

# Directors' Report

Your directors present their report on the financial statements of the Group for the year ended 30 June 2015, 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 Company and its controlled entities (the Group) during the period include the discovery and development of novel drug candidates focused on the treatment of central nervous system disorders and cancer by leveraging our proprietary platform technologies.

## Operating Results

Consolidated revenue for the year to 30 June 2015 decreased by 65% to \$6,827,277. Revenues were predominately attributable to the Merck & Co (known as MSD outside the USA and Canada) research collaboration and license agreement announced on 24 June 2014 in our cognition program. Other income for the year to 30 June 2015 increased by 19.5% to \$9,789,128 and relates to the Research and Development (R&D) Tax Incentive, foreign government grants and the gain on bargain purchase recognised on the acquisition of Prestwick Chemicals. This compared with revenue of \$19,357,932 and other income of \$8,188,064 for the year to 30 June 2014. The operating loss after tax of the Group for the year to 30 June 2015 was \$16,949,405 compared with the prior year after tax profit of \$3,206,616.

The cash position at 30 June 2015 was \$26,558,006 and restricted cash of \$934,000 classified as current and non-current other financial assets (2014: \$9,567,307 and restricted cash of \$934,000 classified as current and non-current other financial assets). The 2014 trade and other receivables balance includes the US\$20m receivable at 30 June 2014 which was received during the quarter ended 30 September 2014.

The financial performance of key operating segments of Drug discovery and development and Contract services are included in Note 4.

## Review of Operations

We are a global, clinical-stage biopharmaceutical company, leveraging our proprietary platform technologies to discover and develop a deep pipeline of best-in-class, novel drug candidates focused on the treatment of serious Central Nervous System, or CNS, disorders and cancer. Our ionX and MultiCore drug discovery platforms are validated through two partnerships with Merck & Co., or Merck, in cognition and pain with combined development, regulatory and sales based milestone payments of potentially up to US\$678 million as well as royalties on net sales. In 2013, Merck entered into an option to exclusively license for development and commercialisation certain small molecule drug candidates for the treatment of chronic and neuropathic pain. Under this agreement, we may receive up to US\$172 million in exercise fees and milestone payments as well as royalties on net sales. In 2014, we entered into another collaboration agreement with Merck & Co. to develop compounds targeting cognitive impairment in conditions such as ADHD, Alzheimer's disease, Parkinson's disease and schizophrenia. Under this agreement, we received US\$20 million in upfront payments and are eligible for an additional US\$486 million in research payments, development and commercialisation milestone payments as well as royalties on net sales.

In November 2014 Merck and Bionomics hosted a special Symposium in Adelaide, Australia. The meeting included renowned speakers from the field of pain research and focused on the clinical aspects of pain and migraine, novel targets for pain therapeutics and drug discovery. Planning is already advanced for the third annual Symposium which will focus on cognition with US-based Merck scientists and management anticipated to attend.

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Bionomics has continued the development of BNC210 which is now in a Phase 2 clinical trial in patients with Generalised Anxiety Disorder or GAD and we expect results in the third quarter of the 2016 calendar year. BNC210 is a novel, proprietary negative allosteric modulator of the  $\alpha$ -7 nicotinic acetylcholine receptor, or the  $\alpha$ 7 receptor. In five completed Phase 1 clinical trials, BNC210 has demonstrated safety and tolerability in 148 healthy subjects and shown initial indications of efficacy in the absence of side effects such as sedation, memory loss, impairment of motor co-ordination and potential for addiction. The  $\alpha$ 7 receptor is highly expressed in the amygdala which forms part of the emotional centre of the brain and it can be considered a key driver of emotional responses. The Phase 2 trial is evaluating the capacity of BNC210 to engage brain systems relevant to anxiety using functional magnetic resonance imaging (fMRI). The endpoints of the trial include both significant changes in cerebral perfusion and in task-related brain activity using the emotional faces task. The clinical trial is being conducted at The Institute of Psychiatry, Psychology & Neuroscience at King's College in London.

We are also conducting a Phase 1 multiple ascending dose trial in which 54 healthy subjects are dosed twice daily for eight days. The primary endpoint of this clinical trial is safety and tolerability. In this trial we are measuring BNC210's effects on nicotine-induced EEG changes and we expect results of the trial in the third quarter of the 2015 calendar year.

Anxiety is a condition which places a considerable burden on our society. For example, approximately 14.4% of the Australian population is affected by anxiety. Approximately 40 million people suffer from anxiety disorders in the United States and patients with anxiety can have one or more anxiety disorders. There are six broad categories of anxiety disorders: generalised anxiety disorder, PTSD, panic disorder, social anxiety disorder, obsessive compulsive disorder and phobias. Generalised anxiety disorder is characterised by persistent, excessive, and unrealistic worrying about everyday things. Approximately 6.8 million people suffer from generalised anxiety disorder in the United States. The anxiety market is projected to reach US\$18.2 billion by 2020. There are a number of drugs used to treat anxiety with the mainstay being benzodiazepines. Generalised anxiety disorder is commonly treated with SSRIs and SNRIs which are antidepressants that enhance either serotonin or norepinephrine. The key limitations with SSRIs and SNRIs are a modest efficacy and late onset of action, discontinuation or withdrawal syndrome, changes in weight, sexual dysfunction and suicide ideation in adolescents, while benzodiazepines such as Valium display side-effects including sedation, addiction, tolerance and cognitive disturbances, and are therefore not recommended for long-term treatment despite short-term efficacy. Anxiety and depression are mood disorders with overlapping symptoms. Over 40% of patients diagnosed with depression are also diagnosed with an anxiety disorder.

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

During the year Bionomics progressed its lead cancer stem cell drug candidate BNC101 towards clinical trial. IND enabling studies and GMP manufacture are now complete with an IND submission being finalised. BNC101 data was presented at the 26<sup>th</sup> EORTC-NCI-AACR Symposium on Molecular Targets and Cancer Therapeutics in Barcelona. The data included the preclinical activity of BNC101 in primary lung cancer and triple negative breast models.

The depth of Bionomics' cancer medicines pipeline was highlighted at the American Association for Cancer Research (AACR) 105<sup>th</sup> Annual Meeting in Philadelphia with four posters presented across three programs. This meeting was attended by representatives from major pharmaceutical companies and academia, patient advocates and other cancer professionals worldwide. BNC101 was the focus of two posters at the AACR meeting. The posters showed further support for biomarker-driven clinical development for BNC101 in colorectal cancer, pancreatic cancer and other solid tumours. The data also showed that when BNC101 is combined with standard of care chemotherapy it successfully delayed or prevented tumour recurrence in metastatic colorectal cancer and pancreatic patient-derived xenograft models that are designed to mimic a relapse setting following first-line chemotherapy. This is very promising pre-clinical work and we look forward to BNC101 entering its first Phase 1 clinical trial in the fourth quarter of the 2015 calendar year for patients that have metastatic colorectal cancer and metastatic pancreatic cancer.

Our BNC105 drug candidate has been the focus of four clinical trials in ovarian cancer, renal cancer and mesothelioma as well as a clinical trial in patients with differing tumour types. Across these clinical trials it

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has been shown that key biomarkers are correlated with progression-free survival at six months, paving the way for future biomarker driven clinical development.

Data on BNC420 was also presented at AACR. BNC420, a novel, orally administered, multiple tyrosine kinase inhibitor, has potential to be developed for the treatment of triple negative breast cancer and melanoma. This preclinical drug candidate suppresses tumour progression by targeting tumour-induced immune tolerance and lymphangiogenesis. BNC420 has demonstrated activity in melanoma models as an inhibitor of tumour metastasis. The data presented at AACR demonstrated that BNC420 significantly outperforms first-line treatment sunitinib (Sutent) in inhibiting tumour metastasis by selectively targeting VEGFR3 over related VEGFR receptors.

Bionomics strengthened its MultiCore technology platform and European presence with the acquisition of Prestwick Chemical on 1 October 2014. Prestwick is a premium provider of medicinal chemistry services and smart screening libraries. Its acquisition strengthens our global strategy and allows us to further identify and advance highly promising drug compounds for development and selective, strategic partnering. We regard Prestwick as a valuable asset that brings a blue chip customer base to Bionomics. Prestwick is co-located with Bionomics' wholly-owned business Neurofit and boasts one marketed product from its contract research services as well as numerous compounds in Phase 3 clinical trials.

### Outlook

Bionomics is in a strong position to progress its development programs and the Company continues to focus on its important relationship with Merck in pain and cognition to bring new treatments to patients suffering chronic pain and sufferers of memory impairment including those with ADHD, Alzheimer's Disease, Parkinson's disease and Schizophrenia.

We intend to advance the development of BNC210 to treat anxiety and depression. We have an ongoing Phase 2 clinical trial with BNC210 in 24 unmedicated generalised anxiety disorder patients and we expect results in the third quarter of the 2016 calendar year. BNC210 is being evaluated in a Phase 1 multiple ascending dose trial in which 54 healthy subjects are treated twice daily for eight days and we anticipate data from this trial in the current quarter.

We also intend to advance the development of BNC101 to treat solid tumors by targeting cancer stem cells. We plan to initiate a Phase 1 clinical trial in patients with metastatic colorectal cancer and metastatic pancreatic cancer. This trial is expected to commence in the fourth quarter of the 2015 calendar year.

### 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

The Group announced the appointment of Anthony Colasin as Chief Business Officer on 3 August 2015. No other 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 drug candidates for the treatment of CNS diseases and cancer.

### 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 and Prestwick in France. The Group is subject to regular inspections and audits by responsible State and Federal authorities. The Group was in compliance with all the necessary environmental regulations throughout the year ended 30 June 2015 and no related issues have arisen since the end of the financial year to the date of this report.

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## 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 non-executive Chairman of IDT Australia Limited and non-executive Chairman of Paradigm Biopharmaceuticals Limited.

### ***Current Directorships (in addition to Bionomics Limited)***

Listed: Chairman, IDT Australia Limited (ASX:IDT) (since June 2013);

Unlisted: Paradigm BioPharmaceuticals Limited (since August 2014)

### ***Former Listed Directorships in Last Three Years***

Non-executive Director, Cellmid Limited (ASX:CDY) (from August 2012 until June 2015)

### ***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

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### **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 and development, business development, licensing and commercialisation. Dr Rathjen has been recognised both in Australia and internationally through awards and honours including the 2004 AusBiotech President's Medal, 2006 Flinders University Distinguished Alumni Award, 2009 BioSingapore Asia Pacific Biotechnology Woman Entrepreneur of the Year, 2009 Regional Finalist Ernst & Young, Young Entrepreneur of the Year, 2014 Woman Executive of the Year BioPharm Industry Awards. In 2015 Dr Rathjen was included in the Top 50 most influential Australia business women by The Australian newspaper.

### ***Current Directorship (in addition to Bionomics Limited)***

Listed: Nil

Other: Director of CRC for Cancer Therapeutics

### ***Former Listed Directorships in Last Three Years***

None

### ***Special Responsibilities***

Chief Executive Officer and Managing Director

### ***Interests in Shares and Options at Date of Report***

2,280,401 ordinary shares in Bionomics Limited

2,120,000 unlisted options over ordinary shares in Bionomics Limited

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### **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 & Chairman, Intellicomms Pty Ltd; Director & Chairman, RMIT University Foundation; Director, Museum Victoria

#### ***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***

352,500 ordinary shares in Bionomics Limited

200,000 unlisted options over ordinary shares in Bionomics Limited

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### **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***

None

#### ***Special Responsibilities***

None

#### ***Interests in Shares and Options at Date of Report***

146,698 ordinary shares in Bionomics Limited

300,000 unlisted options over ordinary shares in Bionomics Limited

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**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 Therapeutics, Inc. 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

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## **Mr Jack Moschakis**

### *Legal Counsel and Company Secretary*

Mr Moschakis brings a depth of legal knowledge with over 25 years' experience as a legal practitioner. He has worked in senior legal/company secretary roles in the South Australian electricity industry for over 10 years and has expertise in energy law and energy related commercial and contractual matters. His most recent position was at mining company Rex Minerals Ltd where he worked as a legal consultant. Prior to this, Mr Moschakis worked at Thomsons Lawyers, a top tier Adelaide law firm that is now part of the national law firm of Thomson Geer, as an energy and infrastructure consultant. Mr Moschakis holds a Bachelor of Economics (Adel), Diploma in Law (NSW) and Graduate Diploma in Business Administration (Adel). He is a Fellow of the Institute of Chartered Secretaries and Member of the Law Society of South Australia.

## **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	10	10	4	4
Dr Deborah Rathjen	10	10	4*	4*
Mr Trevor Tappenden	10	10	4	4
Dr Errol De Souza	10	10	*	*
Dr Jonathan Lim	10	10	*	*

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

## REMUNERATION REPORT

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2015. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity (the Group), directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

1. Key Management Personnel
2. Remuneration Policy
3. Relationship Between the Remuneration Policy and Company Performance
4. Remuneration of Key Management Personnel
5. Key Terms of Service Agreements.

