options vest after completion of a specified service period.

Directors' Report

Options Exercised in the Current Year

During the year, the following directors and other key management personnel exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Bionomics.

Name	Number of options exercised	Number of ordinary shares issued	Amount paid \$	Amount unpaid \$
Dr Deborah Rathjen	95,000	95,000	35,302	-
Dr Errol De Souza	100,000	100,000	30,000	-
Mr Trevor Tappenden	100,000	100,000	30,000	-

The following table summarises the value of options granted, exercised or lapsed during the financial year to directors and other key management personnel:

Name	Value of options grant at the grant date ¹ \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse ² \$
Dr Deborah Rathjen	17,892	69,350	-
Mr Graeme Kaufman	134,258	-	-
Dr Errol De Souza	-	76,000	-
Mr Trevor Tappenden	-	84,000	-
Dr José Iglesias	17,342	-	-
Ms Melanie Young	16,008	-	-

¹The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

²The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition has been satisfied.

5. Additional Information

Principles Used to Determine the Nature and Amount of Remuneration; Relationship between Remuneration and Company Performance

Base salary amounts are determined based on market information for similar roles in comparable industries. Other than market information, there is no link between the base salary determination and Company performance. The calculation of the key management personnel annual bonus is set against the achievement of specified milestones and targets approved by the Board. Milestones and targets generally relate to achieving developmental milestones for each pipeline project, such as achieving IND registrations by particular dates or project related milestones by particular dates. These milestones are established to support the Company achieving its overall objectives.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2014.

	30 June 2014 \$	30 June 2013 \$	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$
Revenue	19,921,506	3,724,169	6,834,709	4,071,798	3,848,469
Net Profit/(Loss) before tax	3,946,945	(9,963,175)	(3,328,896)	(10,106,903)	(8,214,082)
Net Profit/(loss)Loss after tax	3,206,616	(10,001,350)	(3,136,238)	(9,356,497)	(8,214,082)

Directors' Report

	30 June 2014 cents	30 June 2013 cents	30 June 2012 cents	30 June 2011 cents	30 June 2010 cents
Share price at start of year	34.0	30.0	55.5	27.0	21.0
Share price at end of year	55.0	34.0	30.0	55.5	27.0
Dividends paid	-	-	-	-	-
Basic earnings per share	0.8	(2.7)	(0.9)	(2.9)	(2.7)
Diluted earnings per share	0.8	(2.7)	(0.9)	(2.9)	(2.7)

Other Transactions with Directors and Other Key Management Personnel

There were no other transactions with Directors or other key management personnel during the financial year.

OTHER INFORMATION

Shares Under Option

Information relating to shares under option is set out in section 4 of the Remuneration Report. The total number of shares under option at 30 June 2014 was 9,458,782.

Shares Issued on the Exercise of Options

1,488,242 ordinary shares of Bionomics were issued during the year ended 30 June 2014 on the exercise of options granted under the Bionomics ESOP.

Insurance of Officers

During the financial year, the Company paid a premium to insure the Directors and Officers (D&O) of the Company. Under the terms of this policy the premium paid by the Company is not permitted to be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the D&O in their capacity as D&O of the Company, and any other payments arising from liabilities incurred by the D&O in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the D&O or the improper use by the D&O of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-Audit Services

The Company may decide to employ the external auditor on assignments additional to their statutory audit duties where the external auditor's expertise and experience with the Group are important.

Details of the amounts paid to the external auditor for audit and non-audit services provided during the year are set out in note 25 to the financial statements.

The Board has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the external auditor, as set out in note 25 to the financial statements, did not compromise the external auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity, impartiality and objectivity of the external auditor; and

Directors' Report

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110, *Code of Ethics for Professional Accountants*, issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the external auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

External Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.


A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

This directors' report is signed in accordance with a resolution of directors made pursuant to Section 298(2) of the *Corporations Act 2001*.



Graeme Kaufman
Chairman
Adelaide

19 August 2014



Deborah Rathjen
Chief Executive Officer and Managing Director
Adelaide

19 August 2014

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

19 August 2014

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 audit of the financial statements of Bionomics Limited for the financial year ended 30 June 2014, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Philip Teale
Partner
Chartered Accountants

BIONOMICS LIMITED

ABN 53 075 582 740

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

TABLE OF CONTENTS

FINANCIAL STATEMENTS	PAGE
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	24
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE FINANCIAL STATEMENTS.....	28
DIRECTORS' DECLARATION	66
INDEPENDENT AUDIT REPORT	67

This financial statement covers both Bionomics Limited ("Bionomics") as an individual entity (note 29) and the Group consisting of Bionomics and its subsidiaries. A description of the nature of the Group's operations and its principal activities is included throughout the Annual Report and the Directors' Report. The financial statement is presented in Australian dollars.

Bionomics is a company limited by shares, incorporated and domiciled in Australia. It is listed on the ASX (ASX:BNO) and its registered office is 31 Dalgleish Street, Thebarton, SA 5031.

Through the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial statements and other information are available on our website www.bionomics.com.au.

Bionomics Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Continuing operations			
Revenue	4	19,921,506	3,724,169
Other income	4	7,624,490	8,101,787
		<u>27,545,996</u>	<u>11,825,956</u>
Expenses			
Administrative	5	2,666,597	3,352,156
Financing costs		609,502	78,198
Occupancy		1,927,483	1,586,144
Compliance		603,702	601,944
Loss on disposal of assets		6,765	184
Research and development		17,785,002	16,170,505
Profit/(Loss) before tax		<u>3,946,945</u>	<u>(9,963,175)</u>
Income tax expense	6	<u>740,329</u>	<u>38,175</u>
Profit/(Loss) after tax		<u>3,206,616</u>	<u>(10,001,350)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(355,014)	1,894,514
Total comprehensive income for the year		<u>2,851,602</u>	<u>(8,106,836)</u>
Profit/(Loss) attributable to:			
Owners of the Company		<u>2,851,602</u>	<u>(8,106,836)</u>
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
	Note	2014 Cents	2013 Cents
Basic Earnings/(Loss) per share	27	0.8	(2.7)
Diluted Earnings/(Loss) per share	27	0.8	(2.7)

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

Bionomics Limited
Consolidated Statement of Financial Position
as at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
CURRENT ASSETS			
Cash and bank balances	7	10,501,307	22,452,089
Trade and other receivables	8	20,740,347	705,722
Inventories	9	83,423	98,526
Current tax asset	6	244,965	36,648
Other assets	10	7,948,026	7,422,513
TOTAL CURRENT ASSETS		39,518,068	30,715,498
NON-CURRENT ASSETS			
Property, plant and equipment	12	828,361	842,850
Intangible assets	13	24,714,188	22,052,744
TOTAL NON-CURRENT ASSETS		25,542,549	22,895,594
TOTAL ASSETS		65,060,617	53,611,092
CURRENT LIABILITIES			
Trade and other payables	14	4,038,054	4,283,609
Borrowings	15	788,600	680,376
Provisions	16	1,186,482	1,081,086
Other liabilities	17	3,267,589	37,447
TOTAL CURRENT LIABILITIES		9,280,725	6,082,518
NON-CURRENT LIABILITIES			
Other payables	14	310,794	306,410
Borrowings	15	505,641	400,159
Provisions	16	108,320	66,327
Deferred tax liability	6	4,340,443	-
Contingent consideration	30	5,696,087	5,348,695
TOTAL NON-CURRENT LIABILITIES		10,961,285	6,121,591
TOTAL LIABILITIES		20,242,010	12,204,109
NET ASSETS		44,818,607	41,406,983
EQUITY			
Capital	18	111,721,671	111,312,572
Reserves	19	2,714,579	2,918,670
Accumulated losses	20	(69,617,643)	(72,824,259)
Equity attributable to owners of the Company		44,818,607	41,406,983

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

Bionomics Limited
Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2014

	Issued capital \$	Other capital contributed	Foreign currency translation reserve \$	Share- based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2012	87,834,778	-	(645,886)	1,533,134	(62,822,909)	25,899,117
Loss for the period	-	-	-	-	(10,001,350)	(10,001,350)
Exchange differences on translation of foreign operations	-	-	1,894,514	-	-	1,894,514
Total comprehensive income			1,894,514		(10,001,350)	(8,106,836)
Recognition of share-based payments	-	-	-	136,908	-	136,908
Rights Issue net of costs	15,602,162					15,602,162
Issue of ordinary shares under Employee Share Option Plan	227,041	-	-	-	-	227,041
Issue of ordinary shares, net of transaction costs & income tax	6,116,024	1,532,567	-	-	-	7,648,591
Balance at 30 June 2013	109,780,005	1,532,567	1,248,628	1,670,042	(72,824,259)	41,406,983
Balance at 1 July 2013	109,780,005	1,532,567	1,248,628	1,670,042	(72,824,259)	41,406,983
Profit for the period	-	-	-	-	3,206,616	3,206,616
Exchange differences on translation of foreign operations	-	-	(355,014)	-	-	(355,014)
Total comprehensive income			(355,014)		3,206,616	2,851,602
Recognition of share-based payments	-	-	-	150,923	-	150,923
Rights Issue net of costs	-	-	-	-	-	-
Issue of ordinary shares under Employee Share Option Plan	412,661	-	-	-	-	412,661
Issue of ordinary shares, net of transaction costs & income tax	1,529,005	(1,532,567)	-	-	-	(3,562)
Balance at 30 June 2014	111,721,671	-	893,614	1,820,965	(69,617,643)	44,818,607

