



ABN 53 075 582 740

BIONOMICS LIMITED

ASX half-year information –
31 December 2015

Lodged with the ASX under Listing Rule 4.2A

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BIONOMICS LIMITED

Half-year ended 31 December 2015

(Previous corresponding period: Half-year ended 31 December 2014)

Results for announcement to the market

| | | | | \$ |
|---|--------------|------|----|--------------|
| Cash and cash equivalents as at 31 December 2015 from 30 June 2015 | increased by | 94% | to | 51,407,979 |
| Net operating and investing cash inflows for the period (excluding the payments for the purchase of the business) | decreased by | 131% | to | 5,417,616 |
| Revenue from ordinary activities | increased by | 39% | to | 10,209,076 |
| Loss for the half-year before income tax expense | increased by | 71% | to | 18 9,690,834 |
| Loss from ordinary activities after tax attributable to members | increased by | 71% | to | 9,690,834 |

Explanation of cash and cash equivalents position as at 31 December 2015:

Closing cash and cash equivalents is in line with expectations, with funds used to enable Bionomics to: complete the Phase 1 Multiple Ascending Dose trial of BNC210 in September 2015, progress the BNC210 Phase 2 trial in patients suffering from Generalised Anxiety Disorder (GAD), achieve a successful US FDA IND submission for BNC101 and continue to utilize its drug discovery platforms to identify differentiated drug candidates. The FY15 R&D Tax Incentive refund (\$8.5 million) was received in December 2015.

Explanation of revenue from ordinary activities:

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

Explanation of net loss from ordinary activities after tax:

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

Dividends/distributions:

Bionomics Limited does not propose to pay any dividends for the half-year ended 31 December 2015.

NTA Backing

| | <u>Half-year</u> | |
|---|------------------|-------------|
| | <u>2015</u> | <u>2014</u> |
| Net tangible asset backing per ordinary share | 8.2 cents | 6.1 cents |

ASX ANNOUNCEMENT
18 February 2016

BIONOMICS' HALF-YEAR REPORT

Adelaide, Australia: Bionomics Limited (ASX: BNO, OTCQX: BNOEF) today announced its half-year report for the six months ended 31 December 2015.

Key Points – Financial

- Cash at the end of the half-year was \$51,407,979. This is compared to 30 June 2015 cash of \$26,558,006.
- Revenue for the period including other income was \$10,209,076 compared with revenue of \$7,325,124 for the period ending 31 December 2014.
- The comprehensive loss after tax of the Group for the half-year ended 31 December 2015 was \$9,690,834 compared to a loss of \$5,676,687 for the half-year ended 31 December 2014. This was in line with expectations and reflects the Company's continued investment in the clinical development of BNC210, activities associated with the BNC101 IND submission and preparation for clinical trials, and investment in BNC105 and other pipeline programs.

Corporate and R&D Highlights

A number of events that were reported in the period are supportive of Bionomics' global strategy and continued progress in the development of its key drug candidates.

On 31 August 2015 Bionomics announced that its BNC101 IND submission had passed review by the US Food and Drug Administration (FDA). This was a significant milestone for the Company.

- BNC101 is a new class of anti-cancer agent which targets cancer stem cells. Many current drugs do not specifically target cancer stem cells. It is believed that specific drugs, such as BNC101, target cancer stem cells which will reduce the risk of cancer recurrence and metastasis and have the potential to lead to better patient outcomes.
- BNC101 is a first-in-class, high affinity humanized monoclonal antibody targeting cancer stem cells. LGR5 is a receptor overexpressed in metastatic colorectal cancer, metastatic pancreatic cancer and many other solid tumours. BNC101 causes internalization of LGR5, blocking cancer stem cell and Wnt signaling.
- In preclinical studies BNC101 prevents or delays tumour recurrence, and reduces cancer stem cells as a single agent and in combination with standard chemotherapy treatment. Furthermore BNC101 reduces circulating tumour cells that express LGR5.
- In IND-enabling studies BNC101 was well tolerated and an adverse event dose was not identified.