### 1. Key Management Personnel

#### **Non-Executive Directors**

	<b>Position</b>
Mr Graeme Kaufman	Chairman, Non-Executive Director
Mr Trevor Tappenden	Non-Executive Director
Dr Errol De Souza	Non-Executive Director
Dr Jonathan Lim	Non-Executive Director

#### **Executive Director**

Dr Deborah Rathjen	Chief Executive Officer and Managing Director
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#### **Other Key Management Personnel**

Dr José Iglesias	Chief Medical Officer
Ms Melanie Young	Chief Financial Officer, Company Secretary to 18 May 2015
Dr Jens Mikkelsen	Chief Scientific Officer (from 11 May 2015)
Mr Jack Moschakis	Legal Counsel (from 4 May 2015) and Company Secretary (from 18 May 2015)

Except as noted, the above persons held their current position for the whole of the financial year and since the end of the financial year.

### 2. Remuneration Policy

#### Non-Executive Director Remuneration Policy

Non-executive directors' fees are reviewed regularly, taking into account comparable remuneration data from the biotechnology sector, with the most recent increase having taken effect in 2012. Non-executive directors' fees are determined within an aggregate directors' fee pool limit that is approved by shareholders. The current aggregate non-executive directors' fee pool limit is \$500,000 per annum and was approved by shareholders on 14 November 2012. This amount (or some part of it) is to be divided among the non-executive directors as determined by the Board and reflecting the time and responsibility related to the Board and committees. The Group does not provide retirement allowances for its non-executive directors.

The Chairman and non-executive directors' fees are \$120,000 per annum and \$65,000 per annum respectively, inclusive of any statutory Australian superannuation contributions. 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 \$39,000 per annum for being the Chair of the Scientific Advisory Board during the year, an increase of \$24,000 compared to the prior year due to the additional contribution in that role during the year. The total fees paid to non-executive directors for the year ended 30 June 2015 was \$369,000 compared to the aggregate directors' fee pool limit of \$500,000, leaving an available limit of \$131,000.

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.

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.

#### Executive Remuneration Policy and Framework

The objective of the Group's key management personnel remuneration policy and framework is to ensure that the Group can attract and retain high calibre executives capable of managing the Group's operations and achieving the Group's strategic objectives.

The executives total remuneration package framework comprises:

- Base pay and benefits, including superannuation and other entitlements;
- Performance incentives paid as share options or cash; and
- Equity awards through participation in the Bionomics employee equity plans.

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

Base pay and benefit levels are reviewed annually and an assessment made against market comparable positions. The executive key management personnel's base pay and benefit levels may also be reviewed on promotion. The Board reviews and approves the base pay, benefits, incentive payments and equity awards of the Chief Executive Officer and Managing Director and other key management personnel directly reporting to the Chief Executive Officer and Managing Director.

### **3. Relationship Between the Remuneration Policy and Company Performance**

The Company's remuneration policy aligns executive reward with the interests of shareholders. The primary focus is on growth in shareholder value through achievement of research, development, regulatory and commercial milestones, and therefore performance goals are not necessarily linked to financial performance measures typical of companies operating in other market segments. Share options and/or cash bonuses are granted to executive key management personnel based on their level of key performance indicator (KPI) achievement. Achievement of KPIs should result in increases in shareholder value. However, instead of a cash award for KPI achievement (unless there are exceptional circumstances) the Company provides share options. Share options only have value if there is an increase in shareholder value. That is further improvement beyond the KPI achievement on which the award is based is usually required to realise value. This is typical of a biotechnology company in Bionomics' lifecycle. KPIs may include (but are not limited to) successful negotiations of commercial contracts, achieving key research, development and regulatory milestones, and ensuring the availability of adequate capital to achieve stated objectives.

Other factors taken into account in determining remuneration include levels of remuneration in other biotechnology companies, a demonstrated record of performance, internal relativities, and the company's capacity to pay.

#### Base pay and benefits

Executives receive their base pay and benefits structured as a Total Fixed Remuneration (TFR) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Superannuation (or local equivalent) is included in TFR. There are no guaranteed base pay increases in any executive contract. During the year there were increases provided to the Chief Executive Officer and Managing Director, Chief Medical Officer and Chief Financial Officer based on the achievement of personal and corporate KPIs.

#### Performance incentives

Executive service agreements typically do not include pre-determined bonus or equity allocations, however performance incentives in the form of cash or share options may be awarded at the end of the performance review cycle upon achievement of specific Board approved (i) individual, and (ii) company-related KPIs with a weighting of 50% each.

Following a performance evaluation against these KPIs, the amount of possible incentive payable to each executive is determined by the Board based on the CEO's recommendation.

The Board determine whether the incentive award should be in share options or cash. The default award is in share options, as this is in accord with the Company's philosophy that a continuum of KPI achievement pre and post any award is required to progressively improve shareholder value, and that



options are an appropriate payment vehicle because a reward is only realised if there is further KPI achievement resulting in improved shareholder value.

In exceptional circumstances, the Board will consider cash payment instead of or in addition to an option award if the executive:

- already has significant shareholdings; and/or
- resides in a country where an option award is inappropriate due to local regulation or taxes; and/or
- is likely to be in a position whereby the executive may be unable to exercise options because of insider knowledge and/or an extended blackout period; and/or
- the KPI achievement is, in the judgement of the board, of such significance to materially position the Company for further shareholder value enhancement.

Performance incentives as practised by Bionomics are best characterised as a hybrid short-term and long-term incentive. That is, it has a look back element on what was achieved in the financial year, and a look forward element requiring enhanced shareholder value beyond market expectations at the time of the award. The Board considers this an appropriate approach for a company of Bionomics' size, nature and lifecycle.

The incentive structure is under active review to ensure it remains effective.

#### Equity awards

Equity awards for executives and employees are provided by a combination of equity plans that may include:

- an Employee Share Plan;
- an Employee Share Plan (\$1,000 Plan); and
- an Employee Share Option Plan.

Participation in these plans is at the Board's discretion and no individual has an ongoing contractual right to participate in a plan or to receive any guaranteed benefits. For key appointments, an initial allocation of equity may be offered as a component of their initial employment agreement. The structure of equity awards is under the active review of the remuneration committee to ensure it meets good corporate practice for a company of Bionomics' size, nature and company lifecycle.

#### Employee Share Plan

The Bionomics Employee Share Plan (ESP) was approved by shareholders at the November 2014 Annual General Meeting. It may involve the Company providing an interest-free limited recourse loan to eligible employees to purchase shares under this ESP. The Company takes security over the Shares to secure repayment of the loan.. The purpose of this ESP is to provide eligible employees with an incentive to remain with the Company and to improve the longer-term performance of the Company and its returns to shareholders. The issue price will be determined by the Board at its sole discretion, with the intention to base it on market value at the time. No shares have been issued under this plan to date.

#### Employee Share Plan (\$1,000 Plan)

All executives and staff, excluding directors, are eligible to participate in the Bionomics Employee Share Plan (\$1,000 Plan). The objective of the \$1,000 Plan is to assist in the attraction and retention of employees of the company. An annual allocation of up to \$1,000 of shares may be granted and taxed on a concessional basis. Shares are granted under the \$1,000 Plan for no consideration and are escrowed for 3 years while participants are employed by the company. None were issued during the year ended 30 June 2015 or since that date.

#### Employee Share Option Plan

Options may be granted under the Bionomics Limited Employee Share Option Plan (ESOP) which was re-approved by shareholders at the 2014 Annual General Meeting. All executives and staff are eligible to participate in the Plan. The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the company. Options are granted under the Plan for no consideration. More particularly, the Plan is utilised to award options to executives if they achieve specified KPIs (unless cash is warranted – see above). It may also be used for shareholder approved non-executive director grants at the time of their appointment. The exercise price of options granted

under the Plan must be not less than the market price at the time the decision is made to invite a participant to apply for options. The exercise price is calculated as the volume-weighted average price (VWAP) of the shares in the 7 days preceding the approval to grant the options.

### **Performance of Bionomics Limited**

The broad corporate key performance indicators listed at the beginning of this section, together with individual KPIs relevant to each executive, are considered to be appropriate drivers of growth in shareholder value and were used by the Board in assessing the appropriate level of incentives payable to each executive during the year.

Other than a sustained improvement in market capitalisation relative to industry peers used as a basis for benchmarking pay, there is no link between the base pay determination and the Company's financial performance (specifically revenue and net (loss)/profit included in the table below) or share price.

The calculation of the executive key management personnel annual incentive award is set against the achievement of specified milestones and targets approved by the Board. Milestones and targets generally relate to:

- Efficiently conducting the Company's development programs;
- Executing Bionomics partnership strategy, both new and existing;
- Demonstrating the power of Bionomics' discovery capabilities; and
- Maintaining adequate capital reserves.

These KPIs are established to support the Company achieving its overall objectives. Executive key management personnel have 50% of their performance incentives tied to the achievement of corporate goals and the remaining 50% is tied to the achievement of individual goals.

The Bionomics team achieved important milestones directly related to their key performance indicators, including:

- Continued development of BNC210 through initiation of Phase 1b and Phase 2 clinical trials and secured funding for BNC210 development through Silicon Valley Bank;
- Progressed BNC101 towards a Phase I clinical trial by completing IND enabling studies and GMP manufacture;
- Expanded Bionomics' potential access to U.S. analysts and investors; and
- Strengthened the Multicore technology platform, our capacity to identify drug candidates and our European presence with the acquisition of Prestwick Chemical, a premium provider of medicinal chemistry services and smart screening libraries, in October 2014.

Achievement of these and associated KPIs may result in incentive awards to executive key management personnel in the future.

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 2015.

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>	<b>30 June 2011 \$</b>
Revenue	6,827,277	19,921,506	3,724,169	6,834,709	4,071,798
Net (Loss)/Profit before tax	(17,277,206)	3,946,945	(9,963,175)	(3,328,896)	(10,106,903)
Net (Loss)/ Profit after tax	(16,949,405)	3,206,616	(10,001,350)	(3,136,238)	(9,356,497)
	<b>30 June 2015 cents</b>	<b>30 June 2014 cents</b>	<b>30 June 2013 cents</b>	<b>30 June 2012 cents</b>	<b>30 June 2011 cents</b>
Share price at start of year	55.0	34.0	30.0	55.5	27.0
Share price at end of year	41.5	55.0	34.0	30.0	55.5
Dividends paid	-	-	-	-	-
Basic earnings per share	(4.0)	1.0	(2.7)	(0.9)	(2.9)
Diluted earnings per share	(4.0)	1.0	(2.7)	(0.9)	(2.9)

#### 4. Remuneration of Key Management Personnel

The following tables show details of the remuneration received by the directors and the executive key management personnel of the Group for the current and previous financial years.

##### *Directors and Other Key Management Personnel – 2015*

Name	Short-term benefits		Post-employment	Long-term employee benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary benefits	Superannuation	Annual and long service leave	Options	
	\$	\$	\$	\$	\$	\$
Mr Graeme Kaufman	109,589	-	10,411	-	80,774	200,774
Mr Trevor Tappenden	73,059	-	6,941	-	-	80,000
Dr Errol De Souza	104,000	-	-	-	-	104,000
Dr Jonathan Lim	65,000	-	-	-	20,269	85,269
Dr Deborah Rathjen <sup>1</sup>	483,799	73,221	18,783	17,483	20,288	613,574
Dr José Iglesias <sup>4</sup>	433,530	-	-	5,496	51,302	490,328
Ms Melanie Young	165,721	12,126	16,895	6,780	45,735	247,257
Dr Jens Mikkelsen <sup>2</sup>	47,247	-	-	-	-	47,247
Mr Jack Moschakis <sup>3</sup>	45,788	-	3,131	3,960	-	52,879
	<b>1,527,733</b>	<b>85,347</b>	<b>56,161</b>	<b>33,719</b>	<b>218,368</b>	<b>1,921,328</b>

1. Included in Dr Rathjen's cash salary and fees is a cash incentive of \$60,000 received on 11 September 2014 having met agreed performance criteria including execution of the Merck Option and License Agreement for the pain program and the Merck Research Collaboration and Licensing Agreement for the cognition program, and consideration by the Board (excluding Dr Rathjen) of the factors pertinent as to whether the award should be options or cash (see above) During the year end 30 June 2015 there has been no grant of a performance related incentive that will affect future reporting periods.
2. Dr Mikkelsen has been a Scientific Advisory Board consultant since 4 December 2012 and commenced consulting as the Group's Chief Scientific Officer on 11 May 2015.
3. Mr Jack Moschakis commenced on 4 May 2015.
4. Dr Iglesias' remuneration package is in Canadian dollars and the above is translated into Australian dollars. In local currency, the increase for the financial year ended 30 June 2015 was in line with other executive key management personnel.

##### *Directors and Other Key Management Personnel – 2014*

Name	Short-term benefits		Post employment	Long-term employee benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary benefits	Superannuation	Annual and long service leave	Options	
	\$	\$	\$	\$	\$	\$
Mr Graeme Kaufman	109,876	-	10,164	-	76,509	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	88,305
Dr Deborah Rathjen	407,637	75,368	17,775	(366)	17,892	518,306
Dr José Iglesias	378,941	-	-	5,979	51,387	436,307
Ms Melanie Young	160,838	12,224	16,008	4,289	42,742	236,101
	<b>1,275,519</b>	<b>87,592</b>	<b>50,720</b>	<b>9,902</b>	<b>211,835</b>	<b>1,635,568</b>

Options are granted to directors and other key management personnel under the Bionomics ESOP, details of which are set out in section 5 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.