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

Bionomics Limited
Consolidated Statement of Cash Flows
for the financial year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
R&D Incentive received		7,004,342	4,201,787
Receipts from customers		3,511,431	2,984,760
Payments to suppliers and employees		(23,341,740)	(17,452,598)
Tax refund		-	293,534
Interest Paid		(87,236)	(78,198)
Net cash used in operating activities	26	(12,913,213)	(10,050,706)
Cash flows from investing activities			
Interest received		567,329	636,871
Payments for purchases of property, plant & equipment		(216,598)	(172,678)
Net cash acquired on acquisition		-	256,279
Acquisition transaction costs		-	(1,409,134)
Net cash generated by/(used in) investing activities		350,731	(688,662)
Cash flows from financing activities			
Repayment of borrowings		(139,332)	(183,820)
Proceeds from borrowings		339,739	87,594
Net proceeds from share issues		409,100	15,829,202
Net cash generated by financing activities		609,507	15,732,976
Net (decrease) / increase in cash and cash equivalents		(11,952,975)	4,993,608
Cash at the beginning of the financial year		22,452,089	17,336,609
Effect of exchange rate changes on the balances of cash held in foreign currency		2,193	121,872
Cash and cash equivalents at the end of the year	7	10,501,307	22,452,089

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

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

TABLE OF CONTENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	29
NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	40
NOTE 3: SEGMENT INFORMATION	41
NOTE 4: REVENUE AND OTHER INCOME	43
NOTE 5: EXPENSES	43
NOTE 6: INCOME TAXES	44
NOTE 7: CASH AND CASH EQUIVALENTS	45
NOTE 8: TRADE AND OTHER RECEIVABLES	46
NOTE 9: INVENTORIES	46
NOTE 10: OTHER ASSETS	46
NOTE 11: SUBSIDIARIES	47
NOTE 12: PROPERTY, PLANT AND EQUIPMENT	47
NOTE 13: INTANGIBLE ASSETS	48
NOTE 14: TRADE AND OTHER PAYABLES	49
NOTE 15: BORROWINGS	50
NOTE 16: PROVISIONS	50
NOTE 17: OTHER LIABILITIES	50
NOTE 18: ISSUED CAPITAL	50
NOTE 19: RESERVES	56
NOTE 20: ACCUMULATED LOSSES	56
NOTE 21: FINANCIAL INSTRUMENTS	56
NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION	60
NOTE 23: COMMITMENTS FOR EXPENDITURE	61
NOTE 24: EVENTS OCCURRING AFTER REPORTING DATE	62
NOTE 25: REMUNERATION OF AUDITORS	62
NOTE 26: CASH FLOW INFORMATION	62
NOTE 27: EARNINGS PER SHARE	62
NOTE 28: RELATED PARTY TRANSACTIONS	63
NOTE 29: PARENT ENTITY INFORMATION	64
NOTE 30: BUSINESS COMBINATIONS – ACQUISITION OF ECLIPSE THERAPEUTICS, INC	64
NOTE 31: CONTINGENT LIABILITIES	65

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bionomics Limited and its controlled entities, the Group.

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 15 August 2014.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for that asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Application of New and Revised Accounting Standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 (note 23 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Notes to the Financial Statements

AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any impact on the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASB's require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of valuing inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see notes 12 and 21 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and Disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

Notes to the Financial Statements

In the current year, the Group has applied for the first time AASB 10 together with the amendments to AASB 10 regarding the transitional guidance. AASB 11, AASB 12, AASB 127 and AASB 128 (as revised in 2011) are not applicable to the Group as these cover: joint arrangements, disclosure of interests in other entities, investments in associates and joint ventures and separate financial statements respectively.

The impact of the application of this standard is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group. All subsidiaries are owned 100% by the head company, Bionomics Limited.

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The reported results and position of the Group will not change on adoption of these pronouncements as currently there are no transactions that will be materially impacted by these pronouncements. Adoption of these pronouncements will however, result in changes to information currently disclosed in the financial statement. The Group does not intend to adopt any of these pronouncements before their effective dates.

Standards and Interpretations in issue not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

Notes to the Financial Statements

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Bionomics Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in

Notes to the Financial Statements

foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(c) Revenue Recognition

Interest revenue is recognised on an accruals basis using the effective interest rate method. Rental income is recognised on a straight line basis over the term of the lease.

Service income is recognised when the services are rendered. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is recognised by reference to the proportion of the total cost of providing the contract services.

License revenues received in respect of future accounting periods are deferred until the Group has fulfilled its obligations under the terms of the agreement.

Where a license agreement has a fixed fee in a non-cancellable contract which permits the licensee to exploit those rights freely and the Group has no remaining obligations to perform, the fee is treated as a sale. Where these conditions have not been met, the license fee is amortised over the life of the licensing agreement.

Unamortised license fee revenue is recognised in the statement of financial position as deferred income.

Research and development work performed for a fee is recognised based on the stage of completion of the research and development.

Milestone payments within license agreements are recognised when the milestone has been achieved.

(d) Government Grants and Government Assistance

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to cost reimbursement are recognised in the profit or loss in the period when the costs were incurred. Grants relating to asset purchases are recognised as deferred income on the statement of financial position and transferred to the profit or loss evenly over the expected life of those assets.

Government assistance is not recognised until there is reasonable assurance that the Group will be eligible for the assistance and that the income will be received. Government assistance which does not have conditions attached specifically relating to operating activities is recognised as income when it can be reasonably assured that it will be received.

Certain forms of government assistance cannot reasonably have a value placed upon them. The nature and extent of the government assistance is disclosed as well as reference to any contingent component that has not been recognised as the end of the reporting period. Research and Development tax incentive is treated as government assistance.

Notes to the Financial Statements

(e) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Tax Consolidation Legislation

Bionomics and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 31 December 2005.

The head entity, Bionomics, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Bionomics also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Notes to the Financial Statements

(f) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or

Notes to the Financial Statements

liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(g) Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

A Cash Generating Unit (CGU) is the smallest identifiable group of assets that generates cash flow that are largely independent of cash flows from other assets or group of assets. The cash generating units are defined as a research program that has the potential to be commercialised at some point in the future. Achievement of certain milestones within the research program will determine when a CGU comes into existence.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade Receivables

All trade debtors are recognised at the fair value of amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The amount of the provision is the difference between the carrying amount and the present value of future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(j) Inventories

Raw materials and stores are stated at the lower of cost and net realisable value.

(k) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation or accumulated impairment losses, where applicable.

Notes to the Financial Statements

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the diminishing value or straight-line methods, depending on the type of asset. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The depreciation rates for each class of depreciable assets are:

- administrative plant & equipment 20 – 40%
- scientific plant & equipment 20 – 40%
- refrigeration plant and equipment 33%

(l) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at a fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) *Loans and Receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

(ii) *Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(m) Intangible Assets

(i) *Intellectual Property*

Acquired intellectual property is recognised as an asset at cost and amortised over its useful life. Intellectual property with a finite life is amortised on a straight line basis over that life. Intellectual property with an indefinite useful life is subjected to an annual impairment review. There is currently no intellectual property with an indefinite life.

Current useful life of all existing intellectual property is in the range of 5 to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Notes to the Financial Statements

(ii) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 1f above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(iii) *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(n) **Research and Development**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised as an expense when it is incurred.

(o) **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(p) **Employee Benefits**

(i) *Short-term and Long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(ii) *Retirement benefits costs*

Retirement benefits are contributions made to employee superannuation funds and are charged as expenses when incurred. These contributions are made to external superannuation funds and are not defined benefits programs. Consequently there is no exposure to market movements on employee superannuation liabilities or entitlements.

(iii) *Share-based Payments*

Share-based compensation benefits are provided to employees via the Bionomics ESOP and an Employee Share Plan.

The fair value of shares issued to employees for no cash consideration under the Employee Share Plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

The Bionomics ESOP was approved by the Board and shareholders in 2011. Staff eligible to participate in the plan are those who have been a full-time or part-time employee of the Company for a period of not

Notes to the Financial Statements

less than six months or a director of the Company. Options are granted under the plan for no consideration and vest equally over five years, unless they are bonus options which vest immediately.

The amounts disclosed as remuneration relating to options are the assessed fair values at grant date of those options allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Share options that have been issued, but due to having performance criteria, have not yet been granted or vested, are required to have their fair value estimated at the end of the reporting period and recognised as an expense relating to the period in which the services were performed.

(q) Borrowings (other financial liabilities)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(t) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are deducted directly from equity.

(u) Earnings/(Loss) per Share

(i) Basic Earnings/(Loss) per Share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) after income tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements

(ii) *Diluted Earnings/(Loss) per Share*

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to options.

(v) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flow arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) **Critical Accounting Estimates and Judgements**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimated Impairment of Goodwill and Intangibles

Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at balance date was \$9,488,432 (2013: \$5,147,990).

The total carrying amount of intangibles, including Goodwill, at balance date was \$24,714,188 (2013: \$22,052,744).

No impairment losses have been recognised in the current or previous financial years. Impairment assumptions are disclosed in Note 13.

Valuation of Intangible Asset and Contingent Consideration on Acquisition of Eclipse Therapeutics, Inc

In accordance with Accounting Standard AASB 3 'Business Combinations' and as detailed in note 30, the Company has determined, based on the directors' best estimate the fair value of the consideration transferred, intangible assets (including, but not limited to intellectual property, goodwill and deferred tax assets).