On 16 September 2015 Bionomics reported positive data from a Phase I Multiple Ascending Dose Trial of BNC210, which is in development for the treatment of anxiety and depression.

- All primary and secondary endpoints were met, no adverse effects on cognition or emotional stability and no abuse potential indicated.
- BNC210 reduced the effect of nicotine on the brain as measured by EEG, consistent with its mechanism of action.
- These promising results support continued development of BNC210 as novel treatment for anxiety and depression.

On 8 October 2015 Bionomics announced the extension of its strategic collaboration with Merck & Co., Inc. (known as MSD outside the US and Canada) for the discovery and development of novel pain medications. At the same time it was announced that MSD was also to make US\$9 million investment in Bionomics at a 29% premium to the prevailing stock price.

- The extension of our agreement with MSD on the discovery and development of novel small molecule candidates for the treatment of chronic and neuropathic pain reflects the solid progress made by the Bionomics' team as we strive to deliver therapies with the potential to make a significant difference in the lives of patients.

On 4 November 2015 Bionomics reported the presentation of BNC105 data at the AACR-NCI-EORTC international conference on the synergistic relationship seen with BNC105 and checkpoint inhibitors in preclinical models of colorectal cancer.

On 16 November 2015 Bionomics combined with MSD for the third annual Bionomics - MSD symposium which attracted approximately 200 registrations. The keynote presentation was by Dr Darryle Schoepp, Vice President & Therapeutic Area Head, Neuroscience, MSD on *Challenges in Neuroscience Discovery and Development: What has Changed and Where are we Headed*. Another notable presenter was Dr Richard Hargreaves, Vice President, Discovery Science, Biogen who spoke on *Use of Imaging for Neuroscience Drug Discovery and Development*.

On 8 December 2015 Bionomics reported that Post Traumatic Stress Disorder (PTSD) had been identified as a major, new opportunity for BNC210 and would be developed via a Phase II trial. This trial is being funded by a US\$12 million equity investment to four US institutional investors. The placement following the MSD investment reflects increasing interest from US investors as Bionomics builds greater visibility in the US. The anxiety and depression treatments markets are projected to reach US\$18.2 billion by 2020 highlighting the significant market opportunity for BNC210. BNC210 is a novel, orally-administered, first-in-class, modulator of the $\alpha 7$ nicotinic acetylcholine receptor.

Post the half year, on 2 February 2016, Roth Capital Partners initiated research coverage of Bionomics with a price target of A\$1.50. A copy of this research is available on the Company website.

Outlook

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

Our relationship with MSD was further strengthened through the investment of US\$9 million by MSD into Bionomics. This investment followed the establishment of two partnerships focussed on the development of new treatments for pain and cognitive impairment. The partnerships have validated Bionomics' platform technologies for drug discovery. Both the cognition and pain programs have made impressive progress and we look forward to advancing these programs further in partnership with MSD.

Partnering discussions are ongoing with a number of potential partners around a number of Bionomics current R&D programs, in line with our business strategy.

The next period is anticipated to be a period of considerable R&D progress.

The positive data from the BNC210 clinical trial announced in September 2015 provided the critical information needed to expand clinical development of BNC210 and for continued progression of discussions on future partnering. We anticipate that the trial in patients with PTSD will commence in the 1H, 2016 calendar year with patients to be recruited at several trial sites in Australia and New Zealand, including those who have experienced war, natural disasters or serious accidents. In Q3, 2016 calendar year, data from the ongoing Phase II trial in patients with Generalised Anxiety Disorder (GAD) is anticipated.

PTSD represents a major commercial opportunity for BNC210 in an area where there are no effective drug treatments which lack side-effects. It is estimated that about 8 million Americans, or 3.5% of the US population, suffer from PTSD at any given time. Similarly, an estimated 1 million Australians experience PTSD in any year, and 12% of Australians will experience PTSD during their lifetimes.

Bionomics has committed to being a leader in the cancer stem cell therapeutic space, an area which holds much promise in the eradication of cancer. The Company's first cancer stem cell targeting agent, BNC101, is anticipated to shortly commence a Phase I clinical trial in patients with colon cancer.