## **5. Key Terms of Service Agreements**

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

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

- Term of agreement – 5 years commencing 15 October 2010.
- Total remuneration package, 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 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*

- Term of agreement – open, commencing 9 May 2011.
- Total remuneration package 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.

Dr Jens Mikkelsen, *Chief Scientific Officer*

- Term of agreement – consultancy agreement, commencing 4 December 2012 and in this role on an open term agreement commencing 11 May 2015.
- Total remuneration package 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 six 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.

Mr Jack Moschakis, *Legal Counsel and Company Secretary*

- Term of agreement – open, commencing 4 May 2015.
- Total remuneration package 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 six 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.

### **Share-based payments**

Share-based payment benefits are provided to employees via the Bionomics ESOP and the Bionomics Employee Share Plan (ESP).

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 and ESP was approved by the Board and Shareholders in 2014. 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, (other than options for incentive awards – see below), provided a person remains employed subject to good leaver provisions (death, retrenchment or retirement).

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 criteria, the impact of dilution, 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.

Incentive options are issued at the discretion of the Board and vest immediately. There are no subsequent performance conditions attached to the options. The incentive payable to each executive is determined by the Board based on the CEO's recommendation. The incentive calculation is based 50% on the Company meeting corporate objectives and 50% on the achievement of individual annual KPIs. The Company's performance objectives are outlined in 3 above. The executive's KPIs are established with reference to their contribution to achieving the Company's overall objectives.

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:

<b>Grant date</b>	<b>Expiry date</b>	<b>Revised Exercise price</b>	<b>Fair value per option at grant date</b>	<b>Vesting date</b>
<b><i>Granted in prior periods</i></b>				
November 2006	16 November 2015	\$0.2976	\$0.1867	16 November 2010
	16 November 2016	\$0.2976	\$0.1919	16 November 2011
November 2008	5 November 2015	\$0.2976	\$0.1488	5 November 2010
	5 November 2016	\$0.2976	\$0.1591	5 November 2011
	5 November 2017	\$0.2976	\$0.1683	5 November 2012
	7 August 2016	\$0.3692	\$0.1419	7 August 2011
November 2011	25 November 2016	\$0.6116	\$0.2181	25 November 2011
	25 November 2016	\$0.9186	\$0.0475	15 August 2012
December 2011	12 December 2017	\$0.5156	\$0.3348	12 December 2012
	12 December 2018	\$0.5156	\$0.3553	12 December 2013
	12 December 2019	\$0.5156	\$0.3730	12 December 2014
	12 December 2020	\$0.5156	\$0.3886	12 December 2015
	12 December 2021	\$0.5156	\$0.4025	12 December 2016
August 2012	1 August 2017	\$0.2846	\$0.1345	1 August 2012
December 2012	11 December 2017	\$0.2846	\$0.1614	11 December 2012
	11 December 2018	\$0.3176	\$0.1751	11 December 2013
	11 December 2019	\$0.3176	\$0.1871	11 December 2014
	11 December 2020	\$0.3176	\$0.1976	11 December 2015
	11 December 2021	\$0.3176	\$0.2070	11 December 2016
	11 December 2022	\$0.3176	\$0.2155	11 December 2017
June 2013	5 June 2019	\$0.3873	\$0.2035	5 June 2014
	5 June 2020	\$0.3873	\$0.2179	5 June 2015
	5 June 2021	\$0.3873	\$0.2306	5 June 2016
	5 June 2022	\$0.3873	\$0.2423	5 June 2017
	5 June 2023	\$0.3873	\$0.2526	5 June 2018
August 2013	12 August 2018	\$0.3301	\$0.3811	12 August 2013
December 2013	17 December 2018	\$0.3301	\$0.4647	17 December 2013
	11 December 2018	\$0.7224	\$0.3291	11 December 2013
	11 December 2019	\$0.7224	\$0.3598	11 December 2014
	11 December 2020	\$0.7224	\$0.3866	11 December 2015
	11 December 2021	\$0.7224	\$0.4105	11 December 2016
	11 December 2022	\$0.7224	\$0.4318	11 December 2017

**Granted in current period**

October 2014	15 October 2019	\$0.5643	\$0.3523	15 October 2014
December 2014	4 December 2019	\$0.5643	\$0.2705	4 December 2014

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of Bionomics.

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.

During the year, and since the end of the year, incentive options were issued to the following directors and other key management personnel for the achievement in the prior year of Board-approved KPIs and individual KPIs (each contributing 50%):

Name	Number granted	Date granted	Total fair value \$	Number vested	% of grant vested	% of grant forfeited
Dr Deborah Rathjen <sup>1</sup>	75,000	4 Dec 2014	20,288	75,000	100%	-
Dr José Iglesias <sup>1</sup>	63,500	15 Oct 2014	22,371	63,500	100%	-
Ms Melanie Young <sup>1</sup>	63,500	15 Oct 2014	22,371	63,500	100%	-

<sup>1</sup>The options vested immediately and were awarded following the achievement of performance objectives.

During the year, the following directors and other key management personnel exercised options that were granted to them as part of their compensation.

Name	Number of options exercised	Number of ordinary shares issued	Amount paid \$	Amount unpaid \$
Dr Deborah Rathjen	330,000	330,000	121,836	-
Mr Trevor Tappenden	100,000	100,000	29,760	-
Ms Melanie Young	37,500	37,500	10,673	-

The following table summarises options that lapsed during the financial year to directors and other key management personnel. During the financial year, these 440,000 options held by key management personnel in the below table could not be exercised due to the requirement for an extended black-out (non-trading) period and consequently lapsed.

Name	Financial year in which the options were granted	Number of options lapsed
Dr Deborah Rathjen	November 2008	340,000
Dr Errol De Souza	November 2008	100,000

**Fully Paid Ordinary Shares of Bionomics Limited**

	Balance at 1 July 2014 Number	Granted as compensation Number	Received on exercise of options Number	Net other change Number	Balance at 30 June 2015 Number	Balance held nominally Number
Mr Graeme Kaufman	178,750	-	-	-	178,750	-
Mr Trevor Tappenden	307,500	-	100,000	(55,000)	352,500	207,500
Dr Errol De Souza	146,698	-	-	-	146,698	-
Dr Jonathan Lim	5,091,828	-	-	-	5,091,828	5,091,828
Dr Deborah Rathjen	1,910,401	-	330,000	40,000	2,280,401	1,134,500
Dr José Iglesias	-	-	-	-	-	-
Ms Melanie Young	39,049	-	37,500	-	76,549	-

## Share options of Bionomics Limited

	Balance at 1 July 2014 Number	Granted as compen- -sation Number	Exercised Number	Other Number	Balance at 30 June Number	Balance vested and exercisable at 30 June 2015 Number	Options vested during year Number
Mr Graeme Kaufman	1,000,000	-	-	-	1,000,000	400,000	200,000
Mr Trevor Tappenden	300,000	-	(100,000)	-	200,000	200,000	-
Dr Errol De Souza	400,000	-	-	(100,000)	300,000	300,000	-
Dr Jonathan Lim	500,000	-	-	-	500,000	200,000	100,000
Dr Deborah Rathjen	2,715,000	75,000	(330,000)	(340,000)	2,120,000	2,120,000	75,000
Dr José Iglesias	565,000	63,500	-	-	628,500	328,500	163,500
Ms Melanie Young	635,000	63,500	(37,500)	-	661,000	461,000	163,500

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan. The number granted in the above table and in total during the year was 0.05% and 0.5% respectively of common shares outstanding.

During the financial year, 467,500 options were exercised by key management personnel at a weighted average exercise price of \$0.35 per option for 467,500 ordinary shares in Bionomics Limited. No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the employee share option plan and of share options granted during the 2015 and 2014 financial years are contained in Note 22 to the financial statements.

### ***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 2015 was 9,798,480. This is 2.3% of common shares outstanding.

### **Shares Issued on the Exercise of Options**

842,302 ordinary shares of Bionomics were issued during the year ended 30 June 2015 on the exercise of options granted under the Bionomics ESOP.

### **Warrants**

During the year the Company issued a warrant in connection with the USD loan (Note 18(v)) which is currently exercisable at the discretion of the holder and is exchangeable for either 643,611 ordinary shares at a fixed price (\$0.54) or a lower number of shares for nil consideration, with the number of shares calculated on the basis of a formula which takes into account the movement in the share price of the Company from the date of issue to date of exercise of the warrant.

### **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 28 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 28 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
- 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 17.

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



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

7 August 2015

7 August 2015



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

7 August 2015

Dear Board Members

**Re: 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 2015, 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 faithfully

*Debitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Penny Woods  
Partner  
Chartered Accountants

**BIONOMICS LIMITED**

ABN 53 075 582 740

**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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This financial statement covers both Bionomics Limited ("Bionomics") as an individual entity (Note 32) 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 Australian Securities Exchange (ASX) (ASX:BNO) and its registered office is 31 Dalglish 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](http://www.bionomics.com.au)

# Bionomics Limited

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Continuing operations</b>			
Revenue	5	6,827,277	19,357,932
Other income	5	9,789,128	8,188,064
<b>Expenses</b>	6		
Research and development expenses		(23,181,790)	(17,785,002)
Administration expenses		(5,730,169)	(2,666,597)
Occupancy expenses		(2,922,779)	(1,927,483)
Compliance expenses		(1,186,978)	(603,702)
Loss on disposal of assets		(8,063)	(6,765)
Finance expenses		(863,832)	(609,502)
<b>(Loss)/Profit before tax</b>		<u>(17,277,206)</u>	<u>3,946,945</u>
Income tax benefit/(expense)	7	<u>327,801</u>	<u>(740,329)</u>
<b>(Loss)/Profit after tax</b>		<u>(16,949,405)</u>	<u>3,206,616</u>
<b>Other comprehensive income, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,312,600	(355,014)
<b>Total comprehensive (loss)/income for the year</b>		<u>(13,636,805)</u>	<u>2,851,602</u>
(Loss)/Profit attributable to:			
Owners of the Company		<u>(13,636,805)</u>	<u>2,851,602</u>

### EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	Note	2015	2014
Basic (Loss)/Earnings per share	30	(\$0.04) (4 cents)	\$0.01 1 cent
Diluted (Loss)/Earnings per share	30	(\$0.04) (4 cents)	\$0.01 1 cent

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 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	26,558,006	9,567,307
Trade and other receivables	10	1,063,680	20,989,654
Other financial assets	9	550,000	550,000
Inventories	11	409,891	83,423
Research and development incentives receivable		8,005,399	7,501,256
Other assets	12	1,293,932	442,428
<b>TOTAL CURRENT ASSETS</b>		<b>37,880,908</b>	<b>39,134,068</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	3,450,555	828,361
Goodwill	15	10,488,633	9,488,432
Other intangible assets	16	16,927,619	15,225,756
Other financial assets	9	384,000	384,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>31,250,807</b>	<b>25,926,549</b>
<b>TOTAL ASSETS</b>		<b>69,131,715</b>	<b>65,060,617</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	6,465,626	4,088,054
Borrowings	18	5,460,133	788,600
Provisions	19	1,582,239	1,186,482
Other financial liabilities	21	122,544	-
Other liabilities	20	75,362	3,267,589
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,705,904</b>	<b>9,330,725</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	17	140,758	260,794
Borrowings	18	9,317,373	505,641
Provisions	19	91,168	108,320
Deferred tax liabilities	7	5,634,395	4,340,443
Contingent consideration	33	8,276,292	5,696,087
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23,459,986</b>	<b>10,911,285</b>
<b>TOTAL LIABILITIES</b>		<b>37,165,890</b>	<b>20,242,010</b>
<b>NET ASSETS</b>		<b>31,965,825</b>	<b>44,818,607</b>
<b>EQUITY</b>			
Issued capital	22	111,990,220	111,721,671
Reserves	23	6,542,653	2,714,579
Accumulated losses		(86,567,048)	(69,617,643)
Equity attributable to owners of the Company		<b>31,965,825</b>	<b>44,818,607</b>

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 2015

	Issued capital \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2013</b>	<b>111,309,010</b>	<b>1,248,628</b>	<b>1,670,042</b>	<b>(72,824,259)</b>	<b>41,403,421</b>
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
Issue of ordinary shares under Employee Share Option Plan	412,661	-	-	-	412,661
<b>Balance at 30 June 2014</b>	<b>111,721,671</b>	<b>893,614</b>	<b>1,820,965</b>	<b>(69,617,643)</b>	<b>44,818,607</b>
Loss for the period	-	-	-	(16,949,405)	(16,949,405)
Exchange differences on translation of foreign operations	-	3,312,600	-	-	3,312,600
Total comprehensive income	-	3,312,600	-	(16,949,405)	(13,636,805)
Recognition of share-based payments	-	-	515,474	-	515,474
Issue of ordinary shares under Employee Share Option Plan	268,549	-	-	-	268,549
<b>Balance at 30 June 2015</b>	<b>111,990,220</b>	<b>4,206,214</b>	<b>2,336,439</b>	<b>(86,567,048)</b>	<b>31,965,825</b>

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 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Research and Development Incentives received		7,796,611	7,004,342
Receipts from customers		27,502,747	3,511,431
Payments to suppliers and employees		(29,620,018)	(23,345,311)
Interest Paid		(743,222)	(87,236)
<b>Net cash generated by/(used in) operating activities</b>	<b>29(b)</b>	4,936,118	(12,916,774)
<b>Cash flows from investing activities</b>			
Interest received		940,607	567,329
Payments for purchases of property, plant and equipment		(846,258)	(216,598)
Acquisition of Prestwick business	<b>34</b>	(391,136)	-
<b>Net cash (used in)/generated by investing activities</b>		(296,787)	350,731
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(667,620)	(139,332)
Proceeds from borrowings		12,688,036	339,739
Net proceeds from share issues		268,549	412,661
<b>Net cash generated by financing activities</b>		12,288,965	613,068
<b>Net increase/(decrease) in cash and cash equivalents</b>		16,928,296	(11,952,975)
Cash and cash equivalents at the beginning of the financial year		9,567,307	21,518,089
Effects of exchange rate changes on the balance of cash held in foreign currencies		16,930	2,193
<b>Cash and cash equivalents at the end of the year</b>	<b>29(a)</b>	26,512,533	9,567,307

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 2015

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# Notes to the Financial Statements

## NOTE 1: GENERAL INFORMATION

Bionomics Limited (the Company) is a listed public company incorporated in Australia. The address of its registered office and principal place of business is as follows:

31 Dalgleish Street  
Thebarton, South Australia, 5031  
Tel: 08 8354 6100

## Principal Activities

The principal activities of the Company and its controlled entities (the Group) during the period include the discovery and development of novel drug candidates focused on the treatment of serious central nervous system disorders and cancer by leveraging proprietary platform technologies.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of 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 (AASB). Compliance with AASB 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 7 August 2015.

