

Directors' Report

Your directors present their report on the financial statements of the Group for the year ended 30 June 2016, 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 Alan W Dunton, Non-Executive Director (appointed 29 September 2015 and retired 4 July 2016)
- Mr David Wilson, Non-Executive Director (appointed 16 June 2016)
- Mr Peter Turner, Non-Executive Director (appointed 16 June 2016)
- Dr Jonathan Lim, Non-Executive Director (retired 18 November 2015)

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 2016 increased by 19% to \$8,143,288. Other income for the year to 30 June 2016 increased by 39% to \$13,584,627 and primarily relates to the Research and Development (R&D) Tax Incentive, foreign government grants and revaluation of financial liability. This compared with revenue of \$6,827,277 and other income of \$9,789,128 for the year to 30 June 2015. The operating loss after tax of the Group for the year to 30 June 2016 was \$16,608,757 compared with the prior year after tax loss of \$16,949,405.

The cash position at 30 June 2016 was \$45,450,382 with restricted cash of \$550,000 and \$384,000 classified as current and non-current other financial assets (2015: \$26,558,006 with restricted cash of \$550,000 and \$384,000 classified as current and non-current other financial assets).

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

Review of Operations

Bionomics is 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 MSD, in cognition and pain with combined development, regulatory and sales based milestone payments of potentially up to US\$678 million in addition to royalties on net sales. In 2013, MSD entered into an option to exclusively license the development and commercialisation of 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 in addition to royalties on net sales. This agreement was extended in October 2015. In 2014, we entered into another collaboration agreement with MSD 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 up to US\$486 million in additional research, development and commercialisation milestone payments in addition to royalties on net sales.

In October 2015 the relationship between Bionomics and MSD was further strengthened when MSD became a shareholder in Bionomics following a US\$9 million equity investment.

In November 2015 MSD and Bionomics hosted its joint Symposium in Adelaide, Australia. The meeting included renowned speakers from the field of cognition research and Alzheimer's Disease. Planning is

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already advanced for the 4th annual Symposium which will focus on Frontiers in Neuroscience: Memory, Mood and Movement with US-based MSD scientists and management anticipated to attend.

During the period Bionomics continued the development of BNC210 reporting positive clinical trial results in September 2015 which supported the mechanism of action of BNC210 and continued to indicate that BNC210 was safe and well tolerated. BNC210 is a novel, proprietary negative allosteric modulator of the alpha-7 nicotinic acetylcholine receptor, or the $\alpha 7$ receptor. In six completed Phase 1 clinical trials, BNC210 has demonstrated safety and tolerability in over 190 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. Bionomics has announced the completion of dosing in a Phase 2 trial in patients with generalised anxiety disorder which 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 and data is anticipated by 30 September 2016.

Bionomics has also commenced a multi-centre, placebo controlled, double-blinded Phase 2 clinical trial in patients with Post Traumatic Stress Disorder (PTSD). The clinical trial is being conducted in Australia and New Zealand.

Anxiety is a condition which places a considerable burden on our society. 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 worldwide 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 through initiation of a Phase 1 clinical trial in patients with metastatic colon cancer. This followed a successful IND submission to the US FDA in July 2015.

In FY16 new BNC105 data were presented at major international cancer conferences including the annual American Association for Cancer Research (AACR) conference in April 2016 demonstrating that BNC105 synergised with immune-oncology agents in re-activating the immune response to tumours.

In June 2016 Bionomics received its share (US\$736,815) of the upfront payment under a licensing agreement for the PRMT5 project with MSD under its collaborative arrangements with the Co-operative Research Centre for Cancer Therapeutics.

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.

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We are advancing the development of BNC210 to treat anxiety and PTSD. We have an ongoing Phase 2 clinical trial of BNC210 in patients with PTSD and anticipate reporting data from a Phase 2 clinical trial of BNC210 in patients with generalised anxiety disorder by 30 September 2016.

We also intend to advance the development of BNC101 to treat solid tumors by targeting cancer stem cells. First data from the ongoing BNC101 clinical trial in patients with colon cancer is anticipated in 2017.

Bionomics will seek further opportunities to execute its partnership strategy through new licensing agreements for assets across its portfolio of drug candidates.

Dividends

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

Significant Changes in the State of Affairs

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

Subsequent Events

No 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 facilities in Australia, USA and 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 2016 and no related issues have arisen since the end of the financial year to the date of this report.

INFORMATION ON DIRECTORS

Mr Graeme Kaufman

Chairman – Non-Executive

Director since 18 September 2012

Experience and Expertise

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

Member of Nomination Committee

Member of Remuneration Committee

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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 Limited

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 CTX CRC Limited, ANFF Limited

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

2,385,901 ordinary shares in Bionomics Limited

2,180,000 unlisted options over ordinary shares in Bionomics Limited

Mr Trevor Tappenden CA, FAICD Non-Executive Director

Director since 15 September 2006

Experience and Expertise

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

Current Directorships (in addition to Bionomics Limited)

Listed companies: Nil

Other: Director, Buckfast Pty Ltd; Director & Chairman, Intellicomms Pty Ltd; Director & Chairman, RMIT University Foundation; Director, Museum Victoria

Former Listed Directorships in Last Three Years

Nil

Special Responsibilities

Chairman of Audit and Risk Management Committee

Member of Nomination Committee

Member of Remuneration Committee

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Interests in Shares and Options at Date of Report

379,924 ordinary shares in Bionomics Limited

100,000 unlisted options over ordinary shares in Bionomics Limited

Dr Errol De Souza PhD 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 Executive Chairman of nLife Therapeutics and is the former President and CEO of US biotech companies Bionomics Inc. (NASDAQ:BIOD), Archemix Corporation and Synaptic Pharmaceutical Corporation (NASDAQ:SNAP). 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, Catalyst Biosciences Inc. (NASDAQ:CBIO)

Former Listed Directorships in Last Three Years

Bionomics Inc. (NASDAQ:BIOD), Targacept, Inc. (NASDAQ: TRGT)