New BNC105 data in which BNC105 has demonstrated strong synergy with checkpoint inhibitors in preclinical models of colon cancer with significant tumour reduction has increased its commercial opportunity, extending into the area of immunoncology. Bionomics will seek to leverage this data in commercial discussions.

With a robust pipeline and partnerable assets, major validating partnerships in place with Merck & Co in pain and cognition, clinical progress across key programs and a strong balance sheet, Bionomics is well placed to progress its drug candidates and to execute its global partnership strategy.

FOR FURTHER INFORMATION PLEASE CONTACT:

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About Bionomics Limited

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

www.bionomics.com.au

Factors Affecting Future Performance

This announcement contains "forward-looking" statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Any statements contained in this announcement that relate to prospective events or developments, including, without limitation, statements made regarding Bionomics' drug candidates (including BNC210 and BNC101), its licensing agreements with Merck & Co. and any milestone or royalty payments thereunder, drug discovery programs, ongoing and future clinical trials, and timing of the receipt of clinical data for our drug candidates are deemed to be forward-looking statements. Words such as "believes," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions are intended to identify forward-looking statements.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by these forward-looking statements, including unexpected safety or efficacy data, unexpected side effects observed in clinical trials, risks related to our available funds or existing funding arrangements, our failure to introduce new drug candidates or platform technologies or obtain regulatory approvals in a timely manner or at all, regulatory changes, inability to protect our intellectual property, risks related to our international operations, our inability to integrate acquired businesses and technologies into our existing business and to our

competitive advantage, as well as other factors. Results of studies performed on our drug candidates and competitors' drugs and drug candidates may vary from those reported when tested in different settings.

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



ABN 53 075 582 740

BIONOMICS LIMITED

Half-Year Report – 31 December 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Bionomics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

BIONOMICS LIMITED

Directors' Report

Your directors present their report on the consolidated entity (the Group) consisting of Bionomics Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

- Mr Graeme Kaufman, Non-Executive Director and Chairman
- Dr Deborah Rathjen, Chief Executive Officer and Managing Director
- Mr Trevor Tappenden, Non-Executive Director
- Dr Errol De Souza, Non-Executive Director
- Dr Alan Dunton, Non-Executive Director (appointed 29 September 2015)
- Dr Jonathan Lim, Non-Executive Director (retired 18 November 2015)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Cash at the end of the half-year was \$51,407,979 (\$26,558,006 at 30 June 2015) and net cash generated for the six month period was \$24,804,257, compared to net cash generated of \$27,835,411 for the six month period ended 31 December 2014. Cash inflows for the current period included \$9,308,657 of Research and Development incentives, compared to \$7,501,256 for the six month period ended 31 December 2014.

Revenue for the period including other income was \$10,209,076, including the R&D Tax Incentive estimate for the half-year ended 31 December 2015, compared with revenue of \$7,325,124 for the period to 31 December 2014.

The operating loss after tax of the Group for the half-year ended 31 December 2015 was \$9,690,834, compared to \$5,676,687 for the prior comparable period ended 31 December 2014, which was in line with expectations and reflects the Company's continued investment in its research and development programs.

Major achievements in the period include:

- Successful IND submission to the US FDA, paving the way for clinical trials and BNC101.
- Positive data from the Phase Ib multiple ascending dose study of BNC210 which provided further evidence of its excellent safety profile in addition to providing data on target engagement.
- Extension of Bionomics' strategic partnership with Merck & Co Inc (MSD) in the area of pain where the focus is on the discovery and development of new medicines to treat chronic and neuropathic pain.
- US\$9 million investment into Bionomics by MSD at a 29% premium to the prevailing stock price.
- Presentation of new BNC105 data at a major US cancer conference demonstrating synergy between BNC105 and immuno-oncology drugs in preclinical models of colon cancer.
- Identification of PTSD as a major commercial opportunity for BNC210. Development of BNC210 in PTSD is being supported by funds from a US\$12 million private placement to US institutional investors.

The achievement of the Company's business objectives and progress in its clinical activities is being strongly facilitated through Bionomics activities in Australia, USA and France.