## 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 at the end of each reporting period, 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 (IFRS 2), leasing transactions that are within the scope of AASB 117 (IAS 17), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 (IFRS 2) or value in use in AASB 136 (IAS 36).

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

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and



## Notes to the Financial Statements

effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no significant changes to the consolidated entity's accounting policies.

### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the financial report of the consolidated entity:

Standard	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 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2019	30 June 2020
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

### Impact of new and revised requirements

Management is currently assessing the potential impact of the following standards:

#### **AASB 9 (IFRS 9) 'Financial Instruments' (December 2009), and the relevant amending standards**

AASB 9 (IFRS 9) introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances).
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss.
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss.
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

Through AASB 2013-9, (IFRS 9) a new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

#### **AASB 9 (IFRS 9) 'Financial Instruments' (December 2010), and the relevant amending standards**

A revised version of AASB 9 (IFRS 9) incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 (IAS 39) *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these

## Notes to the Financial Statements

cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Through AASB 2013-9 (IFRS 9), a new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

### **AASB 9 (IFRS 9) 'Financial Instruments' (December 2014), and the relevant amending standards**

The final version of AASB 9 (IFRS 9) brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 (IAS 39) *Financial Instruments: Recognition and Measurement*. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets.

This new version supersedes AASB 9 (IFRS 9) (December 2009) and AASB 9 (IFRS 9) (December 2010). The new version of AASB 9 (IFRS 9) includes:

- requirements for impairment of financial assets; and
- limited amendments to classification and measurement of financial assets, including introduction of a measurement category of 'fair value through other comprehensive income' for debt instruments.

*Note: Several versions of AASB 9 (IFRS 9) currently exist due to the issuance of the Standard over several years. In summary:*

- *the mandatory effective date of AASB 9 (IFRS 9) (all versions) and the related consequential amendments is annual periods beginning on or after 1 January 2018; and*
- *either AASB 9 (IFRS 9) (December 2009) or AASB 9 (IFRS 9) (December 2010) can be early adopted if adopted with an initial application date before 1 February 2015, however after this period only AASB 9 (IFRS 9) (December 2014) can be early adopted.*

### **AASB 15 (IFRS 15) 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'**

AASB 15 (IFRS 15) outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 (IAS 11) *Construction Contracts*, AASB 118 (IAS 18) *Revenue*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

### **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation**

Amends AASB 116 (IAS 16) *Property, Plant and Equipment* and AASB 138 (IAS 38) *Intangible Assets* to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.

### **AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' ('Annual Improvements to IFRSs 2012-2014 Cycle')**

Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.

Key amendments include:

- AASB 5 (IFRS 5) – Change in methods of disposal;
- AASB 7 (IFRS 7) – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements;
- AASB 119 (IAS 19) – Discount rate: regional market issue; and
- AASB 134 (IAS 34) – Disclosure of information 'elsewhere in the interim financial report'.

# Notes to the Financial Statements

## **AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

Amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101.

Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

## **AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality**

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

## **AASB 2015-5 (IFRS 10 and IFRS 12) Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception**

Amends AASB 10 (IFRS 10) *Consolidated Financial Statements*, AASB 12 (IFRS 12) *Disclosures of Interests in Other Entities* and AASB 128 (IAS 28) *Investments in Associates and Joint Ventures*, to:

- confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 (IFRS 10) is available to a parent entity that is a subsidiary of an investment entity;
- clarify the applicability of AASB 12 (IFRS 12) to the financial statements of an investment entity; and
- introduce relief in AASB 128 (IAS 28) to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

## **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 the Company 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.

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.

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

## Notes to the Financial Statements

currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in 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 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 and accumulated in equity.

### (c) Revenue Recognition

Revenue is recognised when the amounts of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria related to the type of revenues has been satisfied. The Group enters into collaboration agreements that comprise of up-front payments in connection with out-licensing activities and research funding, milestone payments based on development achieved by our collaborators, sales and royalties based on net sales. For these agreements, the Group applies revenue recognition criteria to the separately identifiable components of a single transaction. The total arrangement consideration is allocated to separately identifiable components by reference to their fair values. Revenue for the periods presented included license revenues, contract services revenues, and rental income.

(i) License revenues in connection with out-licensing of the Group's patents and other intellectual property to our collaborators are recognised when the following criteria have been met:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the patents and intellectual property, and
- The Group does not retain either the continuing managerial involvement to the degree usually associated with ownership or the effective control over the patent and intellectual property.

Where the above criteria are not met, up-front payments received in connection with out-licensing activities would be deferred. All up-front license payments so far received have been recognised upon receipt.

(ii) For milestone receipts the Group's collaboration partners may be obligated to make certain payments as they achieve certain specified milestones in the further development of the licensed property. To date no such milestone receipts have been received.

(iii) Contract service revenue relates to the provision of scientific services for a fee and is recognised when the services are rendered. The Group's collaboration agreements contemplate its involvement in the ongoing research and development of its partnered drug candidates, for which the Group is paid fees for the services rendered. Revenue from such contracts to provide services is recognised as services are being rendered. In addition, the Group may enter into separate arrangements to undertake certain contract services work for a fee and such fees are recognised by reference to the proportion of the total cost of performing the services to the total fee.

(iv) Rental income is recognised on a straight line basis over the term of the lease.

### (d) Government Research and Development Incentives

Government grants, including Research and Development incentives, are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

## Notes to the Financial Statements

Grants relating to cost reimbursements are recognised as other income in profit or loss in the period when the costs were incurred or when the incentive meets the recognition requirements (if later).

### (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 (IAS 12) 'Income Taxes' and AASB 119 (IAS 19) '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 (IFRS 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 (IFRS 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 gain on bargain purchase.

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 (IFRS 39), or AASB 137 (IFRS 37) 'Provisions, Contingent Liabilities and Contingent Assets' respectively, as appropriate, with the corresponding gain or loss being recognised in profit or loss, respectively.

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 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

## Notes to the Financial Statements

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 consolidated statement of financial position.

### (i) Inventories

Consumables are stated at the lower of cost and net realisable value.

### (j) Property, Plant and Equipment

Land is stated at cost less any impairment losses if applicable and is not depreciated.

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

Depreciation is recognised so as to write off the cost 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.

The depreciation rates for each class of depreciable assets are:

- |                         |             |
|-------------------------|-------------|
| • buildings             | 25 years    |
| • plant and equipment   | 20 – 40%    |
| • equipment under lease | 3 – 5 years |

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.

## Notes to the Financial Statements

### (k) Financial Assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments 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) *Held-to-maturity Investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

#### (ii) *Receivables*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'.

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

#### (iii) *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.

### (l) Intangible Assets

#### (i) *Intellectual Property*

Acquired intellectual property is recognised as an asset at cost and amortised over its useful life. There is currently no internally generated intellectual property that has been capitalised. 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.

#### (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 Note 2(f) 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



## Notes to the Financial Statements

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.

**(m) 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. Expenditure on development activities are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. At year end there are currently no capitalised development costs.

**(n) 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.

**(o) 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 Employee Share Option Plan 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 on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The Employee Share Plan is currently not active.

The disclosure in the Remuneration Reports and Note 22 relates to the Employee Share Option Plan.

The Bionomics Employee Share Option Plan was approved by the Board and shareholders in 2014. 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 Group. Options are granted under the plan for no consideration and vest equally over five years, unless they are bonus options which vest immediately.

## Notes to the Financial Statements

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 and the vesting criteria.

### (p) Borrowings (other financial liabilities)

#### (i) Warrants

Warrants issued by the Group in connection with bank loans are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Where the warrants do not meet the definition of equity, they are measured at fair value on inception with a corresponding reduction to the associated borrowings. Subsequent to initial recognition, the liability is fair valued with gains or losses recognised in the profit or loss. See Note 21 for further details.

#### (ii) Other Borrowings

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.

#### (iii) Classification

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.

### (q) Borrowing Costs

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

### (r) 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.

### (s) Issued Capital

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.

### (t) 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.

#### (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

## Notes to the Financial Statements

issued for no consideration in relation to options.

### (u) 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 consolidated 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 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of our consolidated financial statements requires the Group to make estimates and judgments that can affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. The Group analyses the estimates and judgments and base estimates and judgments on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from the estimates. The significant accounting policies are detailed in Note 2 for the year ended 30 June 2015. Summarised below are the accounting policies of particular importance to the portrayal of the financial position and results of operations and that require the application of significant judgment or estimates by management.

#### Impairment of Goodwill and Other Intangible Assets

The Group assesses annually, or whenever there is a change in circumstances, whether goodwill or other intangible assets may be impaired. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill or other intangible assets have been allocated. The value in use calculation is judgmental in nature and requires the Group to make a number of estimates including the future cash flows expected to arise from the cash generating units based on observable market comparables for drug compounds within the cash generating unit and over a period covering drug discovery, development, approval and marketing as well as, a suitable discount rate in order to calculate present value. The cash flow projections are further weighted based on the observable market comparables probability of realising projected milestone and royalty payments. When the carrying value of the cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. Impairment losses are further recognised in the consolidated statement of profit or loss and other comprehensive income. A detailed valuation was performed as of 30 June 2015 and each computed fair value of our cash generating unit was in excess of the carrying amount respectively. As a result of this evaluation, it was determined that no impairment of goodwill or other intangible assets existed at 30 June 2015.

#### Contingent Consideration

As a result of the acquisition of Eclipse Therapeutic, Inc. (Eclipse) during the year ended 30 June 2013, the Group determines and recognises at each reporting date the fair value of the additional consideration that may be payable to Eclipse security holders due to potential royalty payments based on achieving late-stage development success or partnering outcomes based on Eclipse assets. Such potential earn-out payments are recorded at fair value and include a number of significant estimates including adjusted revenue projections and expenses, probability of such projections and a suitable discount rate to calculate present value.

#### Gain on Bargain Purchase

The purchase price of acquisitions is allocated to identifiable assets acquired and liabilities assumed at their acquisition date fair values based on established valuation techniques. Goodwill represents the residual value as of the acquisition date, which in most cases is measured as the excess of the purchase consideration transferred over the net of the acquisition date fair values of the assets acquired and liabilities assumed. In cases of a bargain purchase, a gain is recognised in the consolidated statement of profit or loss and other comprehensive income. During the fiscal year ended 30 June 2015, the Company recorded a gain on bargain purchase resulting from the acquisition of Prestwick. As the predecessor company was in administration, the administrator sought bids for the assets of the company and the Group was the sole bidder.

# Notes to the Financial Statements

## Revenue Recognition

From time to time the Group enters into license and collaboration arrangements for licensing and research activities, for which the Group may receive payments in connection with out-licensing and research funding activities, milestone payments based on developments achieved by our collaborators and royalties based on net sales. For these agreements, the Group applies the revenue recognition criteria to the separately identifiable component and the total arrangement consideration is allocated to separately identifiable components by reference to their fair values. License revenue is further recognised once the Group has transferred to the buyer the significant risks and rewards of ownership of the patent and intellectual property and the Group does not retain involvement to the degree associated with ownership or effective control over the patent and intellectual property. Any provision of scientific services included in those license and collaboration agreements is further recognised as contract services revenue when the services are rendered. In addition, our wholly-owned subsidiaries, Neurofit and Prestwick, provide third party contract services which are recognised by reference to the proportion of the total cost of the contract. The Group has not received any payment and has not recognised any revenues related to milestone payments.

## Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted and are disclosed in Note 22(d)(ii). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

## Tax losses

Given the Group's history of recent losses, a deferred tax asset has not been recognised with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company, or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised. The availability of tax losses is subject to the Australian continuity of ownership test or, if that test is failed, the same business test. If funding is continued to be obtained from new shareholders, then the continuity of ownership test may not be complied with, which may impact the availability of unutilised losses in future periods.

## NOTE 4: SEGMENT INFORMATION

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

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

During the year, the Group appointed a Chief Scientific Officer, restructuring its senior management and reporting structure, resulting in the restructuring of the previously separately reported drug discovery and drug development information for internal reporting purposes. Accordingly, the segment information provided in the current and prior periods has been presented in accordance with the new reporting structure, with information from the previous periods restated to be consistent with the current period.

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 following periods:

## Notes to the Financial Statements

	Segment revenue year ended		Segment profit year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	\$	\$	\$	\$
Drug discovery and development	3,709,057	18,090,515	(11,109,659)	7,663,486
Contract services	6,144,954	1,762,379	607,070	(92,570)
	<u>9,854,011</u>	<u>19,852,894</u>	<u>(10,502,589)</u>	<u>7,570,916</u>
Less:				
Intercompany revenue included in contract services	(3,183,791)	(654,534)	-	-
Corporate	<u>157,057</u>	<u>159,572</u>	<u>157,056</u>	<u>159,572</u>
	<u>6,827,277</u>	<u>19,357,932</u>	<u>(10,345,533)</u>	<u>7,730,488</u>
Interest income			948,456	563,574
Gain on bargain purchase			539,917	-
Corporate financing expenses			(852,776)	(601,070)
Corporate administration expenses			<u>(7,567,270)</u>	<u>(3,746,047)</u>
(Loss)/Profit before income tax (continuing operations)			<u>(17,277,206)</u>	<u>3,946,945</u>

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

Segment profit represents the result for each segment without allocation of central administration expenses 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 2015	30 June 2014
	\$	\$
<b>ASSETS</b>		
Drug discovery and development	35,397,049	52,975,741
Contract services	<u>5,487,569</u>	<u>1,371,560</u>
	<u>40,884,618</u>	<u>54,347,301</u>
Corporate	<u>28,247,097</u>	<u>10,713,316</u>
Total assets	<u>69,131,715</u>	<u>65,060,617</u>
	30 June 2015	30 June 2014
	\$	\$
<b>LIABILITIES</b>		
Drug discovery and development	3,164,293	5,682,699
Contract services (excluding intercompany liabilities)	2,160,652	979,488
Corporate	<u>31,840,945</u>	<u>13,579,823</u>
Total liabilities	<u>37,165,890</u>	<u>20,242,010</u>

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 2015	30 June 2014
	\$	\$
Contract services	2,212,081	6,822
Drug discovery and development	<u>846,258</u>	<u>209,776</u>
	<u>3,058,339</u>	<u>216,598</u>

### (c) Other Segment Information

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

## Notes to the Financial Statements

	Depreciation and amortisation year ended	
	30 June 2015	30 June 2014
	\$	\$
Drug discovery and development	1,603,365	1,264,095
Contract services	110,127	236,841
	<u>1,713,492</u>	<u>1,500,936</u>

### (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 2015	30 June 2014
	\$	\$
Contract services	6,629,113	1,095,356
License revenue	-	18,046,709
Other	198,164	215,867
	<u>6,827,277</u>	<u>19,357,932</u>

### (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 2015	30 June 2014	30 June 2015	30 June 2014
	\$	\$	\$	\$
Australia	3,866,113	18,250,087	28,251,420	25,181,146
France	2,961,164	1,107,845	2,606,024	395,887
USA	-	-	393,363	349,516
	<u>6,827,277</u>	<u>19,357,932</u>	<u>31,250,807</u>	<u>25,926,549</u>

### (f) Information about Major Customers

Included in revenues for the drug discovery and development segment is \$3,667,949 (2014: \$18,046,709) from one party. No other customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

	2015	2014
	\$	\$
<b>NOTE 5: REVENUE AND OTHER INCOME</b>		
<b>Revenue</b>		
Contract services	6,629,113	1,095,356
Royalties	41,108	56,197
License revenue (i)	-	18,046,709
Rent income	157,056	159,670
	<u>6,827,277</u>	<u>19,357,932</u>
<b>Other income from continuing operations</b>		
Gain on bargain purchase (Note 34)	539,917	-
Interest income	948,456	563,574
Foreign Government grants	1,311,303	118,892
Government Research and Development Incentives (ii)	6,989,452	7,505,598
	<u>9,789,128</u>	<u>8,188,064</u>

- (i) License revenues of \$18,046,709 was recognised in the year ended 30 June 2014 related to upfront payment received from our collaboration and license agreement entered in 2014. No such payment were recognised during the year ended 30 June 2015.
- (ii) The Government Research and Development Incentives include cash refunds provided by the Australian Government for 45% of eligible research and development expenditures by Australian entities having a tax loss and less than A\$20.0 million in revenue. The grants are calculated at the end of the fiscal year to which they relate, based on the expenses incurred in and included in the fiscal year's Australian income tax

## Notes to the Financial Statements

return after registration of the research and development activities with the relevant authorities. There are no unfulfilled conditions or other contingencies attaching to the government Research and Development Incentive. Potentially eligible overseas expenditure awaiting government approval pending review of applications submitted during the year ended 30 June 2015 has been excluded from the calculation of the Research and Development Incentive and if approved, will result in an additional receipt of approximately \$1.5 million (2014: \$0).

### NOTE 6: EXPENSES

(Loss)/profit before income tax benefit includes the following specific expenses:

	2015 \$	2014 \$
Finance expenses		
- Interest expense on bank and other loans	689,049	59,758
- Interest expense on contingent consideration	156,362	522,266
- Interest obligations under finance leases	18,421	27,478
	<u>863,832</u>	<u>609,502</u>
Depreciation and amortisation		
- Building	56,763	-
- Plant and equipment	397,259	142,048
- Equipment under lease	56,898	83,174
	<u>510,920</u>	<u>225,222</u>
Amortisation of non-current assets		
- Intellectual property	1,202,572	1,275,714
Rental expense on operating leases		
- Minimum lease payments	1,019,393	1,027,921
Employment benefit expenses of:		
- Wages and salaries	7,058,953	5,610,406
- Superannuation	423,895	235,220
- Share-based payments	515,474	150,923
	<u>7,998,322</u>	<u>5,996,549</u>
Foreign currency loss/(gain)	2,213,872	(778)
Loss on disposal of assets		
- Plant and equipment	8,063	6,765

### NOTE 7: INCOME TAXES

#### (a) Income Tax Recognised in Profit or Loss

##### Current tax

In respect of the current year	-	740,329
	<u>-</u>	<u>740,329</u>

##### Deferred tax

Recognised in current year	(327,801)	-
	<u>(327,801)</u>	<u>-</u>

Total income tax (benefit)/expense	<u>(327,801)</u>	<u>740,329</u>
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#### (b) Reconciliation to Accounting Loss

(Loss)/profit from continuing operations	(17,277,206)	3,946,945
Tax at the Australian tax rate of 30% (2014: 30%)	(5,183,162)	1,184,083
Tax effect of non-deductible / non-assessable amounts		
Amortisation of intangibles	380,389	101,893
Foreign exchange reversed on consolidation	161,022	13,679
Exempt income from government assistance	(2,096,836)	(2,251,679)
Entertainment	702	2,116

## Notes to the Financial Statements

	2015 \$	2014 \$
<b>NOTE 7: INCOME TAXES</b>		
Contingent consideration	515,763	112,913
Patent expenses	292,680	44,197
Share-based payments	154,642	45,277
Research and development expenditure	4,818,254	4,662,450
Temporary differences not recorded as an asset	286,962	181,275
Tax losses not recorded	358,264	-
Effect of different tax rates in other jurisdictions	(16,481)	(16,476)
Effect of unused tax losses, in the current period	-	(1,347,385)
Adjustment to prior year unused tax losses	-	(1,992,014)
	<u>(327,801)</u>	<u>740,329</u>

### (c) Deferred Tax Assets/Liabilities

	Opening balance \$	Credit/ (Charged) to income \$	Other Compre- hensive Income \$	Acquired through Business Combination \$	Closing balance \$
<b>Deferred Tax Assets/Liabilities 2015</b>					
Receivables	44,483	239,533	-	-	284,016
Prepayments / accrued income	(3,856)	(2,355)	-	-	(6,211)
Property, plant and equipment	216	(115)	3,889	(621,469)	(617,479)
Share issue expenses	350,236	(137,253)	-	-	212,983
Intangible patents and trademarks	(3,881,134)	419,308	(1,004,173)	-	(4,465,999)
Other intangibles	218,383	-	-	-	218,383
Other financial liabilities	-	31,639	-	-	31,639
Accrued expenses	32,902	3,045	-	-	35,947
Employee entitlements	309,317	60,961	-	-	370,278
	<u>(2,929,453)</u>	<u>614,763</u>	<u>(1,000,284)</u>	<u>(621,469)</u>	<u>(3,936,443)</u>
Temporary differences not recognised	(1,410,990)	(286,962)	-	-	(1,697,952)
Net balance	<u>(4,340,443)</u>	<u>327,801</u>	<u>(1,000,284)</u>	<u>(621,469)</u>	<u>(5,634,395)</u>

	Opening balance \$	Credit/ (Charged) to income \$	Other Compre- hensive Income \$	Acquired through Business Combination \$	Closing balance \$
<b>Deferred Tax Assets/Liabilities 2014</b>					
Receivables	230,248	(185,765)	-	-	44,483
Prepayments / accrued income	(4,982)	1,126	-	-	(3,856)
Property, plant and equipment	(18,424)	18,640	-	-	216
Share issue expenses	145,899	204,337	-	-	350,236
Intangible patents and trademarks	(4,240,643)	92,421	267,088	-	(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
	<u>(3,377,816)</u>	<u>181,275</u>	<u>267,088</u>	<u>-</u>	<u>(2,929,453)</u>
Temporary differences not recognised	(1,229,715)	(181,275)	-	-	(1,410,990)
Net balance	<u>(4,607,531)</u>	<u>-</u>	<u>267,088</u>	<u>-</u>	<u>(4,340,443)</u>



## Notes to the Financial Statements

	2015 \$	2014 \$
<b>(d) Unrecognised Temporary Differences (including Tax Losses)</b>		
The following deferred tax assets have not been brought to account as assets:		
Unused revenue tax losses (no set expiry period)	13,980,568	13,909,266
Deductible temporary differences (no set expiry period)	1,697,952	1,410,990
	<u>15,678,520</u>	<u>15,320,256</u>

**(e) 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).

	2015 \$	2014 \$
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
<b>Current</b>		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the Consolidated Statement of Financial Position as follows:		
Cash at bank and on hand	5,075,104	4,516,447
Deposits at call	21,482,902	5,050,860
	<u>26,558,006</u>	<u>9,567,307</u>

The weighted average interest rate on these deposits is 2.9% per annum (2014: 3.55% per annum). The maturity dates range between 1 and 3 months from the end of the reporting period.

	2015 \$	2014 \$
<b>NOTE 9: OTHER FINANCIAL ASSETS</b>		
Restricted deposits held as security and not available for use	934,000	934,000
Disclosed in the financial statement as:		
Current assets	550,000	550,000
Non-current assets	384,000	384,000
	<u>934,000</u>	<u>934,000</u>

The Group holds two restricted term deposits of \$550,000 and \$384,000 as security for a loan (Note 18(vi)) and as security for a bank guarantee respectively that are not available for use. The interest rate on these deposits is 2.7% (2014: 3.55%) and maturity dates are 30 and 23 September 2015 respectively (2014: 6 September and 25 July 2014 respectively).

	2015 \$	2014 \$
<b>NOTE 10: TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	289,604	20,581,109
GST and Value Added Tax (VAT) receivables	756,996	408,545
Other	17,080	-
	<u>1,063,680</u>	<u>20,989,654</u>

## Notes to the Financial Statements

The average credit period on sales of services 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. 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. The Group has not recognised an allowance for doubtful debts.

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 2015 year, there were no customers who represent more than 5% of the total balance of trade receivables (2014: \$20.3m was due from Merck, the Group's largest customer).

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

	2015 \$	2014 \$
60-90 days	11,200	13,474
90-120 days	-	-
Total	11,200	13,474
Average age (days)	61	89

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 98.6% of the 2014 balance.