Revenue for Licensing and Research Arrangements

The Group enters into arrangements for licensing and research. For the financial year ended 30 June 2014, Note 4 represents the fair value of license fees received from Development and Licensing Agreements for the exclusive use of the Group's intellectual property. The Group has no remaining obligations to perform in respect of this fee. Management analyses the separate elements of each contract to determine at which stage revenue from that element would need to be recognised.

Notes to the Financial Statements

NOTE 3: 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.

(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:

	Segment revenue year ended		Segment profit year ended	
	30 June 2014 \$	30 June 2013 \$	30 June 2014 \$	30 June 2013 \$
Drug discovery	18,034,318	345,044	9,750,077	(5,643,324)
Drug development	56,197	1,452,602	(2,086,591)	(3,640,544)
Contract services	1,762,379	3,076,716	(92,570)	833,057
	<u>19,852,894</u>	<u>4,874,362</u>	<u>7,570,916</u>	<u>(8,450,811)</u>
Less:				
Intercompany revenue included in contract services	(654,534)	(2,040,591)	-	-
Investment & other revenue	<u>723,146</u>	<u>890,398</u>	<u>723,146</u>	<u>890,398</u>
	<u>19,921,506</u>	<u>3,724,169</u>	<u>8,294,062</u>	<u>(7,560,413)</u>
Unallocated financing costs			(601,070)	(68,703)
Central administration costs			<u>(3,746,047)</u>	<u>(2,334,059)</u>
Profit/(Loss) before income tax (continuing operations)			<u><u>3,946,945</u></u>	<u><u>(9,963,175)</u></u>

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

Segment profit represents the result for each segment without allocation of central administration costs and investment and other revenue.

(b) Segment Assets and Liabilities

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

	30 June 2014 \$	30 June 2013 \$
ASSETS		
Drug discovery	41,230,720	20,260,167
Drug development	11,745,021	10,131,324
Contract services	<u>1,371,560</u>	<u>825,460</u>
	<u>54,347,301</u>	<u>31,216,951</u>
Unallocated assets	<u>10,713,316</u>	<u>22,394,141</u>
Total assets	<u><u>65,060,617</u></u>	<u><u>53,611,092</u></u>

Notes to the Financial Statements

	30 June 2014	30 June 2013
	\$	\$
LIABILITIES		
Contract services (excluding intercompany liabilities)	979,488	835,940
Unallocated liabilities	19,262,522	11,368,169
Total liabilities	20,242,010	12,204,109

Assets used jointly by reporting segments are allocated on the basis of employee numbers of the individual reportable segment.

The Board receive information on liabilities for the Group as a whole as well as liability information for the Contract services segment.

The Board receive information on non-current assets for the Group as a whole as well as non-current asset information for the Contract services segment. Additions to non-current assets:

	30 June 2014	30 June 2013
	\$	\$
Contract services	6,822	15,489
Unallocated	209,776	288,600
	216,598	304,089

(c) Other Segment Information

The segment result above has been determined after including the following items:

	Depreciation and amortisation year ended	
	30 June 2014	30 June 2013
	\$	\$
Drug discovery	1,033,781	770,673
Drug development	208,437	248,597
Contract services	236,841	203,579
Unallocated	21,877	22,966
	1,500,936	1,245,815

(d) Revenue from Major Products and Services

The following is an analysis of the Group's external revenue from its major products and services:

	30 June 2014	30 June 2013
	\$	\$
Contract services	1,107,845	1,036,125
Collaboration income	18,046,709	1,162,117
Interest	563,574	644,626
Other (note 4)	203,378	881,301
	19,921,506	3,724,169

(e) Geographical Information

The Group operates in three geographical areas, Australia, France and United States of America. The Group's external revenue and information about its non-current assets* by geographical segment are detailed below:

	Revenue from external customers year ended		Non-current assets* year ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$	\$	\$	\$
Australia	18,813,661	2,688,044	24,797,147	22,054,855
France	1,107,845	1,036,125	395,887	609,491
USA	-	-	349,515	231,248
	19,921,506	3,724,169	25,542,549	22,895,594

*Non-current assets excluding financial instruments and deferred tax assets.

Notes to the Financial Statements

(f) Information about Major Customers

Included in revenues for Drug discovery are revenues of \$18,046,709 (2013: \$384,170) from one party and in Drug development \$nil (2013: \$1,394,944) from one party. No other customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

NOTE 4: REVENUE AND OTHER INCOME

Revenue from continuing operations

	2014 \$	2013 \$
Revenue from rendering of services	1,095,356	1,032,144
Royalties	56,197	57,658
Collaboration income	18,046,709	1,162,117
Interest income	563,574	644,626
Rent income	159,670	222,561
Other revenue	-	605,063
	<u>19,921,506</u>	<u>3,724,169</u>

Other income from continuing operations

Foreign Government grant	118,892	-
R&D Tax Incentive	7,505,598	8,101,787
	<u>7,624,490</u>	<u>8,101,787</u>

There are no unfulfilled conditions or other contingencies attaching to these grants.

NOTE 5: EXPENSES

Loss before income tax benefit includes the following specific expenses:

	2014 \$	2013 \$
Financing costs		
- Interest expense on bank and other loans	59,758	41,684
- Interest expense on contingent consideration	522,266	-
- Interest obligations under finance leases	27,478	36,514
	<u>609,502</u>	<u>78,198</u>
Depreciation		
- Administrative plant and equipment	35,705	37,817
- Scientific plant and equipment	189,517	200,088
	<u>225,222</u>	<u>237,905</u>
Amortisation of non-current assets		
- Intellectual property	1,275,714	1,007,910
Rental expense on operating leases		
- Minimum lease payments	1,027,921	927,682
Employment benefit expenses of:		
- Wages and salaries	5,610,406	5,092,005
- Superannuation	235,220	496,730
- Share-based payments	150,923	136,908
	<u>5,996,549</u>	<u>5,725,643</u>
Foreign currency loss	(778)	836,584
Loss on disposal of assets		
- Plant and equipment	6,765	184

Notes to the Financial Statements

NOTE 6: INCOME TAXES

(a) Income Tax Recognised in Profit or Loss

Current tax

In respect of the current year

2014
\$

2013
\$

740,328 (32,490)

740,328 (32,490)

Deferred tax

Recognised in current year

- 70,665

- 70,665

Total income tax expense/(benefit)

740,328 38,175

(b) Reconciliation to Accounting Loss

Profit/(loss) from continuing operations

3,946,945 (9,963,175)

Tax at the Australian tax rate of 30% (2013: 30%)

1,184,083 (2,988,953)

Tax effect of non-deductible / non-assessable amounts

Amortisation of intangibles

101,893 101,893

Foreign exchange reversed on consolidation

13,679 52,678

Exempt income from government assistance

(2,251,679) (2,430,536)

Entertainment

2,116 249

Share-based payments

45,277 41,072

Research and development expenditure

5,000,837 4,661,493

Effect of different tax rates in other jurisdictions

(16,476) 13,928

Effect of unused tax losses, in the current period

(1,347,385) 1,009,323

Adjustment to prior year unused tax losses

(919,815) (390,482)

Withholding Tax credits used

905,390 -

Tax benefit of research and development credit in France

(166,812) (32,490)

740,328 38,175

(c) Current Tax Balances

Current tax assets

Tax refund receivable

244,965 36,648

244,965 36,648

	Opening balance \$	Credit/ (Charged) to income \$	Charged to equity \$	Acquired through Business Combination \$	Closing balance \$
Deferred Tax Assets/Liabilities					
2014					
Loans and receivables	230,248	(185,765)	-	-	44,483
Prepayments / accrued income	(4,982)	1,126	-	-	(3,856)
PP & E	(18,424)	18,640	-	-	216
Share issue expenses	145,899	204,337	-	-	350,236
Intangible patents and trademarks	366,888	92,421	-	(4,340,443)	(3,881,134)
Other intangibles	218,383	-	-	-	218,383
Accrued expenses	13,545	19,357	-	-	32,902
Employee entitlements	278,158	31,159	-	-	309,317
	1,229,715	181,275	-	-	(2,929,453)
Unused tax losses					
Revenue	19,785,507	(5,876,241)	-	-	13,909,266
Withholding tax	61,496	(61,496)	-	-	-
	19,847,003	(5,937,737)	-	-	13,909,266
Not recognised in current year	21,076,718	(5,756,462)	-	-	15,320,256
Net balance	-	-	-	-	(4,340,443)

Notes to the Financial Statements

	Opening balance \$	Credit/ (Charged) to income \$	Charged to equity \$	Acquired through Business Combination \$	Closing balance \$
Deferred Tax Assets/Liabilities 2013					
Loans and receivables	262,381	(32,133)	-	-	230,248
Other financial assets	(10,870)	10,870	-	-	-
Prepayments / accrued income	(2,655)	(2,327)	-	-	(4,982)
PP & E	(22,451)	4,027	-	-	(18,424)
Share issue expenses	184,318	(38,419)	-	-	145,899
Intangible patents and trademarks	334,592	32,296	-	-	366,888
Other intangibles	218,383	-	-	-	218,383
Accrued expenses	10,395	3,150	-	-	13,545
Employee entitlements	236,244	41,914	-	-	278,158
	1,210,337	19,378	-	-	1,229,715
Unused tax losses					
Revenue	19,854,143	(68,636)	-	-	19,785,507
Withholding tax	213,015	(151,519)	-	-	61,496
	20,067,158	(220,155)	-	-	19,847,003
Not recognised in current year	21,206,830	(130,112)	-	-	21,076,718
Net balance	70,665	(70,665)	-	-	-