OUTLOOK

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

We anticipate significant progress across two clinical programs.

BNC210: We expect this to be a pivotal year in the development of BNC210 and given the data thus far are confident it will be another Bionomics drug candidate that will attract the interest of big pharma companies. With the Phase Ib trial now successfully completed and positive results reported we anticipate data from the Phase II trial in patients with Generalised Anxiety Disorder becoming available in Q3, 2016 calendar year. A Phase II trial in patients with PTSD is anticipated to commence in 1H, 2016 calendar year.

BNC101: BNC101 is an exciting first-in-class antibody drug candidate targeting cancer stem cells. We are working towards the initiation of the first clinical trial to be conducted in patients with colon cancer and this trial is anticipated to commence in Q1, 2016 calendar year.

With a robust pipeline and partnerable assets, major validating partnerships in place with Merck & Co in pain and cognition, clinical progress across key programs and a strong balance sheet Bionomics is well placed to attract both new strategic partnerships and recognition in global capital markets, an important objective for 2016.

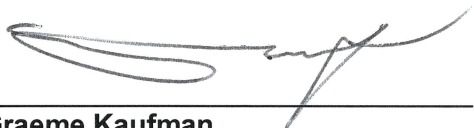
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

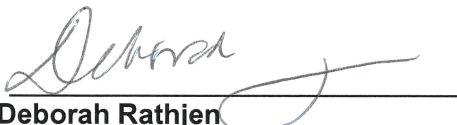
Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors

Dated at Adelaide this 18th February 2016.



Graeme Kaufman
Chairman



Deborah Rathjen
CEO & Managing Director

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

18 February 2016

Dear Board Members

Bionomics Limited

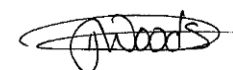
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bionomics Limited.

As lead audit partner for the review of the financial statements of Bionomics Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



P J Woods
Partner
Chartered Accountants

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

for the half-year ended 31 December 2015

| | | <u>Half-year ended</u> | |
|---|-------------|------------------------|--------------------|
| | <u>Note</u> | <u>31 December</u> | <u>31 December</u> |
| | | <u>2015</u> | <u>2014</u> |
| | | <u>\$</u> | <u>\$</u> |
| Continuing operations | | | |
| Revenue | | 4,076,756 | 3,469,912 |
| Other Income | | 6,132,320 | 3,855,212 |
| Expenses | | | |
| Research and development expenses | | (12,073,699) | (9,553,913) |
| Administration expenses | | (1,945,455) | (1,599,067) |
| Unrealised exchange differences | | (2,290,644) | 427,071 |
| Occupancy expenses | | (1,493,644) | (1,222,133) |
| Compliance expenses | | (1,192,082) | (772,939) |
| Finance expenses | | (904,386) | (281,069) |
| Gain on disposal of assets | | - | 239 |
| Loss before tax | | <u>(9,690,834)</u> | <u>(5,676,687)</u> |
| Income tax benefit | | <u>-</u> | <u>-</u> |
| Loss after tax | | <u>(9,690,834)</u> | <u>(5,676,687)</u> |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | <u>1,216,592</u> | <u>975,390</u> |
| Total comprehensive income for the year | | <u>(8,474,242)</u> | <u>(4,701,297)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | <u>(8,474,242)</u> | <u>(4,701,297)</u> |
| Earnings per share from continuing operations | | | |
| | | <u>Cents</u> | <u>Cents</u> |
| Basic loss per share | 4 | (2.2) | (1.4) |
| Diluted loss per share | 4 | (2.2) | (1.4) |