### NOTE 11: INVENTORIES

#### Current

Consumables

	2015 \$	2014 \$
Consumables	409,891	83,423

### NOTE 12: OTHER ASSETS

#### Current

Prepayments

Accrued income

	2015 \$	2014 \$
Prepayments	1,194,038	433,917
Accrued income	99,894	8,511
	1,293,932	442,428

### NOTE 13: SUBSIDIARIES

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

Details of the Group's subsidiaries at the end of the reporting period are as follows:				
Entity	Principal activity	Country of incorporation	Percentage owned (%)	
			2015	2014
<b>Head entity</b>				
Bionomics Limited	Research and Development	Australia	N/A	N/A
<b>Subsidiaries of Bionomics Limited:</b>				
Neurofit SAS	Contract Research Organisation	France	100	100
Iliad Chemicals Pty Limited	Asset owner	Australia	100	100
Bionomics, Inc.	Research and Development	United States	100	100
PC SAS	Contract Research Organisation	France	100	N/A

## Notes to the Financial Statements

### NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Freehold land at cost \$	Building at cost \$	Plant and equipment at cost \$	Equipment under finance lease at cost \$	Total \$
<b>Cost at 30 June 2013</b>	-	-	<b>2,465,535</b>	<b>600,507</b>	<b>3,066,042</b>
Additions	-	-	216,598	-	216,598
Disposals	-	-	(100,664)	-	(100,664)
Foreign currency exchange differences	-	-	466	-	466
<b>Cost at 30 June 2014</b>	-	-	<b>2,581,935</b>	<b>600,507</b>	<b>3,182,442</b>
Additions	-	-	846,258	-	846,258
Additions from business acquisitions	256,790	1,882,859	72,432	-	2,212,081
Disposals	-	-	(70,872)	-	(70,872)
Foreign currency exchange differences	(268)	(1,963)	106,806	-	104,575
<b>Cost at 30 June 2015</b>	<b>256,522</b>	<b>1,880,896</b>	<b>3,536,559</b>	<b>600,507</b>	<b>6,274,484</b>
<b>Accumulated depreciation at 30 June 2013</b>	-	-	<b>(2,168,584)</b>	<b>(54,608)</b>	<b>(2,223,192)</b>
Depreciation (Note 6)	-	-	(142,048)	(83,174)	(225,222)
Disposals	-	-	93,900	-	93,900
Foreign currency exchange differences	-	-	433	-	433
<b>Accumulated depreciation at 30 June 2014</b>	-	-	<b>(2,216,299)</b>	<b>(137,782)</b>	<b>(2,354,081)</b>
Depreciation (Note 6)	-	(56,763)	(397,259)	(56,898)	(510,920)
Disposals	-	-	62,809	-	62,809
Foreign currency exchange differences	-	-	(21,737)	-	(21,737)
<b>Accumulated depreciation at 30 June 2015</b>	-	<b>(56,763)</b>	<b>(2,572,486)</b>	<b>(194,680)</b>	<b>(2,823,929)</b>
<b>Net Carrying Amounts at 30 June 2014</b>	-	-	<b>365,636</b>	<b>462,725</b>	<b>828,361</b>
<b>Net Carrying Amounts at 30 June 2015</b>	<b>256,522</b>	<b>1,824,133</b>	<b>964,073</b>	<b>405,827</b>	<b>3,450,555</b>

#### Non-current Assets Pledged as Security

Refer to Note 18 for information on non-current assets pledged as security by the Group.

### NOTE 15: GOODWILL

	\$
<b>Carrying amount at 30 June 2013</b>	<b>9,755,521</b>
Additions	-
Foreign currency exchange differences	(267,089)
<b>Carrying amount at 30 June 2014</b>	<b>9,488,432</b>
Additions	-
Foreign currency exchange differences	1,000,201
<b>Carrying amount at 30 June 2015</b>	<b>10,488,633</b>

#### (a) Impairment Tests

There are two Cash Generating Units (CGUs), Drug discovery and development, and Contract services. These are the same as the operating segments identified in Note 4. Management tests annually whether goodwill or indefinite life intangibles have suffered any impairment, in accordance with the accounting policy stated in Note 2(l)(i) and (l)(ii). For the purpose of impairment testing all goodwill is allocated to the Drug discovery and development CGU.

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

## Notes to the Financial Statements

generating unit and a suitable discount rate in order to calculate present value over the expected life cycle of the 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 CGU's:

	2015	2014
	\$	\$
Drug discovery and development	10,488,633	9,488,432
Contract services	-	-

### Drug discovery and development

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on observable market comparables for drug compounds within the CGU over a period of twenty years covering drug discovery, development, approval and marketing, and a discount rate of 25% per annum (2014: 25% per annum). The cash flow projections are weighted based on the observable market comparables probability of realising projected milestone and royalties payments.

Management believes that the application of discounted cash flows of observable market comparables 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 discovery and development lifecycle has been taken into account with the cashflows, no terminal value has been used.

## NOTE 16: OTHER INTANGIBLE ASSETS

### Intellectual Property

The acquired intellectual property includes the Company's Multicore technology, its BNC101 drug candidate and its BNC105 drug candidate. 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. There is currently no internally generated intellectual property capitalised.

	\$
<b>Gross carrying amount at 30 June 2013</b>	<b>21,402,923</b>
Additions	-
Foreign currency exchange differences	(409,977)
<b>Gross carrying amount at 30 June 2014</b>	<b>20,992,946</b>
Additions	12,705
Foreign currency exchange differences	3,243,297
<b>Gross carrying amount at 30 June 2015</b>	<b>24,248,948</b>
<b>Accumulated amortisation amount at 30 June 2013</b>	<b>(4,498,169)</b>
Amortisation	(1,275,714)
Foreign currency exchange differences	6,693
<b>Accumulated amortisation amount at 30 June 2014</b>	<b>(5,767,190)</b>
Amortisation	(1,202,572)
Foreign currency exchange differences	(351,567)
<b>Accumulated amortisation amount at 30 June 2015</b>	<b>(7,321,329)</b>
<b>Net carrying amount 30 June 2014</b>	<b>15,225,756</b>
<b>Net carrying amount 30 June 2015</b>	<b>16,927,619</b>

## Notes to the Financial Statements

### NOTE 17: TRADE AND OTHER PAYABLES

	2015 \$	2014 \$
<b>Current</b>		
Trade payables	3,933,232	2,663,395
Accrued expenses	2,532,394	1,424,659
	<u>6,465,626</u>	<u>4,088,054</u>
<b>Non-current</b>		
Other payables	<u>140,758</u>	<u>260,794</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.

### NOTE 18: BORROWINGS

	2015 \$	2014 \$
<b>Unsecured – at amortised cost</b>		
Commercial bill (i)	550,000	-
Bank overdraft (ii)	45,473	-
<b>Secured – at amortised cost</b>		
Finance lease liabilities (iii)	200,405	319,567
Equipment mortgage (iv)	546,252	424,674
Bank loan (v)	12,885,376	-
Commercial bill (vi)	550,000	550,000
	<u>14,777,506</u>	<u>1,294,241</u>

Disclosed in the financial statements as:

Current liabilities	5,460,133	788,600
Non-current liabilities	9,317,373	505,641
	<u>14,777,506</u>	<u>1,294,241</u>

- (i) the commercial bill has an interest rate of 3.7% and matures on 30 July 2015.
- (ii) the overdraft has an interest rate of 2.985% and matures on 30 June 2016.
- (iii) lease lines are secured by the leased plant and equipment (refer Note 14) and have an average interest rate of per annum 7.17% (2014: 7.11% per annum) and terms of three to five years.
- (iv) the equipment mortgage loans are for equipment (which secure the loans) and have an interest rate of 5.61% and have terms of three to five years (2014: two and a half years).
- (v) bank loan is a secured US \$10 million borrowing. The loan bears interest at a rate of 6.86% and is interest only until August 2015 and subsequently repayable in equal instalments over 30 months. The loan is collateralised by substantially all of the Group's assets, other than intellectual property. The loan further contains customary conditions of borrowing, events of default and covenants, including covenants that restrict the ability to dispose of assets, merge with or acquire other entities, incur indebtedness and make distributions to holders of capital stock. Should an event of default occur, including the occurrence of a material adverse change, the Group could be liable for immediate repayment of all obligations under the loan agreement. There were no breaches of financial covenants as of 30 June 2015.
- (vi) the rolling commercial bill line is secured by a restricted deposit of \$550,000 (2014: \$550,000) and shown in Note 9.

The unused facilities available at 30 June 2015 of the Group's bank overdraft is \$70,469 (2014: \$57,361) and equipment finance facility is \$153,330 (2014: \$0). There is no unused facility in relation to the commercial bill line.

# Notes to the Financial Statements

## 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 24.

## NOTE 19: PROVISIONS

### Current

Employee benefits

2015

\$

1,582,239

2014

\$

1,186,482

### Non-current

Employee benefits

91,168

108,320

## NOTE 20: OTHER LIABILITIES

### Current

Unearned services income

75,362

3,267,589

## NOTE 21: OTHER FINANCIAL LIABILITIES

### Current

Warrants

122,544

-

### Warrants

A derivative was recognised in relation to the warrant that was issued by the Group in connection with the USD loan included in Note 18(v). This warrant is currently exercisable at the discretion of the holder and is exchangeable for either 643,611 ordinary shares at a fixed price (\$0.54) or a lower number of shares for nil consideration, with the number of shares calculated on the basis of a formula which takes into account the movement in the share price of the Company from the date of issue to date of exercise of the warrant.

The liability was initially measured at fair value in accordance with AASB 139 (IAS 39). The value of the warrant liability is remeasured at each balance date with any movement in valuations recognised in the profit or loss.

### Warrants

Balance at beginning of period

2015

\$

-

2014

\$

-

Warrant value at date of issue

223,912

-

Change in value recognised in profit or loss

(101,368)

-

### Balance at end of period

122,544

-

Refer Note 22(e) for details about the fair value of the warrant.

## NOTE 22: ISSUED CAPITAL

### (a) Issued and paid-up capital

2015

Shares

418,198,869

2014

Shares

417,356,567

Ordinary shares – fully paid

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

Date	Details	Number of shares	\$
30 June 2013	Closing balance	415,868,325	111,309,010
	Share issue – Employee Share Option Plan option exercise	1,488,242	412,661
30 June 2014	Closing balance	417,356,567	111,721,671
	Share issue – Employee Share Option Plan option exercise	842,302	268,549
30 June 2015	Closing balance	418,198,869	111,990,220

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.

## Notes to the Financial Statements

### (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 Employee Share Option Plan 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 were adjusted under ASX Listing Rule 6.22 and are shown in the table below in this Note 22(d)(i).

### (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 Employee Share Option Plan*

The terms and conditions of the Bionomics Employee Share Option Plan are summarised in Note 2(o)(iii). The following options listed are outstanding at reporting date.

Grant date	Expiry date	Exercise price	Number	Fair value at grant date
Jan-06	Jan-16	\$0.2376	25,000	\$0.15
May-06	Jul-15	\$0.2176	5,000	\$0.13
	Jul-16	\$0.2176	30,000	\$0.14
Nov-06	Nov-15	\$0.2976	100,000	\$0.13
	Nov-16	\$0.2976	100,000	\$0.13
Oct-07	Oct-15	\$0.2876	5,000	\$0.23
	Oct-16	\$0.2876	5,000	\$0.24
	Oct-17	\$0.2876	5,000	\$0.25
Jan-08	Jan-16	\$0.3776	3,000	\$0.21
	Jan-17	\$0.3776	4,000	\$0.22
	Jan-18	\$0.3776	4,000	\$0.23
Jul-08	Jul-16	\$0.3576	14,000	\$0.19
	Jul-17	\$0.3576	14,000	\$0.19
	Jul-18	\$0.3576	14,000	\$0.20
Nov-08	Nov-15	\$0.2976	100,000	\$0.10
	Nov-16	\$0.2976	100,000	\$0.11
	Nov-17	\$0.2976	100,000	\$0.12
	Aug-16	\$0.3692	330,000	\$0.10
	Nov-15	\$0.2776	10,000	\$0.05
	Nov-16	\$0.2776	10,000	\$0.06
	Nov-17	\$0.2776	10,000	\$0.06
	Nov-18	\$0.2776	10,000	\$0.07
	Mar-16	\$0.2876	2,120	\$0.07
Mar-09	Mar-17	\$0.2876	2,120	\$0.07
	Mar-18	\$0.2876	2,120	\$0.08
	Mar-19	\$0.2876	12,120	\$0.08
	Jun-16	\$0.2476	4,000	\$0.13
Jun-09	Jun-17	\$0.2476	54,000	\$0.14
	Jun-18	\$0.2476	54,000	\$0.14
	Jun-19	\$0.2476	54,000	\$0.15
Nov-09	Nov-15	\$0.2976	100,000	\$0.11
	Nov-16	\$0.2976	100,000	\$0.12
	Nov-17	\$0.2976	100,000	\$0.13