(e) Unrecognised Temporary Differences (including Tax Losses)

The following deferred tax assets have not been brought to account as assets:

	2014 \$	2013 \$
Unused revenue tax losses (no set expiry period)	13,909,266	19,785,507
Deductible temporary differences (no set expiry period)	1,410,990	1,229,715
Unused foreign withholding tax credits (expired July 2013)	-	61,496
	15,320,256	21,076,718

(f) Tax Consolidation

Relevance of tax consolidation to the group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Bionomics is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

NOTE 7: CASH AND CASH EQUIVALENTS

Current

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the balance sheet as follows:

	2014 \$	2013 \$
Cash at bank and on hand	4,516,447	5,187,222
Deposits at call	4,229,776	16,115,867
Restricted deposits at call held as security and not available for use (see note 15)	1,754,084	1,149,000
	10,501,307	22,452,089

The Group holds restricted term deposits at call as security that are not available for use. The weighted average interest rate on these deposits is 3.55% per annum (2013: 3.94% per annum). The maturity dates range between 1

Notes to the Financial Statements

and 3 months from the end of the reporting period. None of these assets had been past due or impaired at the end of the reporting period.

NOTE 8: TRADE AND OTHER RECEIVABLES

Current

	2014 \$	2013 \$
Trade receivables	20,581,109	430,121
Allowance for doubtful debts	-	-
	<hr/> 20,581,109	<hr/> 430,121
Other receivables	159,238	275,601
	<hr/> 20,740,347	<hr/> 705,722

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has not recognised an allowance for doubtful debts. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group reviews the quality of the customer, and this is reviewed prior to commencing new major work. Of the trade receivables balance at the end of the year, \$20.3 million (30 June 2013: \$nil) is due from Merck, the Group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable.

Age of receivables that are past due but not impaired

	2014 \$	2013 \$
60-90 days	13,474	-
90-120 days	-	-
Total	<hr/> 13,474	<hr/> -
Average age (days)	94	N/A

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Typically the concentration of credit risk is limited due to the fact that the customer base is large and unrelated, except as noted above where Merck represents 98% of the balance.

NOTE 9: INVENTORIES

Current

	2014 \$	2013 \$
Raw materials	<hr/> 83,423	<hr/> 98,526

NOTE 10: OTHER ASSETS

Current

	2014	2013
Prepayments	433,917	422,513
Accrued interest and grants receivable/government assistance (note 4)	7,514,109	7,000,000
	<hr/> 7,948,026	<hr/> 7,422,513

Notes to the Financial Statements

NOTE 11: SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Entity	Principal activity	Country of incorporation	Percentage owned (%)	
			2014	2013
Head entity				
Bionomics Limited	Research and Development	Australia	N/A	N/A
Subsidiaries of Bionomics Limited:				
Neurofit SAS	Contract Research Organisation	France	100	100
Iliad Chemicals Pty Limited (i)	Asset owner	Australia	100	100
Bionomics Inc	Research and Development	United States	100	100

(i) This wholly-owned subsidiary has entered into a deed of cross guarantee with Bionomics Limited pursuant to ASIC Class Order 98/1418 and is relieved from the requirement to prepare and lodge an audited financial report.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Administrative plant & equipment \$	Scientific plant & equipment \$	Refrigeration plant & equipment \$	Total \$
Cost at 30 June 2012	392,900	2,254,113	87,500	2,734,513
Additions	29,158	274,931	-	304,089
Disposals	(2,663)	(3,982)	-	(6,645)
Foreign currency exchange differences	22,743	11,342	-	34,085
Cost at 30 June 2013	442,138	2,536,404	87,500	3,066,042
Additions	10,604	205,994	-	216,598
Disposals	(20,604)	(80,060)	-	(100,664)
Foreign currency exchange differences	2,708	(2,242)	-	466
Cost at 30 June 2014	434,846	2,660,096	87,500	3,182,442
Accumulated depreciation at 30 June 2012	(294,146)	(1,579,620)	(87,500)	(1,961,266)
Disposals	2,596	3,865	-	6,461
Foreign currency exchange differences	(19,120)	(11,362)	-	(30,482)
Depreciation (note 5)	(37,817)	(200,088)	-	(237,905)
Accumulated depreciation at 30 June 2013	(348,487)	(1,787,205)	(87,500)	(2,223,192)
Disposals	18,743	75,157	-	93,900
Foreign currency exchange differences	(437)	870	-	433
Depreciation (note 5)	(35,705)	(189,517)	-	(225,222)
Accumulated depreciation at 30 June 2014	(365,886)	(1,900,694)	(87,500)	(2,354,081)
Net Carrying Amounts 30 June 2013	93,651	749,199	-	842,850
Net Carrying Amounts 30 June 2014	68,960	759,401	-	828,361

Notes to the Financial Statements

Non-current Assets Pledged as Security

Refer to note 15 for information on non-current assets pledged as security by the Company.

NOTE 13: INTANGIBLE ASSETS

	Goodwill \$	Intellectual Property \$	Total \$
Gross carrying amount at 30 June 2012	5,147,990	6,655,082	11,803,072
Additions (note 30)	-	12,703,228	12,703,228
Foreign currency exchange differences	-	2,044,613	2,044,613
Gross carrying amount at 30 June 2013	5,147,990	21,402,923	26,550,913
Additions (note 30)	4,607,531	-	4,607,531
Foreign currency exchange differences	(267,089)	(409,977)	(677,066)
Gross carrying amount at 30 June 2014	9,488,432	20,992,946	30,481,378
Accumulated amortisation amount at 30 June 2012	-	(3,282,866)	(3,282,866)
Foreign currency exchange differences	-	(207,393)	(207,393)
Amortisation	-	(1,007,910)	(1,007,910)
Accumulated amortisation amount at 30 June 2013	-	(4,498,169)	(4,498,169)
Foreign currency exchange differences	-	6,693	6,693
Amortisation	-	(1,275,714)	(1,275,714)
Accumulated amortisation amount at 30 June 2014	-	(5,767,190)	(5,767,190)
Net carrying amount 30 June 2013	5,147,990	16,904,754	22,052,744
Net carrying amount 30 June 2014	9,488,432	15,225,756	24,714,188

All intangible assets are held in the consolidated entity.

(a) Intellectual Property

The intellectual property includes the company's Multicore® technology, its BNC105 compound, its BNC101 compound and its Kv1.3 compound. Each item is carried at its fair value as at its date of acquisition, less accumulated amortisation charges. The remaining amortisation periods for each item are between 5 and 20 years.

(b) Impairment Tests

Management tests annually whether goodwill or indefinite life intangibles have suffered any impairment, in accordance with the accounting policy stated in note 1(m)(i) and (m)(ii). Impairment testing is performed on each of the cash generating units, which form the reporting segments identified in note 3. The reporting segments identified in Note 3 are made up of multiple cash generating units, and are the same as the operating segments.

Drug Discovery is the creation and ongoing testing of compounds to determine the best compound that matches the product profile. Drug Development is the ongoing testing, including clinical trials, of the best compound with a view to commercialisation of the compound. A research program that meets these definitions may be included as a cash generating unit which is combined with other relevant CGU's to form the reporting segment for intangible asset impairment testing purposes. Goodwill is allocated to the Drug Development group of CGU's, which is consistent with the way management monitors goodwill at the operating segment level.

Determining whether goodwill or intangibles are impaired requires an estimation of the value in use of the cash generating units to which goodwill or indefinite life intangibles have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value over the expected life cycle of the

Notes to the Financial Statements

commercialisation of the assets - in line with the average patent life and development cycle of the drug compound. A pre-tax discount rate of 25% has been used.

Allocation of Goodwill to group CGU's

The carrying amount of goodwill was allocated to the following groups of CGU's:

	2014 \$	2013 \$
Drug discovery	-	-
Drug development	9,488,432	5,147,990
Contract services	-	-

Drug Discovery

The recoverable amount of this group of CGU's is determined based on a value in use calculation which uses cash flow projections based on standard industry agreements for drug compounds within the cash generating unit over a period of up to 21 years covering drug discovery, drug development, approval and marketing and a discount rate of 25% per annum (2013: 25% per annum). The cash flow projections are weighted based on the probability of realising projected milestone and royalties payments.

Management believes that the application of discounted cash flows of standard industry agreements for drug compounds is reasonable to be applied to other compounds within the CGU at their respective development phases.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

No growth rates have been included in the forecast. As the full development lifecycle has been taken into account with the cashflows, no terminal value has been used.

Drug Development

The recoverable amount of this group of CGU's is also determined based on a value in use calculation which uses cash flow projections based on standard industry agreements for drug compounds within the cash generating unit over a period of ten years covering drug development, approval and marketing, and a discount rate of 25% per annum (2013: 25% per annum). The cash flow projections are weighted based on the probability of realising projected milestone and royalties payments.

Management believes that the application of discounted cash flows of standard industry agreements for one drug compound is reasonable to be applied to other compounds within the CGU at their respective development phases.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

No growth rates have been included in the forecast. As the full development lifecycle has been taken into account with the cashflows, no terminal value has been used.