Special Responsibilities

Chairman of Nomination Committee

Chairman of Independent Board Committee

Member of Audit and Risk Management Committee

Interests in Shares and Options at Date of Report

166,698 ordinary shares in Bionomics Limited

300,000 unlisted options over ordinary shares in Bionomics Limited

Dr Alan W Dunton Non-Executive Director

Director since 29 September 2015 and retired 4 July 2016

Experience and Expertise

Dr Dunton is a seasoned pharmaceutical/biotechnology industry executive, with extensive product and company leadership experience. Dr Dunton's career has ranged from responsibility for overall leadership of large pharma R&D organisations to private biotechnology companies. Dr Dunton is currently Senior Vice President, Research and Development at Purdue Pharma, LLP and has discovery, development, and regulatory experience across all functional areas for the complete life cycle management of products as well as raising capital to create shareholder value. Dr Dunton created Danerius, LLC, a pharma/biotech consulting company covering the industry, venture capital groups and government agencies. Dr. Dunton has played a key role in the development of more than 20 products to regulatory approval. Dr. Dunton holds a MD degree from New York University School of Medicine, where he completed his residency in internal medicine.

Current Directorships (in addition to Bionomics Limited)

Listed companies: Director, Palatin Technologies, Inc. (NYSE:PTN); Director, Oragenics, Inc. (NYSE: OGEN)

Former Listed Directorships in Last Three Years

Targacept, Inc. (NASDAQ: TRGT)

Special Responsibilities

Member of Nomination Committee

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Member of Remuneration Committee

Interests in Shares and Options at Date of Report

Nil ordinary shares in Bionomics Limited

500,000 unlisted options over ordinary shares in Bionomics Limited

Mr David Wilson Non-Executive Director

Director since 16 June 2016

Experience and Expertise

Mr Wilson is Chairman and founding partner of WG Partners and has over 30 years' experience in the City of London. Previously Mr Wilson was CEO of Piper Jaffrey Limited where he also served as Global Chairman of Healthcare and on the Group Leadership Team. Mr Wilson has held senior positions at ING Barings as Joint Head of UK Investment Banking Group, Deutsche Bank as Head of Small Companies Corporate Finance and UBS as Head of Small Companies Corporate Broking. Mr Wilson was previously Senior Independent Director of Optos plc prior to its successful sale of Nikon Corporation for \$400 million as well as a non-executive director of BerGenBio AS. He is currently on the Board of Governors of Harris Academy Bromley.

Current Directorships (in addition to Bionomics Limited)

Listed companies: Nil

Former Listed Directorships in Last Three Years

Listed companies: Optos plc

Special Responsibilities

Member of Independent Board Committee

Interests in Shares and Options at Date of Report

Nil ordinary shares in Bionomics Limited

Nil unlisted options over ordinary shares in Bionomics Limited

Mr Peter Turner Non-Executive Director

Director since 16 June 2016

Experience and Expertise

Mr Turner is a former senior executive with global experience in CSL, a large multinational organisation in the biopharmaceutical industry. He has been an executive director and COO of CSL and was the founding President of CSL Behring working in Europe and the United States from 2000 to 2011. Mr Turner provided strategic, technical and commercial leadership and was responsible for the integration of large company acquisitions in Europe, the United States and Japan. He has been responsible for significant company restructuring and turnaround and has overseen thirteen new product launches in the United States, Europe and more in other jurisdictions. During his tenure overseas, sales grew from US\$140 million to US\$3.4 billion. Mr Turner is a non-executive director of Virtus Health and the Chair of NPS MedicineWise. He is a former Chair of Ashley Services Group.

Current Directorships (in addition to Bionomics Limited)

Listed: Director, Virtus Health Limited (ASX: VRT) (since June 2013)

Former Listed Directorships in Last Three Years

Listed: Chair, Ashley Services Group Limited (ASX: ASH) (July 2014 to October 2015)

Special Responsibilities

Member of Independent Board Committee

Interests in Shares and Options at Date of Report

Nil ordinary shares in Bionomics Limited

Nil 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 (Adelaide), Diploma in Law (BAB-NSW) and Graduate Diploma in Business Administration (Adelaide). He is a Fellow of the Institute of Chartered Secretaries / Governance Institute of Australia 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			Meetings of the Nomination Committee ⁱ		Independent Board Committee ⁱⁱ	
	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Attended	Held	Attended
Mr Graeme Kaufman	8	8	8	4	4	4	4	4	-	-
Dr Deborah Rathjen ⁱⁱⁱ	8	8	8	4	4	4	4	4	2	2
Mr Trevor Tappenden	8	8	8	4	4	4	4	3	-	-
Dr Errol De Souza ^{iv}	8	8	8	4	3	3	4	4	2	2
Dr Alan W Dunton ^v	8	6	3	-	-	-	4	1	2	2
Mr David Wilson ^{vi}	8	1	1	-	-	-	-	-	-	-
Mr Peter Turner ^{vii}	8	1	1	-	-	-	-	-	-	-
Dr Jonathan Lim ^{viii}	8	3	2	-	-	-	-	-	-	-

The Board established a Remuneration Committee on 22 September 2015 which did not meet during the year. No Chair has been appointed of the Remuneration Committee and the members during the year ended 30 June 2016 were: Mr Graeme Kaufman, Mr Trevor Tappenden and Dr Alan W Dunton.