## Notes to the Financial Statements

Grant date	Expiry date	Exercise price	Number	Fair value at grant date
	Nov-18	\$0.2976	100,000	\$0.14
	Nov-19	\$0.2976	100,000	\$0.14
Jul-10	July-15	\$0.3176	45,000	\$0.12
	Jul-19	\$0.3176	10,000	\$0.13
	Jul-20	\$0.3176	10,000	\$0.14
Nov-10	Nov-15	\$0.3076	100,000	\$0.09
	Nov-16	\$0.3076	100,000	\$0.10
	Nov-17	\$0.3076	100,000	\$0.11
	Nov-18	\$0.3076	100,000	\$0.12
	Nov-19	\$0.3076	100,000	\$0.12
Nov-11	Nov-16	\$0.6116	95,000	\$0.15
	Nov-16	\$0.6116	500,000	\$0.15
	Aug-17	\$0.9186	1,000,000	\$0.03
Dec-11	Dec-17	\$0.5156	100,000	\$0.23
	Dec-18	\$0.5156	100,000	\$0.25
	Dec-19	\$0.5156	100,000	\$0.26
	Dec-20	\$0.5156	100,000	\$0.27
	Dec-21	\$0.5156	100,000	\$0.28
Mar-12	Mar-18	\$0.5026	5,000	\$0.20
	Mar-19	\$0.5026	5,000	\$0.21
	Mar-20	\$0.5026	5,000	\$0.22
	Mar-21	\$0.5026	5,000	\$0.23
	Mar-22	\$0.5026	5,000	\$0.24
Jun-12	Jun-18	\$0.3356	13,000	\$0.11
	Jun-19	\$0.3356	13,000	\$0.12
	Jun-20	\$0.3356	13,000	\$0.13
	Jun-21	\$0.3356	13,000	\$0.13
	Jun-22	\$0.3356	13,000	\$0.14
Aug-12	Aug-17	\$0.2846	67,500	\$0.09
Dec-12	Dec-17	\$0.2846	65,000	\$0.11
	Dec-18	\$0.3176	200,000	\$0.12
	Dec-19	\$0.3176	200,000	\$0.13
	Dec-20	\$0.3176	200,000	\$0.14
	Dec-21	\$0.3176	200,000	\$0.14
	Dec-22	\$0.3176	200,000	\$0.15
	Dec-18	\$0.3176	5,000	\$0.15
	Dec-19	\$0.3176	5,000	\$0.16
	Dec-20	\$0.3176	5,000	\$0.16
	Dec-21	\$0.3176	5,000	\$0.17
	Dec-22	\$0.3176	5,000	\$0.18
Mar-13	Mar-19	\$0.4176	50,000	\$0.14
	Mar-20	\$0.4176	50,000	\$0.15
	Mar-21	\$0.4176	50,000	\$0.16
	Mar-22	\$0.4176	50,000	\$0.17
	Mar-23	\$0.4176	50,000	\$0.18
May-13	May-19	\$0.3745	114,000	\$0.15
	May-20	\$0.3745	114,000	\$0.16
	May-21	\$0.3745	114,000	\$0.17
	May-22	\$0.3745	114,000	\$0.18



## Notes to the Financial Statements

Grant date	Expiry date	Exercise price	Number	Fair value at grant date
	May-23	\$0.3745	114,000	\$0.19
Jun-13	Jun-19	\$0.3873	100,000	\$0.14
	Jun-20	\$0.3873	100,000	\$0.15
	Jun-21	\$0.3873	100,000	\$0.16
	Jun-22	\$0.3873	100,000	\$0.17
	Jun-23	\$0.3873	100,000	\$0.18
Aug-13	Aug-18	\$0.3301	312,500	\$0.27
Oct-13	Oct-19	\$0.6014	16,600	\$0.32
	Oct-20	\$0.6014	16,600	\$0.34
	Oct-21	\$0.6014	16,600	\$0.35
	Oct-22	\$0.6014	16,600	\$0.37
	Oct-23	\$0.6014	16,600	\$0.38
Dec-13	Dec-18	\$0.3301	55,000	\$0.33
	Dec-18	\$0.7224	100,000	\$0.23
	Dec-19	\$0.7224	100,000	\$0.25
	Dec-19	\$0.6875	4,000	\$0.26
	Dec-20	\$0.7224	100,000	\$0.27
	Dec-20	\$0.6875	4,000	\$0.28
	Dec-21	\$0.7224	100,000	\$0.29
	Dec-21	\$0.6875	4,000	\$0.29
	Dec-22	\$0.7224	100,000	\$0.30
	Dec-22	\$0.6875	4,000	\$0.31
	Dec-23	\$0.6875	4,000	\$0.32
Mar-14	Mar-20	\$0.6812	4,000	\$0.25
	Mar-21	\$0.6812	4,000	\$0.26
	Mar-22	\$0.6812	4,000	\$0.28
	Mar-23	\$0.6812	4,000	\$0.29
	Mar-24	\$0.6812	4,000	\$0.30
Oct-14	Oct-19	\$0.5643	260,000	\$0.25
Dec-14	Dec-19	\$0.5643	75,000	\$0.19
Apr15	Apr-16	\$0.5029	19,000	\$0.15
	Apr-17	\$0.5029	19,000	\$0.16
	Apr-18	\$0.5029	19,000	\$0.17
	Apr-19	\$0.5029	19,000	\$0.18
	Apr-20	\$0.5029	19,000	\$0.19
May-15	May-16	\$0.4246	293,600	\$0.17
	May-17	\$0.4246	293,600	\$0.18
	May-18	\$0.4246	293,600	\$0.19
	May-19	\$0.4246	293,600	\$0.19
	May-20	\$0.4246	293,600	\$0.20
			<u>9,798,480</u>	

## Notes to the Financial Statements

### Reconciliation of Employee Share Option Plan:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance at beginning of financial year	9,458,782	\$0.45	10,262,274	\$0.41
Granted during the financial year	1,930,500	\$0.45	1,016,750	\$0.56
Forfeited during the financial year	(298,500)	\$0.40	(20,000)	\$0.52
Exercised during the financial year	(842,302)	\$0.32	(1,488,242)	\$0.28
Expired during the financial year	(450,000)	\$0.35	(312,000)	\$0.29
<b>Closing balance at 30 June</b>	<b>9,798,480</b>	<b>\$0.47</b>	<b>9,458,782</b>	<b>\$0.45</b>

### Employee Share Option Plan options exercised during the financial year:

Series	Number exercised	Exercise price	Exercise date	Share price at exercise date
21-Nov-08	10,000	\$0.2776	15-Oct-14	\$0.565
16-Nov-06	100,000	\$0.2976	17-Nov-14	\$0.545
11-Jan-08	3,000	\$0.3776	26-Nov-14	\$0.490
21-Jan-05	200,000	\$0.2976	16-Feb-15	\$0.405
22-Jul-10	45,000	\$0.3176	5-Mar-15	\$0.495
1-Aug-12	35,000	\$0.2846	5-Mar-15	\$0.495
13-Mar-09	2,120	\$0.2876	4-Mar-15	\$0.495
12-Aug-13	26,250	\$0.3301	30-Mar-15	\$0.470
5-Nov-08	190,000	\$0.3692	15-Apr-15	\$0.420
1-Aug-12	37,500	\$0.2846	15-Apr-15	\$0.420
5-Nov-08	140,000	\$0.3692	5-May-15	\$0.410
11-Jan-08	500	\$0.3776	25-May-15	\$0.425
15-Jun-09	4,000	\$0.2476	25-May-15	\$0.425
1-Jul-08	10,000	\$0.3576	18-Jun-15	\$0.440
1-May-06	20,000	\$0.2176	18-Jun-15	\$0.440
1-May-06	5,000	\$0.2176	18-Jun-15	\$0.440
11-Jan-08	500	\$0.3776	18-Jun-15	\$0.440
1-Jul-08	4,000	\$0.3576	30-Jun-15	\$0.415
1-May-06	4,432	\$0.2176	30-Jun-15	\$0.415
1-May-06	5,000	\$0.2176	30-Jun-15	\$0.415
<b>Grand Total</b>	<b>842,302</b>			

	2015 number	2014 number
<b>Unlisted options vested and exercisable at the reporting date</b>	<b>6,184,080</b>	<b>6,269,782</b>

#### (ii) Weighted averages

The weighted average remaining contractual life of any unlisted share options outstanding at the end of the year is 4.28 years (2014: 4.11 years).

The assessed fair value at grant date of options granted during the year ended 30 June 2015 is outlined in the Remuneration Report. The share price at grant date of these options ranged

## Notes to the Financial Statements

between \$0.415 and \$0.565 (2014: \$0.29 and \$0.39). The expected average price volatility of the company's shares ranged between 56.5% and 73.6% (2014: 53.2% and 70.4%). Expected dividend yield was 0% (2014: 0%) and the average risk free interest rate used ranged between 2.5% and 3.4% (2014: 3.5% and 4.33%).

### (e) Warrants

During the year, the Company issued a warrant, see Note 21.

The weighted average remaining contractual life of the unlisted warrant outstanding at the end of the year is 4.6 years (2014: nil).

The assessed fair value at grant date of this warrant granted during the year ended 30 June 2015 was \$223,912. The share price at grant date of this warrant was \$0.555. The expected average price volatility of the Company's shares was 72.1%. Expected dividend yield was 0% and the average risk free interest rate used was 3.28%.

The assessed fair value at 30 June 2015 of the warrant that was granted during the year ended 30 June 2015 is \$122,544. The share price as at 30 June 2015 was \$0.415. The expected average price volatility of the Company's shares was 58.6%. Expected dividend yield was 0% and the average risk free interest rate as at 30 June 2015 was 3.01%.

### NOTE 23: RESERVES

	2015 \$	2014 \$
Foreign Currency Translation Reserve (a)	4,206,214	893,614
Share-based Payments Reserve (b)	2,336,439	1,820,965
Total reserves	<u>6,542,653</u>	<u>2,714,579</u>

#### (a) Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 2(b). The reserve is recognised in profit or loss when the investment is disposed of.

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

The share-based payments reserve is used to recognise the fair value of options issued over the vesting period, further information about share-based payments is set out in Note 22.

### NOTE 24: 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 2014. The capital structure of the Group consists of debt, which includes borrowings (Note 18), cash and cash equivalents (Note 8) and equity attributable to equity holders of the parent, comprising issued capital (Note 22), reserves (Note 23) and retained earnings.

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 are subject to externally imposed capital requirements.

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. Project specific borrowings are utilised where appropriate and also minor borrowings for operational assets, as required.

## Notes to the Financial Statements

### (b) Categories of Financial Instruments

	2015 \$	2014 \$
<b>Financial assets</b>		
Receivables	1,063,680	20,989,654
Other financial assets	934,000	934,000
Cash and cash equivalents	26,558,006	9,567,307
	<u>28,555,686</u>	<u>31,490,961</u>
<b>Financial liabilities</b>		
Amortised cost	21,383,890	5,643,089
Contingent consideration at fair value	8,276,292	5,696,087
	<u>29,660,182</u>	<u>11,339,176</u>
<b>Reconciliation to total assets</b>		
Financial assets (as above)	28,555,686	31,490,491
Non-financial assets	40,576,029	33,569,656
	<u>69,131,715</u>	<u>65,060,617</u>
<b>Reconciliation to total liabilities</b>		
Financial liabilities (as above)	29,660,182	11,339,176
Non-financial liabilities	7,505,708	8,902,834
	<u>37,165,890</u>	<u>20,242,010</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, Group 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 Group's business strategy and objectives.

The Group'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 (e) below) and interest rates (see (f) below).

The Group uses derivative financial instruments to manage its exposure to foreign currency risk, if and when appropriate.

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

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.

There were no derivative financial instruments outstanding as at 30 June 2015 (2014: nil).

### (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 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:

## Notes to the Financial Statements

	Liabilities		Assets	
	2015	2014	2015	2014
	\$	\$	\$	\$
EUR	2,655,101	989,261	3,832,179	1,371,560
USD	699,374	1,565,744	523,597	20,885,161
GBP	298,297	465,031	-	-

### Foreign Currency Sensitivity Analysis

The Group is mainly exposed to Euros, US dollars and Pound Sterling (GBP).

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		
	2015	2014		2015	2014		2015	2014	
	\$	\$		\$	\$		\$	\$	
Profit or loss	44,950	888	(i)	29,659	(1,782,894)	(ii)	27,118	42,276	(iv)
Equity	(151,957)	(35,643)	(iii)	(13,679)	26,584	(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 subsidiaries 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 subsidiaries denominated in USD, reflected in the foreign currency translation reserve.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the mix of net assets held in non-Australian dollar denominated currencies, in particular, the USD receivable valued through the profit or loss.

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 contracts outstanding as at 30 June 2015 (2014: nil).

### (f) **Interest Rate Risk Management**

The Group is exposed to interest rate risk, only in relation to the cash and cash equivalent balance, as entities in the Group invest funds in both fixed and variable interest rates with various maturities. 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 2015 would increase / (decrease) by \$52,469 (2014: increase / (decrease) by \$76,447). 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 interest rates.