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

BIONOMICS LIMITED
Condensed Consolidated Statement of Financial Position
as at 31 December 2015

| | <u>Note</u> | <u>31 December 2015</u> | <u>30 June 2015</u> |
|--|-------------|--------------------------|--------------------------|
| | | <u>\$</u> | <u>\$</u> |
| <u>CURRENT ASSETS</u> | | | |
| Cash and cash equivalents | | 51,407,979 | 26,558,006 |
| Trade and other receivables | | 2,984,896 | 1,063,680 |
| Other financial assets | | - | 550,000 |
| Inventories | | 391,016 | 409,891 |
| Research and development incentives receivable | | 4,866,204 | 8,005,399 |
| Other assets | | 1,469,550 | 1,293,932 |
| <u>TOTAL CURRENT ASSETS</u> | | <u>61,119,645</u> | <u>37,880,908</u> |
| <u>NON-CURRENT ASSETS</u> | | | |
| Property, plant and equipment | | 3,324,944 | 3,450,555 |
| Goodwill | | 10,749,884 | 10,488,633 |
| Other intangible assets | | 17,005,164 | 16,927,619 |
| Other financial assets | | 384,000 | 384,000 |
| <u>TOTAL NON-CURRENT ASSETS</u> | | <u>31,463,992</u> | <u>31,250,807</u> |
| <u>TOTAL ASSETS</u> | | <u>92,583,637</u> | <u>69,131,715</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| Trade and other payables | | 5,110,986 | 6,465,626 |
| Borrowings | | 5,231,352 | 5,460,133 |
| Provisions | | 1,448,202 | 1,582,239 |
| Other financial liabilities | | 140,461 | 122,544 |
| Other liabilities | | 2,670,129 | 75,362 |
| <u>TOTAL CURRENT LIABILITIES</u> | | <u>14,601,130</u> | <u>13,705,904</u> |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Other payables | | 145,155 | 140,758 |
| Borrowings | | 13,679,592 | 9,317,373 |
| Provisions | | 79,611 | 91,168 |
| Deferred tax liability | | 5,915,067 | 5,634,395 |
| Contingent consideration | | 8,760,174 | 8,276,292 |
| <u>TOTAL NON-CURRENT LIABILITIES</u> | | <u>28,579,599</u> | <u>23,459,986</u> |
| <u>TOTAL LIABILITIES</u> | | <u>43,180,729</u> | <u>37,165,890</u> |
| <u>NET ASSETS</u> | | <u>49,402,908</u> | <u>31,965,825</u> |
| <u>EQUITY</u> | | | |
| Capital | | 134,345,094 | 111,990,220 |
| Reserves | | 11,315,696 | 6,542,653 |
| Accumulated losses | | (96,257,882) | (86,567,048) |
| <u>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</u> | | <u>49,402,908</u> | <u>31,965,825</u> |

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

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

for the half-year ended 31 December 2015

| <u>Consolidated</u> | <u>Capital</u> | <u>Foreign currency translation reserve</u> | <u>Share- based payments reserve</u> | <u>Accumulated losses</u> | <u>Total</u> |
|--|--------------------|---|--|-------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 111,721,671 | 893,614 | 1,820,965 | (69,617,643) | 44,818,607 |
| Loss for the period | - | - | - | (5,676,687) | (5,676,687) |
| Exchange differences on translation of foreign operations | - | 975,390 | - | - | 975,390 |
| Total comprehensive income for the period | - | 975,390 | - | (5,676,687) | (4,701,297) |
| Recognition of Share-based payments | - | - | 342,344 | - | 342,344 |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 32,755 | - | - | - | 32,755 |
| Balance at 31 December 2014 | 111,754,426 | 1,869,004 | 2,163,309 | (75,294,330) | 40,492,409 |
| Balance at 1 July 2015 | 111,990,220 | 4,206,214 | 2,336,439 | (86,567,048) | 31,965,825 |
| Loss for the period | - | - | - | (9,690,834) | (9,690,834) |
| Exchange differences on translation of foreign operations | - | 1,216,592 | - | - | 1,216,592 |
| Total comprehensive income for the period | - | 1,216,592 | - | (9,690,834) | (8,474,242) |
| Recognition of Share-based payments | - | - | 251,397 | - | 251,397 |
| Issue of ordinary shares & warrants, net of transaction costs | 22,113,875 | - | 3,305,054 | - | 25,418,929 |
| Issue of ordinary shares under Employee Share Option Plan (note 3) | 240,999 | - | - | - | 240,999 |
| Balance at 31 December 2015 | 134,345,094 | 5,422,806 | 5,892,890 | (96,257,882) | 49,402,908 |