ⁱ Nomination Committee established 6 April 2016

ⁱⁱ Independent Board Committee established 21 March 2016 to deal with the Sec 203D Notice

ⁱⁱⁱ Attends ARM Committee, Remuneration Committee and Nomination Committee by invitation

^{iv} Appointed Member of ARM Committee on 6 August 2015, Chair of the Nomination Committee, Chair of the Independent Board Committee

^v Appointed a Non-Executive Director on 24 September 2015 and retired 4 July 2016

^{vi} Appointed Non-Executive Director on 16 June 2016

^{vii} Appointed Non-Executive Director on 16 June 2016

^{viii} Retired at 2015 AGM (18 November 2015)

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 (KMP) for the financial year ended 30 June 2016. The term 'KMP' 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 (KMP)

Non-Executive Directors

	Position
Mr Graeme Kaufman	Chairman, Non-Executive Director
Mr Trevor Tappenden	Non-Executive Director
Dr Errol De Souza	Non-Executive Director
Dr Alan W Dunton	Non-Executive Director (appointed 29 September 2015 and retired 4 July 2016)
Mr David Wilson	Non-Executive Director (appointed 16 June 2016)
Mr Peter Turner	Non-Executive Director (appointed 16 June 2016)
Dr Jonathan Lim	Non-Executive Director (retired 18 November 2015)

Executive Director

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

Ms Melanie Young	Chief Financial Officer
Dr Jens Mikkelsen	Chief Scientific Officer
Mr Jack Moschakis	Legal Counsel & Company Secretary
Mr Anthony Colasin	Chief Business Officer (appointed 1 August 2015)
Dr José Iglesias	Chief Medical Officer (ceased full time employment 15 October 2015, retained under consulting agreement)

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 for retirement allowances to its non-executive directors.

The Chairman and non-executive directors' base board 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 \$15,000 per annum for being the Chair of the Scientific Advisory Board during the year and \$3,544 as a pro rata payment of \$15,000 per annum for being Chairman of both the Nomination and Independent Board Committees. The total fees paid to non-executive directors for the year ended 30 June 2016 was \$362,567 compared to the aggregate directors' fee pool limit of \$500,000.

Non-executive directors may receive share options on 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. There were 500,000 share options granted to non-executive director Dr Alan W Dunton during the year. In accordance with the Company's Employee Share Option Plan (ESOP), non-executive directors retire and remain an Eligible Participant of the ESOP. Dr Dunton's options continue to vest in accordance with the issuance as approved by the 2015 Annual General Meeting.

Executive Remuneration Policy and Framework

The objective of the Group's executive 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, and focus these executives on outcomes necessary for success.

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 KMP's total remuneration.

The Board reviews and approves the base pay, benefits, incentive payments and equity awards of the Chief Executive Officer and Managing Director and other executives reporting directly to the Chief Executive Officer and Managing Director.

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.

Base pay and benefit levels are reviewed annually and an assessment made against market comparable positions. 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. An executive's base pay and benefit levels may also be reviewed if the position's accountabilities increase in scope and impact.

During the year there were increases provided to the Chief Executive Officer and Managing Director and Chief Financial Officer of 2% and 8% respectively.

Performance Incentives

Executive positions have no pre-determined bonus or equity opportunity, 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, and to the CEO by the Board based on the Board's assessment of her performance.

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 to be the right approach for a company of Bionomics' size and nature and at this stage in its lifecycle.

The Board continues to review the performance assessment and incentive structure 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.

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, and to provide encouragement to become shareholders. 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 2016 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. 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.

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 the achievement of research, development, regulatory and commercial milestones. The 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 KMP based on their level of key performance indicator (KPI) achievement. Achievement of KPIs should result in increases in shareholder value. However, the Company provides share options rather than a cash award for KPI achievement (unless there are exceptional circumstances). This is because share options only have realisable value if there is an increase in shareholder value. That is, further improvement beyond the KPI achievement on which the award is based is required for the executives to realise value.

The incentive framework, therefore, combines a "look back" element to reward the achievement of KPIs necessary to enhance value, with a "look forward" element requiring improvement beyond this level of achievement for the executive to actually realise value. This is typical of a biotechnology company at Bionomics' stage of its lifecycle.

Bionomics' approach to its remuneration framework ensures:

- Executives focus on meaningful KPIs,
- The best performers receive higher reward,
- Cash is conserved through the use of options,
- There is relatively less dilution from option grants because they are selectively granted rather than universally granted,
- Executives must continue to perform to realise value, and
- Executive reward is aligned with shareholder interests.

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.

There is no direct link between the determination of fixed pay and the Company's financial performance (specifically, revenue and net (loss)/profit included in the table below) or share price.

The calculation of the annual incentive award for executive KMP is by reference to the achievement of specific 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 have been established to support the Company achieving its overall objectives. Executive KMP 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.

Important milestones directly related to Board approved FY16 key performance indicators achieved by Bionomics' executives included:

- Continued development of BNC210 :
 - Successful completion of Phase 1 multiple ascending dose clinical trial showing evidence of target engagement in September 2015;
 - Completion of enrolment in Phase 2 Generalised Anxiety Disorder clinical trial in June 2016; and

- Achieved funding for a Phase 2 clinical trial in patients with Post-Traumatic Stress Disorder. This trial was initiated on 30 June 2016.
- Progressed development of lead cancer stem cell drug candidate BNC101:
 - Successful IND acceptance in August 2015; and
 - Initiation of Phase I clinical trial in April 2016.
- Extension of Pain partnership with MSD and ongoing successful collaboration with MSD in the cognition program.
- Secured investment from MSD.
- Expanded Bionomics' access to US investors and analysts.

As at the date of this Remuneration Report, the incentive remuneration applicable to the levels of achievement on these key performance indicators for Bionomics' executives for the year ended 30 June 2016 has not been finalised and approved. Full disclosure will be provided in next year's Remuneration Report.