### (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.

As at 30 June 2015, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. As of 30 June 2014, 98.6% of the Group's trade and other receivables related to one customer. 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, which has approved 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 18 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

	Weighted average effective interest rate %	Interest rate maturity					Total \$
		Less than 1 month \$	1 – 3 months \$	3 – 12 months \$	1 to 5 years \$	5 + year s \$	
<b>2015</b>							
Non-interest bearing		6,465,626	-	-	140,758	-	6,606,384
Finance lease liability	7.17	12,571	25,142	110,311	61,927	-	209,951
Fixed interest rate instruments	5.61	-	1,760,558	4,325,018	10,313,815	-	16,399,391
		<u>6,478,197</u>	<u>1,785,700</u>	<u>4,435,329</u>	<u>10,516,500</u>	<u>-</u>	<u>23,215,726</u>
	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 months \$	3 – 12 months \$	1 to 5 years \$	5 + year s \$	Total \$
<b>2014</b>							
Non-interest bearing		4,088,054	-	-	260,794	-	4,348,848
Finance lease liability	7.11	12,571	25,142	113,139	621,356	-	772,208
Fixed interest rate instruments	3.19	-	552,837	106,168	318,505	-	977,510
		<u>4,100,625</u>	<u>577,979</u>	<u>219,307</u>	<u>1,200,655</u>	<u>-</u>	<u>6,098,566</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 June 2015 \$	30 June 2014 \$				
Contingent consideration in a business combination (Note 34)	Liabilities - \$8,276,292	Liabilities - \$5,696,087	Level 3	Discounted cash flow	Discount rate of 25% and probability adjusted revenue projections.	The higher the discount rate, the lower the value. The higher the possible revenue the higher value.
Warrant (Note 21)	Liabilities - \$122,544	Nil	Level 2	Black Scholes model	N/A	N/A

The significant inputs used for Level 3 and disclosed above and the inputs used for Level 2 are disclosed in Note 22(e).

## Notes to the Financial Statements

### Reconciliation of Level 3 fair value measurements

	<b>2015 Contingent consideration in a business combination</b>	<b>2014 Contingent consideration in a business combination</b>
Opening balance	5,696,087	5,348,695
Total gains or losses:		
- in profit or loss	2,580,205	347,392
Closing balance	<u>8,276,292</u>	<u>5,696,087</u>

The carrying value of all other financial assets and liabilities approximate their fair value.

### **NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION**

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

	<b>2015 \$</b>	<b>2014 \$</b>
Short-term employee benefits	1,613,080	1,363,111
Post-employment benefits	56,161	50,720
Other long-term benefits	33,719	9,902
Share-based payments	218,368	211,835
<b>Total key management personnel compensation</b>	<u>1,921,328</u>	<u>1,635,568</u>

### **NOTE 26: COMMITMENTS FOR EXPENDITURE**

#### **(a) Finance Leases**

The Group leases scientific equipment under finance leases. The average lease term is three years (2014: three 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 5.22% to 7.37% (2014: 3.12% to 7.37%) per annum.

	<b>Minimum lease payments</b>		<b>Present value of lease payments</b>	
	<b>2015 \$</b>	<b>2014 \$</b>	<b>2015 \$</b>	<b>2014 \$</b>
<b>Finance Lease Liabilities</b>				
Within one year	148,024	150,852	147,177	141,307
Later than one year but not greater than five	61,927	621,356	53,228	602,934
	<u>209,951</u>	<u>772,208</u>	<u>200,405</u>	<u>744,241</u>
Future finance charges	(9,546)	(27,967)	-	-
Present value of minimum lease payments	<u>200,405</u>	<u>744,241</u>	<u>200,405</u>	<u>744,241</u>

	<b>2015 \$</b>	<b>2014 \$</b>
Represented in the financial statements (Note 18) by:		
Current borrowings	147,177	238,600
Non-current borrowings	53,228	505,641
	<u>200,405</u>	<u>744,241</u>



## Notes to the Financial Statements

### (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.

	2015 \$	2014 \$
<u>Non-cancellable operating lease commitments</u>		
Within one year	1,111,500	1,017,196
Later than one year but not greater than five	4,003,550	3,877,702
Later than five years	889,714	1,727,286
Minimum lease payments	<u>6,004,764</u>	<u>6,622,184</u>

### (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 2(c).

	2015 \$	2014 \$
<b>Future Rental Income Receivable</b>		
Within one year	152,335	152,335
Later than one year but not greater than five	<u>152,335</u>	<u>152,335</u>
	<u>304,670</u>	<u>304,670</u>

### NOTE 27: EVENTS OCCURRING AFTER REPORTING DATE

The Group announced the appointment of Anthony Colasin as Chief Business Officer on 3 August 2015, no other 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 28: REMUNERATION OF AUDITORS

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

#### Auditor of the Group

	2015 \$	2014 \$
Audit or review of the financial report	160,670	146,103
Other services	<u>120,500</u>	<u>21,534</u>
	<u>281,170</u>	<u>167,637</u>

The auditor of Bionomics Limited is Deloitte Touche Tohmatsu.

### NOTE 29: CASH FLOW INFORMATION

#### (a) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2015 \$	2014 \$
Cash and cash equivalents (Note 8)	26,558,006	9,567,307
Bank overdraft (Note 18)	<u>(45,473)</u>	<u>-</u>
	<u>26,512,533</u>	<u>9,567,307</u>

#### (b) Reconciliation of operating (loss)/profit to net cash outflow from operating activities

(Loss)/Profit for the year	(16,949,405)	3,206,616
Items in (loss)/profit		
Depreciation and amortisation	1,713,492	1,500,936
Share-based payments	515,474	150,923
Gain on bargain purchase	(539,917)	-
Loss on asset disposals	<u>8,063</u>	<u>6,765</u>

## Notes to the Financial Statements

	2015 \$	2014 \$
<b>NOTE 29: CASH FLOW INFORMATION</b>		
Contingent consideration – accretion interest	156,362	522,266
Contingent consideration – adjustment to inputs	945,804	-
Amortisation of borrowing costs	45,931	-
Net unrealised foreign exchange differences	3,631,726	(174,874)
Interest received	(948,456)	(563,574)
Warrant mark-to-market	(101,368)	-
Changes in operating assets and liabilities		
Decrease/(Increase) in receivables	19,992,314	(20,247,285)
Decrease/(Increase) in research and development incentive receivables	(504,143)	(501,256)
Decrease/(Increase) in other assets	(822,082)	(23,670)
(Increase)/Decrease in inventory	(147,713)	15,103
(Decrease)/Increase in provisions	(359,647)	144,389
(Decrease)/Increase in other liabilities	(3,380,095)	3,230,142
Increase/(Decrease) in payables	2,007,496	(183,255)
Decrease in deferred tax liability	(327,718)	-
Net cash inflows/(outflows) from operating activities	4,936,118	(12,916,774)

	2015	2014
<b>NOTE 30: EARNINGS PER SHARE</b>		
Basic (Loss)/Earnings per share	(\$0.04)	\$0.01
	(4 cents)	1 cent
Diluted (Loss)/Earnings per share	(\$0.04)	\$0.01
	(4 cents)	1 cent

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

	2015 \$	2014 \$
<b>(Loss)/Profit per share (Basic and Diluted):</b>		
(Loss)/Profit after tax for the year	(16,949,405)	3,206,616
	2015 number	2014 number
<b>Weighted average number of ordinary shares - Basic</b>		
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share:	417,606,873	416,906,309
<b>Weighted average number of ordinary shares – Diluted</b>		
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share:	417,606,873	416,906,309
Shares deemed to be issued for no consideration in respect of:		
- Employee options	-	3,422,823
Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share	417,606,873	420,329,132

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 (loss)/earnings per share.

	2015 number	2014 number
Employee options	9,798,480	1,540,000

The warrant issued by the Company (see Note 21) has been excluded from the weighted average number of ordinary shares.

# Notes to the Financial Statements

## NOTE 31: 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 13.

### (b) Key Management Personnel

Disclosures relating to compensation of key management personnel are set out in Note 25 and the Directors' Report.

### (c) 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 2015 (2014: \$0).

## NOTE 32: 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 2 for a summary of the significant accounting policies relating to the Group.

	Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	38,090,327	40,037,551
Non-current assets	21,991,786	19,030,987
Total assets	60,082,113	59,068,538
<b>Liabilities</b>		
Current liabilities	11,140,329	8,257,939
Non-current liabilities	17,734,833	6,020,532
Total liabilities	28,875,162	14,278,471
<b>Net Assets</b>	31,206,951	44,790,067
<b>Equity</b>		
Issued capital	111,990,221	111,721,671
Accumulated losses	(83,119,709)	(68,752,569)
Share-based payments reserve	2,336,439	1,820,965
Total equity	31,206,951	44,790,067
<b>Financial Performance</b>		
(Loss)/Profit for the year	(14,367,140)	4,371,102
Other comprehensive income	-	-
Total comprehensive income	(14,367,140)	4,371,102

### (a) Property, Plant and Equipment Commitments

There are no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2015 (2014: Nil).

### (b) Contingent Liabilities and Guarantees

The contingent liabilities and guarantees of the parent are the same as disclosed in Note 35 and Note 9 respectively.

## NOTE 33: CONTINGENT CONSIDERATION

During the year ended 30 June 2013, the Company acquired Eclipse Therapeutics, Inc. (Eclipse) into the wholly owned subsidiary Bionomics, Inc.

## Notes to the Financial Statements

Part of the consideration are potential cash earn-outs to Eclipse security holders based on achieving late stage development success or partnering outcomes based on Eclipse assets. Due to the movement in the US dollar, change in projected inputs and unwinding of interest, at 30 June 2015 this was \$8,276,292 (30 June 2014: \$5,696,087).

Dr Jonathan Lim, a Director of Bionomics, was the Chairman and Chief Executive Officer of Eclipse at the time of the acquisition of Eclipse, and joined the Board of Directors of Bionomics in connection with the closing of the acquisition. As a shareholder of Eclipse at the time of the acquisition, Dr Lim is therefore eligible to receive his pro rata share of any potential contingent consideration to Eclipse security holders. As at 30 June, 2015 Dr Lim's pro-rata share of the contingent consideration would be \$1,763,926 (2014: \$1,214,007), assuming the contingent consideration was fully earned'.

	2015	2014
	\$	\$
Opening Balance	5,696,087	5,348,695
Accretion interest	156,362	522,266
Adjustment for changes in timing of expected revenue projections	945,804	-
FX movement	1,478,039	(174,874)
<b>Closing balance</b>	<b>8,276,292</b>	<b>5,696,087</b>

### NOTE 34: BUSINESS COMBINATIONS - ACQUISITION OF PRESTWICK CHEMICAL

On 23 September 2014, the Company announced the acquisition of Prestwick Chemical (Prestwick) into a new wholly owned subsidiary PC SAS with effect from 1 October 2014. Prestwick is a premium provider of medicinal chemistry services and screening libraries. It specialises in research and development services in early drug discovery based on its expertise and state-of-the-art computational technology. The acquisition of Prestwick vertically integrates key functions within Bionomics in early stage drug discovery and development in neuroscience and oncology.

#### Consideration transferred

	\$
Cash	391,136

Acquisition-related costs amounting to \$66,596 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the year, within the "administration expenses" line item.

#### Assets acquired and liabilities assumed at the date of acquisition

	\$
<b>Current assets</b>	
Inventory	159,350
<b>Non-current assets</b>	
Property, plant and equipment	2,212,081
<b>Current liabilities</b>	
Employee provisions	(552,403)
Other payables	(266,506)
<b>Non-current liabilities</b>	
Deferred tax liability	(621,469)
	<u>931,053</u>

	\$
<b>Gain on bargain purchase</b>	
Fair value of identifiable net asset acquired	931,053
Less: consideration transferred	(391,136)
<b>Gain on bargain purchase arising on acquisition (Note 5)</b>	<u><u>539,917</u></u>

## Notes to the Financial Statements

The gain on bargain purchase has been recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. As the predecessor company was in administration, the administrator sought bids for the assets of the company and the Group was the only bidder.

### **Impact of acquisition on the results of the Group for the year ended 30 June 2015**

Included in the loss for the 2015 full-year is \$72,335 attributable to this acquisition. Revenue for the full-year includes \$1,652,233 in respect of this acquisition.

Had the acquisition been effected at 1 July 2014, the revenue of the Group from continuing operations for the twelve months ended 30 June 2015 would have been \$8,326,477, and the loss from continuing operations for the twelve months ended 30 June 2015 would have been \$16,704,964. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a yearly basis. This may provide a reference point for comparison in future years, but will depend on the revenue and profit derived from external customers versus internal customers.

In determining the 'pro-forma' loss of the Group had Prestwick been acquired at the beginning of the year:

- Depreciation has been calculated for 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; and
- An assumption of a similar level of contract research work and chemical library sales has been made.

### **NOTE 35: CONTINGENT LIABILITIES**

A contingent liability exists in relation to employee contracts of up to \$887,038 (2014: \$534,395) in the event of redundancy, purchase or merger of the Company by a third party resulting in a material diminution in the employees duties.

In January 2012, the Company entered into a research and license agreement with Ironwood Pharmaceuticals, Inc., or Ironwood, pursuant to which Ironwood was granted worldwide development and commercialisation rights for BNC210. In November 2014, the parties mutually agreed to terminate this license agreement, reverting all rights to BNC210 back to the Company. Our sole obligation to Ironwood is to pay Ironwood low single digit royalties on the net sales of BNC210, if commercialised. It is not practicable to estimate the future payments of any such royalties that may arise due to the stage of development of BNC210.

## 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 2 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*.

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 7 day of August 2015

# 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 2015, 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 19 to 62.

### *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 2 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the 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 2015 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 2.

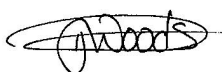
## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 7 to 15 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu  
DELOITTE TOUCHE TOHMATSU



Penny Woods  
Partner  
Chartered Accountants  
Adelaide, 7 August 2015