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

BIONOMICS LIMITED
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2015

| | | <u>Half-year ended</u> | |
|--|-------------|-------------------------|-------------------------|
| | <u>Note</u> | <u>31 December 2015</u> | <u>31 December 2014</u> |
| | | <u>\$</u> | <u>\$</u> |
| Cash flows from operating activities | | | |
| Research and Development Incentives received | | 9,308,657 | 7,501,256 |
| Receipts from customers | | 4,303,138 | 21,521,414 |
| Payments to suppliers and employees | | (18,446,722) | (11,843,257) |
| Tax refund | | - | 82,090 |
| Interest paid | | (783,207) | (93,859) |
| Net cash (used in)/generated by operating activities | | (5,618,134) | 17,167,644 |
| Cash flows from investing activities | | | |
| Interest received | | 262,214 | 164,582 |
| Payments for purchases of property, plant and equipment | | (61,696) | (22,891) |
| Acquisition of Prestwick business | 9 | - | (391,136) |
| Acquisition transaction costs | 9 | - | (66,596) |
| Net cash generated by/(used in) investing activities | | 200,518 | (316,041) |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 27,863,297 | 32,755 |
| Proceeds from borrowings | 8 | 3,055,636 | 11,468,000 |
| Repayments of borrowings | | (697,060) | (516,947) |
| Net cash generated by financing activities | | 30,221,873 | 10,983,808 |
| Net increase/(decrease) in cash and cash equivalents | | 24,804,257 | 27,835,411 |
| Cash and cash equivalents at the beginning of the half-year | | 26,558,006 | 10,501,307 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 45,716 | 32,444 |
| Cash and cash equivalents at the end of the half-year | | 51,407,979 | 38,369,162 |

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

BIONOMICS LIMITED

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2015

NOTE 1: Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards (IFRS).

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arriving from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendment to Australia Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Completes the withdrawal of references to AASB 1031 in all Australia Accounting Standards and Interpretations.

NOTE 2: Segment information

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

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

During the year ended 30 June 2015, 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 periods under review:

| | <u>Segment revenue</u> | | <u>Segment result</u> | |
|--|------------------------|--------------------|------------------------|--------------------|
| | <u>Half-year ended</u> | | <u>Half-year ended</u> | |
| | <u>31 Dec 2015</u> | <u>31 Dec 2014</u> | <u>31 Dec 2015</u> | <u>31 Dec 2014</u> |
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Drug discovery and development | 2,115,442 | 2,014,954 | (8,552,663) | (3,177,282) |
| Contract services | 3,992,500 | 1,743,412 | 958,748 | (334,978) |
| | 6,107,942 | 3,758,366 | (7,593,915) | (3,512,260) |
| Less: | | | | |
| Intercompany revenue included in: | | | | |
| Contract services | (2,446,451) | (772,830) | - | - |
| Corporate | 415,265 | 484,376 | 415,265 | 97,213 |
| | 4,076,756 | 3,469,912 | (7,178,650) | (3,415,047) |
| Interest income | | | 317,821 | 387,163 |
| Corporate financing expenses | | | (884,548) | (275,271) |
| Corporate administration expenses | | | (1,945,457) | (2,373,532) |
| Loss before income tax (continuing operations) | | | (9,690,834) | (5,676,687) |

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

Segment result represents the profit/(loss) for each segment without allocation of corporate administration expenses, corporate revenue and interest income. Financing costs are allocated to segments with a residual amount being corporate financing expenses.

Segment Assets

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

| ASSETS | <u>31 Dec 2015</u> | <u>30 June 2015</u> |
|--------------------------------|--------------------|---------------------|
| | <u>\$</u> | <u>\$</u> |
| Drug discovery and development | 32,616,806 | 35,397,049 |
| Contract services | 6,250,238 | 5,487,569 |
| | 38,867,044 | 40,884,618 |
| Corporate | 53,716,593 | 28,247,097 |
| Total assets | 92,583,637 | 69,131,715 |