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 2016.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	\$	\$	\$	\$	\$
Revenue	8,143,288	6,827,277	19,921,506	3,724,169	6,834,709
Net (Loss) / Profit before tax	(17,324,118)	(17,277,206)	3,946,945	(9,963,175)	(3,328,896)
Net (Loss) / Profit after tax	(16,608,757)	(16,949,405)	3,206,616	(10,001,350)	(3,136,238)

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	cents	cents	cents	cents	cents
Share price at start of year	41.5	55.0	34.0	30.0	55.5
Share price at end of year	28.0	41.5	55.0	34.0	30.0
Dividends paid	-	-	-	-	-
Basic earnings per share	(3.0)	(4.0)	1.0	(2.7)	(0.9)
Diluted earnings per share	(3.0)	(4.0)	1.0	(2.7)	(0.9)

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 – 2016

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	-	45,867	165,867
Mr Trevor Tappenden	73,059	-	6,941	-	-	80,000
Dr Errol De Souza	83,544	-	-	-	-	83,544
Dr Alan W Dunton ²	49,106	-	-	-	-	49,106
Mr David Wilson ³	2,500	-	-	-	-	2,500
Dr Jonathan Lim ¹	24,917	-	-	-	12,464	37,381
Mr Peter Turner ³	2,283	-	217	-	-	2,500
Dr Deborah Rathjen	436,468	70,343	19,308	70,395	9,402	605,916
Dr José Iglesias ⁴	151,145	-	-	-	-	151,145
Ms Melanie Young	180,739	11,042	18,219	14,343	26,712	251,055
Dr Jens Mikkelsen	308,559	5,917	16,461	19,347	10,211	360,495
Mr Jack Moschakis	280,692	-	19,308	21,702	10,211	331,913
Mr Anthony Colasin ⁵	351,985	-	-	5,384	3,391	360,760
	2,054,586	87,302	90,865	131,171	118,258	2,482,182

1. Dr Jonathan Lim retired 18 November 2015.
2. Dr Alan Dunton was appointed 29 September 2015 and retired 4 July 2016.
3. Mr David Wilson and Mr Peter Turner were appointed 16 June 2016.
4. Dr José Iglesias' remuneration package is in Canadian dollars and the above has been translated into Australian dollars. Dr Iglesias ceased full time employment 15 October 2015, retained under consulting agreement.
5. Mr Anthony Colasin commenced 1 August 2015. Mr Colasin's remuneration package is in United States dollars and the above has been translated into Australian dollars.

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 ¹	483,799	73,221	18,783	17,483	20,288	613,574
Dr José Iglesias ⁴	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 ²	47,247	-	-	-	-	47,247
Mr Jack Moschakis ³	45,788	-	3,131	3,960	-	52,879
	1,527,733	85,347	56,161	33,719	218,368	1,921,328

1. Included in Dr Rathjen's cash salary and fees is a cash incentive of \$60,000 paid 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.

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 has been translated into Australian dollars.

5. **Key Terms of Service Agreements**

Remuneration and other terms of employment for the Chief Executive Officer and Managing Director and the other executive KMP 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 August 2015.
- 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.

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 – open, 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.

Mr Anthony Colasin, *Chief Business Officer*

- Term of agreement – open, commencing 1 August 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 were approved by the Board and Shareholders in 2014. Employees 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 assessment of milestone performance achievements 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 and other KMP in this or future reporting periods are as follows:

Grant date	Expiry date	Revised Exercise price	Fair value per option at grant date	Vesting date
<i>Granted in prior periods</i>				
November 2006	November 2016	\$0.2976	\$0.1919	16-Nov-11
November 2008	November 2016	\$0.2976	\$0.1591	05-Nov-11
	November 2017	\$0.2976	\$0.1591	05-Nov-12
November 2011	August 2016	\$0.3692	\$0.1419	07-Aug-11
	November 2016	\$0.6116	\$0.2181	25-Nov-11
	November 2016	\$0.6116	\$0.2181	25-Nov-11
December 2012	August 2017	\$0.9186	\$0.0475	15-Aug-12
	December 2018	\$0.3176	\$0.1751	11-Dec-13
	December 2019	\$0.3176	\$0.1751	11-Dec-14
	December 2020	\$0.3176	\$0.1751	11-Dec-15
December 2012	December 2021	\$0.3176	\$0.1751	11-Dec-16
	December 2022	\$0.3176	\$0.1751	11-Dec-17
	December 2017	\$0.2846	\$0.1614	11-Dec-12
	March 2013	March 2019	\$0.4176	\$0.2001
March 2013	March 2020	\$0.4176	\$0.2001	19-Mar-15
	March 2021	\$0.4176	\$0.2001	19-Mar-16
	March 2022	\$0.4176	\$0.2001	19-Mar-17
	March 2023	\$0.4176	\$0.2001	19-Mar-18
December 2013	December 2018	\$0.3301	\$0.4647	17-Dec-13
	December 2018	\$0.7224	\$0.3291	11-Dec-13
	December 2020	\$0.7224	\$0.3291	11-Dec-15
	December 2021	\$0.7224	\$0.3291	11-Dec-16
October 2014	December 2022	\$0.7224	\$0.3291	11-Dec-17
	October 2019	\$0.5643	\$0.3523	15-Oct-14
December 2014	December 2019	\$0.5643	\$0.2705	04-Dec-14
<i>Granted in current period</i>				
December 2015	December 2021	\$0.5389	\$0.1502	24-Dec-16
	December 2022	\$0.5389	\$0.1502	24-Dec-17
	December 2023	\$0.5389	\$0.1502	24-Dec-18
	December 2024	\$0.5389	\$0.1502	24-Dec-19

	December 2025	\$0.5389	\$0.1502	24-Dec-20
	December 2020	\$0.4211	\$0.1567	24-Dec-15
	December 2021	\$0.5102	\$0.1617	30-Dec-16
	December 2022	\$0.5102	\$0.1617	30-Dec-17
	December 2023	\$0.5102	\$0.1617	30-Dec-18
	December 2024	\$0.5102	\$0.1617	30-Dec-19
	December 2025	\$0.5102	\$0.1617	30-Dec-20
May 2016	May 2022	\$0.3200	\$0.1841	06-May-17
	May 2023	\$0.3200	\$0.1841	06-May-18
	May 2024	\$0.3200	\$0.1841	06-May-19
	May 2025	\$0.3200	\$0.1841	06-May-20
	May 2026	\$0.3200	\$0.1841	06-May-21

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

During the year, and since the end of the year, incentive options were issued to the following directors and other KMP for the achievement in the prior year of Board-approved KPIs:

Name	Number granted	Date granted	Total fair value \$	Number vested	% of grant vested	% of grant forfeited
Dr Deborah Rathjen ¹	60,000	2 Dec 2015	9,402	60,000	100%	-
Dr Alan W Dunton	500,000	24 Dec 2015	89,106	-	-	-
Dr Jens Mikkelsen	250,000	30 Dec 2015	47,396	-	-	-
Mr Jack Moschakis	250,000	30 Dec 2015	47,396	-	-	-
Ms Melanie Young ¹	50,000	28 Oct 2015	10,125	50,000	100%	-

¹The 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 Errol De Souza	100,000	100,000	29,760	-
Mr Trevor Tappenden	100,000	100,000	29,760	-

Fully Paid Ordinary Shares of Bionomics Limited

	Balance at 1 July 2015 Number	Granted as compensation Number	Received on exercise of options Number	Net other change Number	Balance at 30 June 2016 Number	Balance held nominally Number
Mr Graeme Kaufman	178,750	-	-	-	178,750	-
Mr Trevor Tappenden	352,500	-	100,000	(72,576)	379,924	79,924
Dr Errol De Souza	146,698	-	100,000	(80,000)	166,698	-
Dr Jonathan Lim ¹	5,091,828	-	-	(5,091,828)	-	-
Dr Alan W Dunton	-	-	-	-	-	-
Mr Peter Turner ²	-	-	-	-	-	-
Mr David Wilson ²	-	-	-	-	-	-
Dr Deborah Rathjen	2,280,401	-	-	105,500	2,385,901	1,240,000
Dr José Iglesias ³	-	-	265,000	(265,000)	-	-
Mr Jack Moschakis	-	-	-	-	-	-
Dr Jens Mikkelsen	-	-	-	-	-	-

Mr Anthony Colasin	-	-	-	-	-	-
Ms Melanie Young	76,549	-	-	-	76,549	-

1. Dr Jonathan Lim retired 18 November 2015 and his shareholding and options have been removed from the tables.
2. Mr Peter Turner and Mr David Wilson were appointed 16 June 2016.
3. Dr José Iglesias ceased full time employment 15 October 2015, retained under consulting agreement.

Share options of Bionomics Limited

	Balance at 1 July 2015 Number	Granted as compensation Number	Exercised Number	Net other change Number	Balance at 30 June Number	Balance vested and exercisable at 30 June 2016 Number	Options vested during year Number
Mr Graeme Kaufman	1,000,000	-	-	-	1,000,000	600,000	400,000
Mr Trevor Tappenden	200,000	-	(100,000)	-	100,000	100,000	-
Dr Errol De Souza	300,000	-	(100,000)	-	200,000	200,000	-
Dr Jonathan Lim ¹	500,000	-	-	(500,000)	-	-	-
Dr Alan W Dunton	-	500,000	-	-	500,000	-	500,000
Mr Peter Turner ²	-	-	-	-	-	-	-
Mr David Wilson ²	-	-	-	-	-	-	-
Dr Deborah Rathjen	2,120,000	60,000	-	-	2,180,000	2,180,000	-
Dr José Iglesias ³	628,500	-	(265,000)	(363,500)	-	-	-
Mr Jack Moschakis	-	250,000	-	-	250,000	-	250,000
Dr Jens Mikkelsen	-	250,000	-	-	250,000	-	250,000
Mr Anthony Colasin	-	250,000	-	-	250,000	-	250,000
Ms Melanie Young	661,000	50,000	-	-	711,000	611,000	100,000

All share options issued to KMP 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, 465,000 options were exercised by KMP at a weighted average exercise price of \$0.34 per option for 465,000 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 2016 and 2015 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 KMP 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 2016 was 9,698,860. This is 2.0% of common shares outstanding.

Shares Issued on the Exercise of Options

921,250 ordinary shares of Bionomics were issued during the year ended 30 June 2016 on the exercise of options granted under the Bionomics ESOP.

Warrants

During the year the Company issued warrants in connection with the USD loan which are currently exercisable at the discretion of the holder and exchangeable for either 988,843 (2015: 643,611) ordinary shares at a fixed price (345,232 at \$0.5288 and 643,611 at \$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.

In addition, the Company issued warrants in connection with a private placement as set out in Note 22 which are currently exercisable at the discretion of the holder and exchangeable for 24,124,484 ordinary shares at a fixed price (\$0.5938).

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*.

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 20.

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

9 August 2016



Deborah Rathjen
Chief Executive Officer and Managing Director

9 August 2016

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

9 August 2016

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.

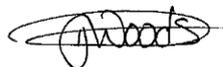
As lead audit partner for the audit of the financial statements of Bionomics Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

Deloitte 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 2016**

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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 Dagleish Street, Thebarton, SA 5031.

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

Bionomics Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30 June 2016

	Note	30 June 2016 \$	30 June 2015 \$
Continuing operations			
Revenue	5	8,143,288	6,827,277
Other income	5	13,584,627	9,789,128
Expenses			
Research and development expenses	6	(24,770,876)	(23,181,790)
Administration expenses		(7,526,831)	(5,730,169)
Occupancy expenses		(3,033,209)	(2,922,779)
Compliance expenses		(1,686,703)	(1,186,978)
Loss on disposal of assets		(140,159)	(8,063)
Finance expenses		(1,894,255)	(863,832)
Loss before tax		(17,324,118)	(17,277,206)
Income tax benefit	7	715,361	327,801
Loss after tax		(16,608,757)	(16,949,405)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		968,418	3,312,600
Total comprehensive loss for the year		(15,640,339)	(13,636,805)
Loss attributable to:			
Owners of the Company		(15,640,339)	(13,636,805)
LOSS PER SHARE FROM CONTINUING OPERATIONS			
	Note	2016	2015
Basic Loss per share	30	(\$0.03) (3 cents)	(\$0.04) (4 cents)
Diluted Loss per share	30	(\$0.03) (3 cents)	(\$0.04) (4 cents)