Contract Services

There is no goodwill or indefinite life assets within this CGU. Management has reviewed the CGU and there are no indicators of impairment.

NOTE 14: TRADE AND OTHER PAYABLES

Current

	2014 \$	2013 \$
Trade payables	2,663,395	3,272,242
Accrued expenses	1,374,659	1,011,367
	<u>4,038,054</u>	<u>4,283,609</u>

Non-current

Other payables	<u>310,794</u>	<u>306,410</u>
----------------	----------------	----------------

The average credit period on purchases of goods is 45 days. No interest is paid on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to the Financial Statements

NOTE 15: BORROWINGS

Secured – at amortised cost

	2014 \$	2013 \$
Finance lease liabilities (i)	319,567	442,941
Equipment mortgage (ii)	424,674	87,594
Bank loan (iii)	550,000	550,000
	<u>1,294,241</u>	<u>1,080,535</u>

Disclosed in the financial statements as:

Current liabilities	788,600	680,376
Non-current liabilities	505,641	400,159
	<u>1,294,241</u>	<u>1,080,535</u>

- (i) the lease lines are secured by the leased scientific equipment (refer note 23) and have an average interest rate of per annum 7.11% (2013: 7.11% per annum) and terms of three to five years.
- (ii) equipment mortgage for US-based equipment with an interest rate of 3.25% and a two and a half year term.
- (iii) the rolling commercial bill line is secured by a restricted deposit at call of \$550,000 (2013: \$550,000).

The unused facilities available at 30 June 2014 of the Group's bank overdraft is \$57,361 (2013: \$56,980). There is no unused facility in relation to the commercial bill line.

Interest Rate Risk

The Group's exposure to interest rates and the effective weighted average interest rate by maturity period is set out in note 21.

NOTE 16: PROVISIONS

Current

	2014 \$	2013 \$
Employee benefits	<u>1,186,482</u>	<u>1,081,086</u>

Non-current

Employee benefits	<u>108,320</u>	<u>66,327</u>
-------------------	----------------	---------------

NOTE 17: OTHER LIABILITIES

Current

Unearned income	<u>3,267,589</u>	<u>37,447</u>
	<u>3,267,589</u>	<u>37,447</u>

NOTE 18: ISSUED CAPITAL

(a) Issued and paid-up capital

	2014 Shares	2013 Shares
Ordinary shares – fully paid	417,356,567	415,879,455

Notes to the Financial Statements

Movements in ordinary shares of the Company during the past two years were as follows:

Date	Details	Number of shares	Issue price	\$
30 June 2012	Closing balance	345,384,619		87,834,778
	Share issue – ESOP option exercise	340,000	0.13	44,200
	Share issue – ESOP option exercise	20,526	0.22	4,516
	Share issue – ESOP option exercise	110,000	0.24	26,400
	Share issue – ESOP option exercise	122,500	0.29	35,525
	Share issue – ESOP option exercise	200,000	0.30	60,000
	Share issue – ESOP option exercise	150,000	0.34	51,000
	Share issue – ESOP option exercise	15,000	0.36	5,400
	Share issue – acquisition	19,112,575	0.32	6,116,024
	Share issue – entitlements issue	45,634,962	0.36	16,428,586
	Share issue – entitlements issue costs			(826,424)
	Shares to be issued – acquisition	1,197,322	0.32	383,143
	Shares to be issued – acquisition	3,591,951	0.32	1,149,424
30 June 2013	Closing balance	415,879,455		111,312,572
	Share issue – ESOP option exercise	1,488,242		412,661
	Share issue – acquisition (paid in cash)	(11,130)		(3,562)
30 June 2014		417,356,567		111,721,671

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

(c) Option Modification

The terms of the options under the Bionomics ESOP were modified at 30 June 2014 for all options on issue prior to the fully underwritten 1:8 non-renounceable rights issue announced on 4 March 2013. The exercise price for all outstanding options have now been adjusted under ASX Listing Rule 6.22 and are shown in the table below in this note 18(b)(i). The revaluation of these options resulted in a reduction in the expense of \$217,963.

(d) Share Options

When exercised, each option is convertible into one ordinary share. The exercise price is based on the weighted average price at which the company's shares traded on the ASX during the seven trading days immediately before the options are issued.

(i) The Bionomics ESOP

The terms and conditions of the Bionomics ESOP are summarised in note 1(p) (iv). The following options listed are outstanding at reporting date.

Grant date	Expiry date	Original exercise price	Revised exercise price	Number	Fair value at grant date
Jan-05	Feb-15	\$0.30	\$0.2976	200,000	\$0.13
Jan-06	Jan-15	\$0.24	\$0.2376	5,000	\$0.15
	Jan-16	\$0.24	\$0.2376	25,000	\$0.15
May-06	Jul-15	\$0.22	\$0.2176	34,432	\$0.13
	Jul-16	\$0.22	\$0.2176	35,000	\$0.14
Nov-06	Nov-14	\$0.30	\$0.2976	100,000	\$0.13
	Nov-15	\$0.30	\$0.2976	100,000	\$0.13
	Nov-16	\$0.30	\$0.2976	100,000	\$0.13

Notes to the Financial Statements

Grant date	Expiry date	Original exercise price	Revised exercise price	Number	Fair value at grant date
Oct-07	Oct-14	\$0.29	\$0.2876	5,000	\$0.23
	Oct-15	\$0.29	\$0.2876	5,000	\$0.23
	Oct-16	\$0.29	\$0.2876	5,000	\$0.24
	Oct-17	\$0.29	\$0.2876	5,000	\$0.25
Jan-08	Jan-15	\$0.38	\$0.3776	3,000	\$0.20
	Jan-16	\$0.38	\$0.3776	4,000	\$0.21
	Jan-17	\$0.38	\$0.3776	4,000	\$0.22
	Jan-18	\$0.38	\$0.3776	4,000	\$0.23
Jul-08	Jul-15	\$0.36	\$0.3576	14,000	\$0.18
	Jul-17	\$0.36	\$0.3576	14,000	\$0.19
	Jul-18	\$0.36	\$0.3576	14,000	\$0.20
Nov-08	Nov-14	\$0.30	\$0.2976	100,000	\$0.10
	Nov-15	\$0.30	\$0.2976	100,000	\$0.10
	Nov-16	\$0.30	\$0.2976	100,000	\$0.11
	Nov-17	\$0.30	\$0.2976	100,000	\$0.12
	Aug-14	\$0.37	\$0.3692	340,000	\$0.08
	Aug-15	\$0.37	\$0.3692	330,000	\$0.09
	Aug-16	\$0.37	\$0.3692	330,000	\$0.10
	Nov-14	\$0.28	\$0.2776	10,000	\$0.06
	Nov-15	\$0.28	\$0.2776	10,000	\$0.05
	Nov-16	\$0.28	\$0.2776	10,000	\$0.06
Mar-09	Nov-17	\$0.28	\$0.2776	10,000	\$0.06
	Nov-18	\$0.28	\$0.2776	10,000	\$0.07
	Mar-15	\$0.29	\$0.2876	2,120	\$0.06
	Mar-16	\$0.29	\$0.2876	2,120	\$0.07
	Mar-17	\$0.29	\$0.2876	2,120	\$0.07
	Mar-18	\$0.29	\$0.2876	2,120	\$0.08
Jun-09	Mar-19	\$0.29	\$0.2876	12,120	\$0.08
	Jun-15	\$0.25	\$0.2476	4,000	\$0.13
	Jun-16	\$0.25	\$0.2476	4,000	\$0.13
	Jun-17	\$0.25	\$0.2476	54,000	\$0.14
	Jun-18	\$0.25	\$0.2476	54,000	\$0.14
Nov-09	Jun-19	\$0.25	\$0.2476	54,000	\$0.15
	Nov-15	\$0.30	\$0.2976	100,000	\$0.11
	Nov-16	\$0.30	\$0.2976	100,000	\$0.12
	Nov-17	\$0.30	\$0.2976	100,000	\$0.13
	Nov-18	\$0.30	\$0.2976	100,000	\$0.14
Jul-10	Nov-19	\$0.30	\$0.2976	100,000	\$0.14
	Jul-15	\$0.32	\$0.3176	90,000	\$0.12
	Jul-19	\$0.32	\$0.3176	10,000	\$0.13
	Jul-20	\$0.32	\$0.3176	10,000	\$0.14
Nov-10	Nov-15	\$0.31	\$0.3076	100,000	\$0.09
	Nov-16	\$0.31	\$0.3076	100,000	\$0.10
	Nov-17	\$0.31	\$0.3076	100,000	\$0.11
	Nov-18	\$0.31	\$0.3076	100,000	\$0.12
	Nov-19	\$0.31	\$0.3076	100,000	\$0.12
Nov-11	Nov-16	\$0.61	\$0.6116	95,000	\$0.15
	Nov-16	\$0.61	\$0.6116	500,000	\$0.15
	Aug-17	\$0.92	\$0.9186	1,000,000	\$0.03
Dec-11	Dec-17	\$0.52	\$0.5156	100,000	\$0.23