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

NOTE 3: Equity securities issued

| | <u>Half-year</u> | | <u>Half-year</u> | |
|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | <u>Number of</u> | <u>Number of</u> | <u>\$</u> | <u>\$</u> |
| | <u>shares</u> | <u>shares</u> | | |
| Movements in ordinary share capital | | | | |
| Balance at the beginning of the half-year | 418,198,869 | 417,356,567 | 111,990,220 | 111,721,671 |
| Shares issued: | | | | |
| • to shareholders upon the exercise of options | 737,500 | 113,000 | 240,999 | 32,755 |
| • via placements and net of warrants | 61,866,702 | - | 22,113,875 | - |
| • subject to Employee Share Plan Loan Agreements | 75,625 | - | - | - |
| Balance at the end of the half-year | 480,878,696 | 417,469,567 | 134,345,094 | 111,754,426 |

NOTE 4: Earnings per share

| | <u>Half-year</u> | |
|------------------------|------------------|--------------|
| | <u>2015</u> | <u>2014</u> |
| | <u>Cents</u> | <u>Cents</u> |
| Basic loss per share | (2.2) | (1.4) |
| Diluted loss per share | (2.2) | (1.4) |

| | <u>Half-year</u> | |
|--|------------------|---------------|
| | <u>2015</u> | <u>2014</u> |
| | <u>Number</u> | <u>Number</u> |
| Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 433,672,443 | 417,385,463 |

NOTE 5: Change in accounting estimates

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

NOTE 6: Contingencies and commitments

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

NOTE 7: Key Management Personnel

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

NOTE 8: Borrowings

Included in Borrowings is a secured bank loan to the amount of US \$13 million. The loan bears interest at a variable interest rate and is interest only until 31 March 2016 and subsequently repayable in equal instalments over 36 months.

NOTE 9: Acquisition of Prestwick Chemical in the half-year ended 31 December 2014

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 smart 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 half-year ended 31 December 2014, within the “administration expenses” line item.

Assets acquired and liabilities assumed at the date of acquisition

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

In accordance with the Accounting Standard AASB 3 ‘Business Combinations’ (IFRS 3), the Company is able to provisionally determine the initial accounting for the acquisition. At the date of finalisation of the financial report for the half-year ended 31 December 2014, the necessary market valuations and other calculations had not yet been finalised. Subsequently, the fair value of assets and liabilities noted above have been updated as reported for the year ended 30 June 2015.

Impact of acquisition on the results of the Group for the half-year ended 31 December 2014

Included in the loss for the 2014 half-year was \$615,000 attributable to this acquisition. Revenue for the half-year included \$702,000 in respect of this acquisition.

Had the acquisition been effected at 1 July 2014, the revenue of the Group from continuing operations for the six months ended 31 December 2014 would have increased by \$1,675,000, and the loss from continuing operations for the six months ended 31 December 2014 would have increased by a total of \$45,000. The directors of the Group consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis. This may provide a reference point for comparison in future half-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 1 July 2014, the beginning of the prior half-year:

- Depreciation was 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 was made.

NOTE 10: Non-cash Transactions

During the half-year, the Group entered into the following non-cash investing and financing activities which are excluded from the Condensed Consolidated Statement of Cash Flows:

- The Group acquired \$0 of equipment under a Finance Lease (2014: \$509,463).

NOTE 11: Subsequent events

No matter or circumstance has arisen since 31 December 2015 that has significantly affected or may affect the consolidated entity’s operations, the results of those operations or the state of affairs in future financial years.

BIONOMICS LIMITED
Directors' Declaration

The directors declare that:

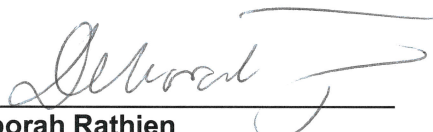
- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*,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

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

On behalf of the directors



Graeme Kaufman
Chairman



Deborah Rathjen
CEO & Managing Director

Adelaide, 18 February 2016

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

We have reviewed the accompanying half-year financial report of Bionomics Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bionomics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

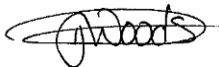
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bionomics Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bionomics Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



P J Woods
Partner
Chartered Accountants
Adelaide, 18 February 2016