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 2016

	Note	30 June 2016 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	8	45,450,382	26,558,006
Trade and other receivables	10	1,401,594	1,063,680
Other financial assets	9	550,000	550,000
Inventories	11	438,856	409,891
Research and development incentives receivable		9,601,355	8,005,399
Other assets	12	643,582	1,293,932
TOTAL CURRENT ASSETS		<u>58,085,769</u>	<u>37,880,908</u>
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,835,066	3,450,555
Goodwill	15	10,642,229	10,488,633
Other intangible assets	16	16,062,954	16,927,619
Other financial assets	9	384,000	384,000
TOTAL NON-CURRENT ASSETS		<u>29,924,249</u>	<u>31,250,807</u>
TOTAL ASSETS		<u>88,010,018</u>	<u>69,131,715</u>
CURRENT LIABILITIES			
Trade and other payables	17	5,855,143	6,465,626
Borrowings	18	2,731,837	5,460,133
Provisions	19	1,590,979	1,582,239
Other financial liabilities	21	1,142,320	122,544
Other liabilities	20	65,811	75,362
TOTAL CURRENT LIABILITIES		<u>11,386,090</u>	<u>13,705,904</u>
NON-CURRENT LIABILITIES			
Other payables	17	144,938	140,758
Borrowings	18	18,436,717	9,317,373
Provisions	19	61,928	91,168
Deferred tax liabilities	7	5,057,861	5,634,395
Contingent consideration	33	10,489,438	8,276,292
TOTAL NON-CURRENT LIABILITIES		<u>34,190,882</u>	<u>23,459,986</u>
TOTAL LIABILITIES		<u>45,576,972</u>	<u>37,165,890</u>
NET ASSETS		<u>42,433,046</u>	<u>31,965,825</u>
EQUITY			
Issued capital	22	134,392,813	111,990,220
Reserves	23	11,216,038	6,542,653
Accumulated losses		(103,175,805)	(86,567,048)
Equity attributable to owners of the Company		<u>42,433,046</u>	<u>31,965,825</u>

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 2016

	Issued capital \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2014	111,721,671	893,614	1,820,965	(69,617,643)	44,818,607
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
Balance at 30 June 2015	111,990,220	4,206,214	2,336,439	(86,567,048)	31,965,825
Loss for the period	-	-	-	(16,608,757)	(16,608,757)
Exchange differences on translation of foreign operations	-	968,418	-	-	968,418
Total comprehensive income	-	968,418	-	(16,608,757)	(15,640,339)
Recognition of share-based payments	-	-	399,913	-	399,913
Issue of ordinary shares and warrants, net of transaction costs	22,113,875	-	3,305,054	-	25,418,929
Issue of ordinary shares under Employee Share Option Plan	288,718	-	-	-	288,718
Balance at 30 June 2016	134,392,813	5,174,632	6,041,406	(103,175,805)	42,433,046

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 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Research and Development Incentives received		9,491,378	7,796,611
Receipts from customers		8,079,976	27,502,747
Payments to suppliers and employees		(31,229,508)	(29,620,018)
Interest Paid		(1,701,400)	(743,222)
Net cash (used in)/generated by operating activities	29(b)	(15,359,554)	4,936,118
Cash flows from investing activities			
Interest received		1,232,377	940,607
Payments for purchases of property, plant and equipment		(196,707)	(846,258)
Proceeds from disposals		68,586	-
Acquisition of Prestwick business	34	-	(391,136)
Net cash generated by/(used in) investing activities		1,104,256	(296,787)
Cash flows from financing activities			
Repayment of borrowings		(808,025)	(667,620)
Proceeds from borrowings		5,787,968	12,688,036
Net proceeds from share issues		28,222,099	268,549
Net cash generated by financing activities		33,202,042	12,288,965
Net increase in cash and cash equivalents		18,946,744	16,928,296
Cash and cash equivalents at the beginning of the financial year		26,512,533	9,567,307
Effects of exchange rate changes on the balance of cash held in foreign currencies		(8,895)	16,930
Cash and cash equivalents at the end of the year	29(a)	45,450,382	26,512,533

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 2016

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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 Dalglish 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 9 August 2016

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 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 its operations and effective for the

Notes to the Financial Statements

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 2018	30 June 2019
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 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian Equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

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.

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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) applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 9 (IFRS 9) in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 (IFRS 9) until the Group undertakes a detailed review.

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 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 15 (IFRS 15) applies to annual periods beginning on or after 1 January 2018. The directors of the Company anticipate that the application of AASB 15 (IFRS 15) in the future may have a material impact on amounts reported

Notes to the Financial Statements

in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 15 (IFRS 15) until the Group undertakes a detailed review.

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.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

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'.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated 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.

The amendments apply to annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

AASB 16 (IFRS 16) 'Leases'

AASB 16 (IFRS 16) provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 (IFRS 16) applies to annual periods beginning on or after 1 January 2019. The directors of the Company anticipate that the application of AASB 16 (IFRS 16) in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 (IFRS 16) until the Group performs a detailed review.

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

Amends AASB 112 'Income Taxes' to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Notes to the Financial Statements

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

Amends AASB 107 'Statement of Cashflows' to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments apply to annual periods beginning on or after 1 January 2017. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Accounting Policies

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

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of 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 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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

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.

(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;

Notes to the Financial Statements

- 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 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

Notes to the Financial Statements

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.

(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.

Notes to the Financial Statements

(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.

(I) **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 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.

Notes to the Financial Statements

(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.

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 or issued capital 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 initially measured at fair value with a corresponding reduction to the associated borrowings if associated with bank loans or as an allocation of proceeds received if associated with a share issue. 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.

Notes to the Financial Statements

(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 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.

Notes to the Financial Statements

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 2016. 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 2016 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 2016.

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.

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

Notes to the Financial Statements

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.