Notes to the Financial Statements

Grant date	Expiry date	Original exercise price	Revised exercise price	Number	Fair value at grant date
	Dec-18	\$0.52	\$0.5156	100,000	\$0.25
	Dec-19	\$0.52	\$0.5156	100,000	\$0.26
	Dec-20	\$0.52	\$0.5156	100,000	\$0.27
	Dec-21	\$0.52	\$0.5156	100,000	\$0.28
Mar-12	Mar-18	\$0.51	\$0.5026	5,000	\$0.20
	Mar-19	\$0.51	\$0.5026	5,000	\$0.21
	Mar-20	\$0.51	\$0.5026	5,000	\$0.22
	Mar-21	\$0.51	\$0.5026	5,000	\$0.23
	Mar-22	\$0.51	\$0.5026	5,000	\$0.24
Jun-12	Jun-18	\$0.34	\$0.3356	13,000	\$0.11
	Jun-19	\$0.34	\$0.3356	13,000	\$0.12
	Jun-20	\$0.34	\$0.3356	13,000	\$0.13
	Jun-21	\$0.34	\$0.3356	13,000	\$0.13
	Jun-22	\$0.34	\$0.3356	13,000	\$0.14
Aug-12	Aug-17	\$0.29	\$0.2846	140,000	\$0.09
	Aug-19	\$0.25	\$0.2516	4,000	\$0.14
	Aug-20	\$0.25	\$0.2516	4,000	\$0.15
	Aug-21	\$0.25	\$0.2516	4,000	\$0.15
	Aug-22	\$0.25	\$0.2516	4,000	\$0.16
Dec-12	Dec-17	\$0.29	\$0.2846	65,000	\$0.11
	Dec-18	\$0.32	\$0.3176	200,000	\$0.12
	Dec-19	\$0.32	\$0.3176	200,000	\$0.13
	Dec-20	\$0.32	\$0.3176	200,000	\$0.14
	Dec-21	\$0.32	\$0.3176	200,000	\$0.14
	Dec-22	\$0.32	\$0.3176	200,000	\$0.15
Dec-12	Dec-18	\$0.32	\$0.3176	5,000	\$0.15
	Dec-19	\$0.32	\$0.3176	5,000	\$0.16
	Dec-20	\$0.32	\$0.3176	5,000	\$0.16
	Dec-21	\$0.32	\$0.3176	5,000	\$0.17
	Dec-22	\$0.32	\$0.3176	5,000	\$0.18
Mar-13	Mar-19	\$0.42	\$0.4176	50,000	\$0.14
	Mar-20	\$0.42	\$0.4176	50,000	\$0.15
	Mar-21	\$0.42	\$0.4176	50,000	\$0.16
	Mar-22	\$0.42	\$0.4176	50,000	\$0.17
	Mar-23	\$0.42	\$0.4176	50,000	\$0.18
May-13	May-19	\$0.37		114,000	\$0.15
	May-20	\$0.37		114,000	\$0.16
	May-21	\$0.37		114,000	\$0.17
	May-22	\$0.37		114,000	\$0.18
	May-23	\$0.37		114,000	\$0.19
Jun-13	Jun-19	\$0.39		150,000	\$0.14
	Jun-20	\$0.39		150,000	\$0.15
	Jun-21	\$0.39		150,000	\$0.16
	Jun-22	\$0.39		150,000	\$0.17
	Jun-23	\$0.39		150,000	\$0.18
Aug-13	Aug-18	\$0.33		338,750	\$0.27
Oct-13	Oct-19	\$0.60		16,600	\$0.32
	Oct-20	\$0.60		16,600	\$0.34

Notes to the Financial Statements

Grant date	Expiry date	Original exercise price	Revised exercise price	Number	Fair value at grant date
Dec-13	Oct-21	\$0.60		16,600	\$0.35
	Oct-22	\$0.60		16,600	\$0.37
	Oct-23	\$0.60		16,600	\$0.38
	Dec-18	\$0.33		55,000	\$0.33
	Dec-18	\$0.72		100,000	\$0.23
	Dec-19	\$0.72		100,000	\$0.25
	Dec-19	\$0.69		4,000	\$0.26
	Dec-20	\$0.72		100,000	\$0.27
	Dec-20	\$0.69		4,000	\$0.28
	Dec-21	\$0.72		100,000	\$0.29
	Dec-21	\$0.69		4,000	\$0.29
	Dec-22	\$0.72		100,000	\$0.30
	Dec-22	\$0.69		4,000	\$0.31
	Dec-23	\$0.69		4,000	\$0.32
	Mar-20	\$0.68		4,000	\$0.25
Mar-14	Mar-21	\$0.68		4,000	\$0.26
	Mar-22	\$0.68		4,000	\$0.28
	Mar-23	\$0.68		4,000	\$0.29
	Mar-24	\$0.68		4,000	\$0.30
				<u>9,458,782</u>	

Reconciliation of ESOP:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance at beginning of financial year	10,262,274	\$0.41	8,865,900	\$0.40
Granted during the financial year	1,016,750	\$0.56	2,880,000	\$0.35
Forfeited during the financial year	(20,000)	\$0.52	(50,000)	\$0.34
Exercised during the financial year	(1,488,242)	\$0.28	(958,026)	\$0.24
Expired during the financial year	(312,000)	\$0.29	(475,600)	\$0.30
Closing balance at 30 June	<u>9,458,782</u>	<u>\$0.45</u>	<u>10,262,274</u>	<u>\$0.41</u>

ESOP options exercised during the financial year:

Series	Number exercised	Exercise price	Exercise date	Share price at exercise date
01-May-06	20,000	\$0.22	5-Jul-13	\$0.370
01-Sep-04	100,000	\$0.24	1-Aug-13	\$0.550
12-Jan-09	5,000	\$0.2976	16-Aug-13	\$0.600
12-Jan-09	5,000	\$0.2976	16-Aug-13	\$0.600
13-Mar-09	40,000	\$0.29	16-Aug-13	\$0.600
26-Sep-08	16,000	\$0.34	21-Aug-13	\$0.635

Notes to the Financial Statements

Series	Number exercised	Exercise price	Exercise date	Share price at exercise date
13-Jan-06	30,000	\$0.24	22-Aug-13	\$0.600
12-Jan-09	10,000	\$0.2976	22-Aug-13	\$0.600
15-Jun-09	100,000	\$0.25	22-Aug-13	\$0.600
01-Aug-12	60,000	\$0.287	26-Aug-13	\$0.595
01-May-06	65,000	\$0.22	6-Sep-13	\$0.645
11-Jan-08	1,000	\$0.38	6-Sep-13	\$0.645
12-Jan-09	5,000	\$0.2976	6-Sep-13	\$0.645
15-Jun-09	29864	\$0.25	6-Sep-13	\$0.645
21-Nov-08	10,000	\$0.28	16-Sep-13	\$0.685
01-May-06	25,568	\$0.22	24-Sep-13	\$0.730
05-Nov-08	95,000	\$0.3716	24-Sep-13	\$0.730
15-Jun-09	27,636	\$0.25	24-Sep-13	\$0.730
12-Jul-10	30,000	\$0.32	24-Sep-13	\$0.730
01-May-06	129,474	\$0.22	1-Oct-13	\$0.765
15-Jun-09	47,200	\$0.25	1-Oct-13	\$0.765
05-Nov-08	100,000	\$0.30	8-Oct-13	\$0.760
13-Jan-06	5,000	\$0.24	16-Oct-13	\$0.840
16-Nov-06	100,000	\$0.30	16-Oct-13	\$0.840
12-Jan-09	5,000	\$0.2976	16-Oct-13	\$0.840
20-Aug-12	4,000	\$0.254	16-Oct-13	\$0.840
21-Nov-08	7,143	\$0.28	2-Dec-13	\$0.850
15-Jun-09	500	\$0.25	2-Dec-13	\$0.850
13-Jan-06	10,000	\$0.24	9-Dec-13	\$0.765
12-Jan-09	20,000	\$0.2976	9-Dec-13	\$0.765
13-Jan-06	60,000	\$0.24	18-Dec-13	\$0.700
26-Sep-08	4,000	\$0.34	18-Dec-13	\$0.700
21-Nov-08	2,857	\$0.28	18-Dec-13	\$0.700
12-Jan-09	20,000	\$0.2976	18-Dec-13	\$0.700
13-Jan-04	5,000	\$0.30	24-Dec-13	\$0.730
11-Jan-08	3,000	\$0.38	24-Dec-13	\$0.730
12-Jan-09	45,000	\$0.2976	24-Dec-13	\$0.730
21-Jan-05	200,000	\$0.30	17-Feb-14	\$0.665
01-Jul-08	20,000	\$0.36	28-Mar-14	\$0.550
01-May-06	5,000	\$0.22	27-May-14	\$0.420
11-Jan-08	1,000	\$0.38	27-May-14	\$0.420
15-Jun-09	5,000	\$0.25	27-May-14	\$0.420
01-Jul-08	14,000	\$0.36	30-Jun-14	\$0.550
Grand Total	1,488,242			

At 30 June 2014 when the options were revalued, an amount of \$4,542.73 was refundable in relation to overpayment of the above options (see note 18(c)).

Notes to the Financial Statements

	2014 number	2013 number
Unlisted options vested and exercisable at the reporting date	6,269,782	6,617,154

(iii) *Weighted averages*

The weighted average remaining contractual life of any unlisted share options outstanding at the end of the year is 4.11 years (2013: 4.27 years).

The assessed fair value at grant date of options granted during the year ended 30 June 2014 is outlined in the Remuneration Report on page 14. The share price at grant date of these options ranged between \$0.29 and \$0.39 (2013: \$0.29 and \$0.39). The expected average price volatility of the company shares was 57% (2013: 57%). Expected dividend yield was 0% (2013: 0%) and the average risk free interest rate used was 3.19% (2013: 3.19%). Additional details on options granted in prior years are available in those year's Annual Reports.