Other Financial Liabilities – Conditional Warrants

The Group issues warrants from time to time which have been in connection with either the bank loan or issued capital as detailed in Note 21. During the year ended 30 June 2016, a derivative was recognised in relation to the conditional warrants issued by the Group in connection with the private placement of shares in December 2015. The conditional warrants were initially measured at fair value in accordance with AASB 139 (IAS 39) and then revalued at each balance date with any movement in valuations recognised in the profit or loss. The conditional warrants were valued using a Black-Scholes methodology taking into account the terms and conditions under the relevant agreement as disclosed in Note 22(e).

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.

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:

	Segment revenue year ended		Segment profit year ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
Drug discovery and development	5,482,777	3,709,057	(9,808,151)	(11,109,659)
Contract services	6,633,847	6,144,954	483,527	607,070
	<u>12,116,624</u>	<u>9,854,011</u>	<u>(9,324,624)</u>	<u>(10,502,589)</u>
Less:				
Intercompany revenue included in contract services	(4,129,972)	(3,183,791)	-	-
Corporate	<u>156,636</u>	<u>157,057</u>	<u>156,636</u>	<u>157,057</u>
	8,143,288	6,827,277	(9,167,988)	(10,345,532)
Interest income			1,226,530	948,456
Gain on bargain purchase			-	539,917
Corporate financing expenses			(1,855,829)	(852,776)
Corporate administration expenses			<u>(7,526,831)</u>	<u>(7,567,271)</u>
Loss before income tax (continuing operations)			<u>(17,324,118)</u>	<u>(17,277,206)</u>

Notes to the Financial Statements

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 2016	30 June 2015
	\$	\$
ASSETS		
Drug discovery and development	38,644,359	35,397,049
Contract services	5,145,211	5,487,569
	<u>43,789,570</u>	<u>40,884,618</u>
Corporate	44,220,448	28,247,097
Total assets	<u><u>88,010,018</u></u>	<u><u>69,131,715</u></u>
	30 June 2016	30 June 2015
	\$	\$
LIABILITIES		
Drug discovery and development	4,085,898	3,164,293
Contract services (excluding intercompany liabilities)	2,631,311	2,160,652
Corporate	38,859,763	31,840,945
Total liabilities	<u><u>45,576,972</u></u>	<u><u>37,165,890</u></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 2016	30 June 2015
	\$	\$
Contract services	56,366	2,212,081
Drug discovery and development	90,841	846,258
	<u>147,207</u>	<u>3,058,339</u>

(c) Other Segment Information

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

	Depreciation and amortisation year ended	
	30 June 2016	30 June 2015
	\$	\$
Drug discovery and development	1,797,975	1,603,365
Contract services	139,637	110,127
	<u>1,937,612</u>	<u>1,713,492</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 2016	30 June 2015
	\$	\$
Contract services	7,986,652	6,629,113
Other	156,636	198,164
	<u>8,143,288</u>	<u>6,827,277</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:

Notes to the Financial Statements

	Revenue from external customers		Non-current assets	
	year ended		year ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
Australia	5,184,589	3,866,113	27,573,371	28,251,420
France	2,958,699	2,961,164	2,315,926	2,606,024
USA	-	-	34,952	393,363
	<u>8,143,288</u>	<u>6,827,277</u>	<u>29,924,249</u>	<u>31,250,807</u>

(f) Information about Major Customers

Included in revenues for the drug discovery and development segment is \$4,017,825 (2015: \$3,667,949) from one party. No other customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

NOTE 5: REVENUE AND OTHER INCOME

Revenue

	2016	2015
	\$	\$
Contract services	6,983,198	6,629,113
Royalties	1,003,454	41,108
Rent income	156,636	157,056
	<u>8,143,288</u>	<u>6,827,277</u>

Other income from continuing operations

Gain on bargain purchase (Note 34)	-	539,917
Gain on revaluation of warrants	1,270,763	-
Interest income	1,226,530	948,456
Foreign Government grants	1,590,917	1,311,303
Government Research and Development Incentives (i)	9,496,417	6,989,452
	<u>13,584,627</u>	<u>9,789,128</u>

- (i) 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 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 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 2016 has been excluded from the calculation of the Research and Development Incentive and if approved, will result in an additional receipt of approximately \$87 thousand (2015: \$1.5m).

NOTE 6: EXPENSES

Loss before income tax benefit includes the following specific expenses:

	2016	2015
	\$	\$
Finance expenses		
- Interest expense on bank and other loans	1,699,818	689,049
- Interest expense on contingent consideration	158,399	156,362
- Interest obligations under finance leases	36,038	18,421
	<u>1,894,255</u>	<u>863,832</u>
Depreciation and amortisation		
- Building	153,116	56,763
- Plant and equipment	254,896	397,259
- Equipment under lease	213,205	56,898
	<u>621,217</u>	<u>510,920</u>
Amortisation of non-current assets		
- Intellectual property	1,316,395	1,202,572

Notes to the Financial Statements

	2016	2015
	\$	\$
NOTE 6: EXPENSES		
Rental expense on operating leases		
- Minimum lease payments	1,159,792	1,019,393
Employment benefit expenses of:		
- Wages and salaries	8,654,851	7,058,953
- Superannuation	464,904	423,895
- Share-based payments	399,913	515,474
	<u>9,519,668</u>	<u>7,998,322</u>
Unrealised foreign currency loss	2,148,737	2,213,872
Loss on disposal of assets		
- Plant and equipment	140,159	8,063
	2016	2015
	\$	\$
NOTE 7: INCOME TAXES		
(a) Income Tax Recognised in Profit or Loss		
<u>Current tax</u>		
In respect of the current year	32,293	-
	<u>32,293</u>	<u>-</u>
<u>Deferred tax</u>		
Recognised in current year	(747,654)	(327,801)
	<u>(747,654)</u>	<u>(327,801)</u>
Total income tax (benefit)/expense	<u>(715,361)</u>	<u>(327,801)</u>
(b) Reconciliation to Accounting Loss		
Loss from continuing operations	(17,324,118)	(17,277,206)
Tax at the Australian tax rate of 30% (2015: 30%)	(5,197,235)	(5,183,162)
Tax effect of non-deductible / non-assessable amounts		
Amortisation of intangibles	120,786	380,389
Foreign exchange reversed on consolidation	59,220	161,022
Exempt income from government assistance	(3,145,028)	(2,096,836)
Entertainment	3,054	702
Contingent consideration	601,292	515,763
Share-based payments	119,974	154,642
Research and development expenditure	5,352,657	4,818,254
Other non-assessable income	(340,445)	-
Temporary differences not recorded as an asset	1,235,965	286,962
Tax losses not recorded	710,145	650,944
Effect of different tax rates in other jurisdictions	(40,641)	(16,481)
Effect of unused tax losses, in the current period	(195,105)	-
	<u>(715,361)</u>	<u>(327,801)</u>