NOTE 19: RESERVES

(a) **Foreign Currency Translation Reserve**

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(b). The reserve is recognised in profit or loss when the investment is disposed of.

	2014 \$	2013 \$
Opening balance	1,248,628	(645,886)
Exchange differences on translation of foreign operations	(355,014)	1,894,514
Closing balance	893,614	1,248,628

(b) **Share-based Payments Reserve**

The share-based payments reserve is used to recognise the fair value of options issued to the extent that they have vested.

	2014 \$	2013 \$
Opening balance	1,670,042	1,533,134
Option expense	150,923	136,908
Closing balance	1,820,965	1,670,042
Total reserves	2,714,579	2,918,670

NOTE 20: ACCUMULATED LOSSES

	2014 \$	2013 \$
Balance at the beginning of the year	(72,824,259)	(62,822,909)
Net Profit/(Loss) for the year	3,206,616	(10,001,350)
Balance at the end of the year	(69,617,643)	(72,824,259)

NOTE 21: FINANCIAL INSTRUMENTS

(a) **Capital Risk Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013. The capital structure of the Group consists of debt, which includes borrowings (note 15), cash and cash equivalents (note 7) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (disclosed in notes 18, 19 and 20 respectively).

The Group has global operations, primarily conducted through subsidiary companies established in the markets in which the Group trades. None of the Group's entities is subject to externally imposed capital requirements.

Notes to the Financial Statements

The Group's policy is to fund the research and development activities and operations through the issue of equity and the commercialisation of Intellectual Property assets. Minor borrowings for operational assets are utilised, as appropriate.

(b) Categories of Financial Instruments

	2014 \$	2013 \$
Financial assets		
Loans and receivables	20,985,312	742,371
Cash and cash equivalents	10,501,307	22,452,089
	<u>31,486,619</u>	<u>23,194,460</u>
Financial liabilities		
Amortised cost	5,051,210	5,053,760
Contingent consideration at fair value	5,696,087	5,348,695
	<u>10,747,297</u>	<u>10,402,455</u>
Reconciliation to total assets		
Financial assets (as above)	31,486,619	23,194,460
Non-financial assets	33,573,998	30,416,632
	<u>65,060,617</u>	<u>53,611,092</u>
Reconciliation to total liabilities		
Financial liabilities (as above)	10,747,297	10,402,455
Non-financial liabilities	9,494,713	1,801,654
	<u>20,242,010</u>	<u>12,204,109</u>

(c) Financial Risk Management Objectives

The Board, through the Audit and Risk Management (ARM) Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, Company policies are designed to ensure significant strategic, operational, legal, reputational and financial risks are identified, assessed, and effectively monitored and managed in a manner sufficient for a company of Bionomics' size and stage of development to enable achievement of the Company's business strategy and objectives.

The Company's risk management policies are managed by the key management personnel and are reviewed by the ARM Committee according to a timetable of assessment and review proposed by that Committee and approved by the Board.

(d) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 22(e) below) and interest rates (see 22(f) below). The Group uses derivative financial instruments to manage its exposure to foreign currency risk, if and when appropriate and has no outstanding contracts at the end of the period, including:

- forward foreign exchange contracts and currency swaps to hedge the exchange rate risk arising on the payments for clinical trials in non-Australian dollar denominated contracts.

The Group measures market risk exposures using sensitivity analysis. There has been no material change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Unless approved by the Chief Executive Officer and Managing Director and ARM Committee, interest rate derivatives are not entered into.

(e) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed in accordance with established

Notes to the Financial Statements

policies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
EUR	989,261	955,052	1,371,560	2,107,512
USD	1,565,744	1,069,479	20,885,161	358,542
GBP	465,031	43,067	-	-

Foreign Currency Sensitivity Analysis

The Group is mainly exposed to Great Britain Pounds, Euros and US dollars.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity with the balances being the opposite.

	EUR impact			USD impact			GBP impact		
	2014	2013		2014	2013		2014	2013	
	\$	\$		\$	\$		\$	\$	
Profit or loss	888	10,828	(i)	(1,782,894)	59,717	(ii)	42,276	3,915	(iv)
Equity	(35,643)	(115,597)	(iii)	26,584	4,914	(v)	-	-	

- (i) this is mainly attributable to the exposure outstanding on Euro payables in the Group at the end of the reporting period.
- (ii) this is mainly attributable to the exposure to outstanding USD net assets at the end of the reporting period.
- (iii) this is as a result of the changes in fair value of the net investment in a subsidiary denominated in Euros, reflected in the foreign currency translation reserve.
- (iv) this is mainly attributable to the exposure outstanding on GBP payables in the Group at the end of the reporting period.
- (v) this is as a result of the changes in fair value of the net investment in a subsidiary denominated in USD, reflected in the foreign currency translation reserve.

The Group's sensitivity to foreign currency has increased during the current year mainly due to the mix of net assets held in non-Australian dollar denominated currencies.

The sensitivity analysis may not represent the quantum of foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. Requirements change during the financial year depending on research and development activities being undertaken and contract research service financial performance.

Forward Foreign Exchange Contracts

It is the policy of the Group to enter into forward foreign currency contracts to cover specific foreign currency payments and receipts when appropriate (such as when there is a legal commitment to pay or receive foreign currency or the Chief Executive Officer and Managing Director has a high degree of confidence (>90%) that a foreign currency exposure will arise).

Under the Group's Treasury Policy, the Chief Financial Officer (CFO) will manage the foreign exchange transaction risk adopting the following guidelines:

- generally hedge foreign exchange exposure identified above by entering into a forward currency contract.
- the duration of any forward currency contract(s) will approximate the period in which the net currency exposure arises.

Notes to the Financial Statements

- recognising the uncertainty that exists in projecting forward foreign currency flows, a maximum net foreign currency exposure position may be held at any point in time.

Due to the long-term nature of the net investment in the Euro and USD denominated wholly owned subsidiaries, the investments will not be hedged into Australian dollars, with the result that the Australia dollar value of the investments will fluctuate with the market rate through the foreign currency translation reserve.

There were no forward foreign currency (FC) contracts outstanding at the end of the reporting period.

(f) Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and variable interest rates and lend funds at variable rates. The Group does not use interest rate swap contracts or forward interest rate contracts.

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

If interest rates had been 50 basis points higher / (lower) and all other variables were held constant, the Group's:

- loss for the year ended 30 June 2014 would increase / (decrease) by \$76,447 (2013: increase / (decrease) by \$93,829). This is mainly attributable to the Group's exposure to interest rates on its variable rate deposits.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in debt.

(g) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(h) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for management of the Group's short, medium and long term funding. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Included in note 15 is a listing of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

(i) Liquidity and Interest Rate Risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Notes to the Financial Statements

Interest rate maturity

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 – 12 months \$	1 to 5 years \$	5 + years \$	Total \$
2014							
Non-interest bearing		3,756,968	-	-	-	-	3,756,968
Finance lease liability	7.11	12,571	25,142	113,139	196,739	-	347,591
Fixed interest rate instruments	3.19	550,000	-	106,168	318,505	-	974,673
		<u>4,319,539</u>	<u>25,142</u>	<u>219,307</u>	<u>515,244</u>	<u>-</u>	<u>5,079,232</u>

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 – 12 months \$	1 to 5 years \$	5 + years \$	Total \$
2013							
Non-interest bearing		3,973,225	-	-	-	-	3,973,225
Finance lease liability	7.11	12,571	25,142	113,139	347,591	-	498,443
Fixed interest rate instruments	3.81	550,000	-	7,002	80,592	-	637,594
		<u>4,535,796</u>	<u>25,142</u>	<u>120,141</u>	<u>428,183</u>	<u>-</u>	<u>5,109,262</u>

(j) Fair Value of financial instruments

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The value of other financial assets and liabilities approximate their fair value. The following table gives information about how the fair values of these financial assets and liabilities are determined.

Financial assets/Financial liabilities	Fair Value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/06/2014 \$	30/06/2013 \$				
Contingent consideration in a business combination	Liabilities - 5,696,087	Liabilities - 5,348,695	Level 3	Discounted cash flow	Discount rate of 25% and probability adjusted inputs	The higher the discount rate, the lower the value

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Notes to the Financial Statements

	2014 \$	2013 \$
Short-term employee benefits	1,363,111	1,245,426
Post-employment benefits	50,720	49,778
Other long-term benefits	-	-
Share-based payments	211,835	96,025
Total key management personnel compensation	1,625,666	1,391,229

NOTE 23: COMMITMENTS FOR EXPENDITURE

(a) Finance Leases

The Group leases scientific equipment under finance leases. The average lease term is three years (2013: four years). Under the terms of the lease, the Group retains ownership at the completion of the agreed term. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 3.12% to 7.37% (2013: 4.5% to 7.29%) per annum.

	Minimum lease payments		Present value of lease payments	
	2014 \$	2013 \$	2014 \$	2013 \$
Finance Lease Liabilities				
Within one year	150,852	150,852	141,307	122,885
Later than one year but not greater than five	621,356	435,128	602,934	407,650
	722,208	585,980	744,241	530,535
Future finance charges	(27,967)	(55,445)	-	-
Present value of minimum lease payments	744,241	530,535	744,241	530,535

	2014 \$	2013 \$
Represented in the financial statements (note 15) by:		
Current borrowings	238,600	130,376
Non-current borrowings	505,641	400,159
	744,241	530,535

(b) Operating Leases

Operating leases relate to business premises with lease terms of between two and ten years. The building premise leases have options of +2 and +5+5 year terms respectively.

	2014 \$	2013 \$
<u>Payments recognised as an expense</u>		
Minimum lease payments	850,955	850,955
<u>Non-cancellable operating lease commitments</u>		
Within one year	1,017,196	1,003,196
Later than one year but not greater than five	3,877,702	4,095,463
Later than five years	1,727,286	2,575,996
Minimum lease payments	6,622,184	7,674,655

The non-cancellable lease commitments include the rent payable under the sale and leaseback of the headquarters, with settlement occurring on 13 July 2011.

(c) Rental Agreements

The Group sub-lets areas of its facility under agreements that are renewed annually. Rent received from these agreements is treated according to the accounting policy outlined in note 1(c).

	2014 \$	2013 \$
Future Rental Income Receivable		
Within one year	152,335	155,369
Later than one year but not greater than five	152,335	-
	304,670	155,369

Notes to the Financial Statements

NOTE 24: EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the results of the operations of the Group.

NOTE 25: REMUNERATION OF AUDITORS

During the financial year the following services were paid and payable to the external auditor:

Auditor of the Group

	2014 \$	2013 \$
Audit or review of the financial report	146,103	158,566
Tax compliance including preparation of the income tax return	-	6,300
Other non-audit services	21,534	12,798
	<u>167,637</u>	<u>177,664</u>

The auditor of Bionomics Limited is Deloitte Touche Tohmatsu.

It is the Group's practice to employ Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where their expertise and experience with the Group are important.

NOTE 26: CASH FLOW INFORMATION

Reconciliation of operating loss after income tax to net cash outflow from operating activities

	2014 \$	2013 \$
Profit/(Loss) for the year after income tax	3,206,616	(10,001,350)
Items in loss		
Depreciation and amortisation	1,500,936	1,245,815
Share-based payments	150,923	136,908
Income tax expense	740,329	38,175
Net unrealised foreign exchange differences	(783,744)	869,526
Interest received / receivable	(580,182)	(1,037,151)
Changes in operating assets and liabilities		
Decrease/(Increase) in debtors and other assets	(19,928,637)	204,317
Increase in accrued income	(484,648)	(3,108,851)
Increase in other operating assets	(28,011)	(56,616)
Decrease in inventory	15,103	36,758
Movement in provisions	147,389	240,366
Increase in unearned income	3,230,143	19,259
Increase in creditors and accruals	(99,429)	1,362,138
Net cash outflows from operating activities	<u>(12,913,213)</u>	<u>(10,050,706)</u>

NOTE 27: EARNINGS PER SHARE

	2014 Cents	2013 cents
Basic Earnings/(Loss) per share	0.8	(2.7)
Diluted Earnings/(Loss) per share	0.8	(2.7)

The basic and diluted Earnings/(Loss) per share amounts have been calculated using the 'Profit/(Loss) after income tax' figure in the consolidated statement of comprehensive income.

	2014 \$	2013 \$
Profit/(Loss) per share (Basic and Diluted):		
Profit/(Loss) after tax for the year	3,206,616	(10,001,350)

Notes to the Financial Statements

	2014 number	2013 number
Weighted average number of shares - Basic		
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	416,906,309	374,438,730
Weighted average number of shares – Diluted		
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	416,906,309	374,438,730
Shares deemed to be issued for no consideration in respect of:		
- Employee options	3,422,823	468,564
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	420,329,132	374,907,294

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	2014 number	2013 number
Employee options	1,540,000	5,107,000

NOTE 28: RELATED PARTY TRANSACTIONS

(a) Parent Entity

The immediate parent and ultimate controlling party of the Group is Bionomics Limited. Interests in subsidiaries are set out in note 11.

(b) Key Management Personnel

Disclosures relating to compensation of key management personnel are set out in note 22 and the Directors' Report.

(c) Other Transactions with Related Parties

Transactions between the Group and its related parties

During the financial year ended 30 June 2014, the following transactions occurred between the Group and its other related parties:

- research and development services between the parent and subsidiary entities totalled \$8,262,893 (2013: \$4,246,642).
- corporate support fees were charged between the Group's entities of \$641,216 (2013: \$1,091,000) for management and accounting support.

The following balances arising from transactions between the Group and its other related parties are outstanding at reporting date:

- loan receivables totalling \$1,574,230 (2013: \$1,124,647) are payable by the subsidiaries to the Parent entity.

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities. Interest has been waived since 2010.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions between the Group and its associates were eliminated in the preparation of the consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the associate resulting from these transactions.

(d) Loans To and From Related Parties

No loans to or from related parties have occurred in the current or previous financial year.

(e) Loans to Directors and Other Key Management Personnel

There were no loans to any directors of the Company or other key management personnel of the Group during the financial year ended 30 June 2014.

Notes to the Financial Statements

NOTE 29: PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

	Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
Financial Position		
Assets		
Current assets	40,037,551	31,203,186
Non-current assets	19,030,987	20,750,731
Total assets	<u>59,068,538</u>	<u>51,953,917</u>
Liabilities		
Current liabilities	8,257,939	5,287,458
Non-current liabilities	6,020,532	5,096,108
Total liabilities	<u>14,278,471</u>	<u>10,383,566</u>
Net Assets	<u>44,790,067</u>	<u>41,570,351</u>
Equity		
Issued capital	111,721,671	111,312,572
Accumulated losses	(68,752,569)	(71,412,263)
Share-based payments reserve	1,820,965	1,670,042
Total equity	<u>44,790,067</u>	<u>41,570,351</u>
	Year ended 30 June 2014	Year ended 30 June 2013
Financial Performance		
Profit/(Loss) for the year	4,371,102	(8,774,362)
Other comprehensive income	-	-
Total comprehensive income	<u>4,371,102</u>	<u>(8,774,362)</u>

(a) Property, Plant and Equipment Commitments

There are no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2014 (2013: Nil).

(b) Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 30 June 2014 (2013: Nil).

NOTE 30: BUSINESS COMBINATIONS – ACQUISITION OF ECLIPSE THERAPEUTICS, INC

On 17 September 2012, the Company announced the acquisition of Eclipse Therapeutics, Inc into the wholly owned subsidiary Bionomics, Inc with effect from 14 September 2012. Bionomics, Inc is engaged in Cancer Stem Cell research and development activities and is complementary to the Group's existing oncology research and development program.

Consideration Transferred

	Number	\$
Shares issued	23,890,718	7,645,029
Cash	-	17,808
Total consideration	<u>23,890,718</u>	<u>7,662,837</u>
Contingent consideration (i)		<u>4,681,749</u>
		<u>12,344,586</u>

- (i) The contingent consideration is the estimated fair value at the date of acquisition of the potential cash earn-outs to Eclipse security holders based on achieving late stage development success or partnering outcomes

Notes to the Financial Statements

based on Eclipse assets. Due to the movement in the US dollar and unwinding of interest, at 30 June 2014 this was \$5,696,087 (30 June 2013: \$5,348,695).

Assets Acquired and Liabilities Assumed at the Date of Acquisition

Current assets	\$
Cash and cash equivalents	270,525
Other current assets	7,256
Non-current assets	
Plant and equipment	109,853
Intellectual property	12,703,228
Goodwill	4,607,531
Current liabilities	
Trade and other payables	(746,276)
Non-current liabilities	
Deferred tax liability	(4,607,531)
	<u>12,344,586</u>

In accordance with the Accounting Standard AASB 3 'Business Combinations', the Company was able to provisionally determine the initial accounting for the acquisition. The intangible assets had been provisionally determined based on the directors' best estimate of the likely fair value at \$12,703,228. It has been noted that the calculation of the consideration transferred and intangible assets including, but not limited to intellectual property, goodwill and deferred tax assets has been amended as further information to support these values was obtained. During the half-year ended 31 December 2013, a deferred tax liability was recognised, as the carrying amount of the Intellectual Property exceeded its tax base affecting goodwill. This is partially offset by the deferred tax asset for the recognition of unused tax losses available as part of the acquisition.

Impact of acquisition on the results of the Group

Included in the loss for the prior year (2013) is \$434,272 attributable to this acquisition. Had the acquisition been effected at 1 July 2012, the loss from continuing operations for the whole 2013 year would have increased by a total of \$833,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group.

In determining the 'pro-forma' loss of the Group had Eclipse Therapeutics, Inc been acquired at the beginning of the prior year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- included savings for work performed within the Group rather than outsourced; and
- assumed a similar rate of progress for the research and development.

NOTE 31: CONTINGENT LIABILITIES

There are no contingent liabilities

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;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards issued by the International Financial Reporting Standards, as stated in note 1 to the financial statements;
- c) 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; and
- d) the directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 11 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors



Graeme Kaufman
Chairman



Deborah Rathjen
Chief Executive Officer and Managing Director

Dated this 19th day of August 2014

Independent Auditor's Report to the members of Bionomics Limited

Report on the Financial Report

We have audited the accompanying financial report of Bionomics Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 24 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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.

Opinion

In our opinion:

- (a) the financial report of Bionomics Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Bionomics Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Philip Teale
Partner
Chartered Accountants
Adelaide, 19 August 2014