Notes to the Financial Statements

(c) Deferred Tax Assets/Liabilities

	Opening balance \$	Credit/ (Charged) to income \$	Other Compre- hensive Income \$	Acquired through Business Combination \$	Closing balance \$
Deferred Tax Assets/Liabilities 2016					
Borrowings	315,655	10,604	-	-	326,259
Trade & other receivables	(6,211)	6,111	-	-	(100)
Property, plant and equipment	(617,479)	92,081	(16,496)	-	(541,894)
Capital expenditure	212,983	645,819	384,345	-	1,243,147
Other intangibles	(4,247,616)	1,019,490	(154,624)	-	(3,382,750)
Trade & other payables	35,947	(35,947)	-	-	-
Provisions	370,278	245,461	-	-	615,739
	(3,936,443)	1,983,619	213,225	-	(1,739,599)
Temporary differences not recognised	(1,697,952)	(1,235,965)	(384,345)	-	(3,318,262)
Net balance	(5,634,395)	747,654	(171,120)	-	(5,057,861)

	Opening balance \$	Credit/ (Charged) to income \$	Other Compre- hensive Income \$	Acquired through Business Combination \$	Closing balance \$
Deferred Tax Assets/Liabilities 2015					
Borrowings	44,483	271,172	-	-	315,655
Trade & other receivables	(3,856)	(2,355)	-	-	(6,211)
Property, plant and equipment	216	(115)	3,889	(621,469)	(617,479)
Capital expenditure	350,236	(137,253)	-	-	212,983
Other intangibles	(3,662,751)	419,308	(1,004,173)	-	(4,247,616)
Trade & other payables	32,902	3,045	-	-	35,947
Provisions	309,317	60,961	-	-	370,278
	(2,929,453)	614,763	(1,000,284)	(621,469)	(3,936,443)
Temporary differences not recognised	(1,410,990)	(286,962)	-	-	(1,697,952)
Net balance	(4,340,443)	327,801	(1,000,284)	(621,469)	(5,634,395)

	2016 \$	2015 \$
(d) Unrecognised Temporary Differences (including Tax Losses)		
The following deferred tax assets have not been brought to account as assets:		
Unused revenue tax losses (no set expiry period)	17,003,704	15,660,645
Deductible temporary differences (no set expiry period)	3,318,262	1,697,952
	<u>20,321,966</u>	<u>17,358,597</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).

Notes to the Financial Statements

	2016 \$	2015 \$
NOTE 8: CASH AND CASH EQUIVALENTS		
Current		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the Consolidated Statement of Financial Position as follows:		
Cash at bank and on hand	19,664,774	5,075,104
Deposits at call	25,785,608	21,482,902
	<u>45,450,382</u>	<u>26,558,006</u>

The weighted average interest rate on these deposits is 2.8% per annum (2015: 2.9% per annum). The maturity dates range between 1 and 7 months from the end of the reporting period.

	2016 \$	2015 \$
NOTE 9: OTHER FINANCIAL ASSETS		
Restricted deposits held as security and not available for use	<u>934,000</u>	<u>934,000</u>
Disclosed in the financial statement as:		
Current assets	550,000	550,000
Non-current assets	<u>384,000</u>	<u>384,000</u>
	<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(i)) and as security for a bank guarantee respectively that are not available for use. The interest rate on these deposits is 2.7% (2015: 2.7%) and maturity dates are 2 January 2017 and 23 September 2016 respectively (2015: 30 September and 23 September 2015 respectively).

	2016 \$	2015 \$
NOTE 10: TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	1,238,028	289,604
GST and Value Added Tax (VAT) receivables	141,097	756,996
Other	22,469	17,080
	<u>1,401,594</u>	<u>1,063,680</u>

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 2016 year, the Group's largest customer, Merck, represented 79% of the total balance of trade receivables (2015: no customer representing more than 5% of the total balances).

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.

Notes to the Financial Statements

Age of receivables that are past due but not impaired

	2016 \$	2015 \$
60-90 days	660	11,200
90-120 days	2,241	-
Total	<u>2,901</u>	<u>11,200</u>
Average age (days)	<u>56</u>	<u>61</u>

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.

	2016 \$	2015 \$
NOTE 11: INVENTORIES		
Current		
Consumables	<u>438,856</u>	<u>409,891</u>

	2016 \$	2015 \$
NOTE 12: OTHER ASSETS		
Current		
Prepayments	643,249	1,194,038
Accrued income	333	99,894
	<u>643,582</u>	<u>1,293,932</u>

NOTE 13: SUBSIDIARIES

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

Entity	Principal activity	Country of incorporation	Percentage owned (%)	
			2016	2015
Head entity				
Bionomics Limited	Research and Development	Australia	N/A	N/A
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	100

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 \$
Cost at 30 June 2014	-	-	2,581,935	600,507	3,182,442
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
Cost at 30 June 2015	<u>256,522</u>	<u>1,880,896</u>	<u>3,536,559</u>	<u>600,507</u>	<u>6,274,484</u>
Additions	-	14,797	132,410	-	147,207
Additions from business acquisitions	-	-	-	-	-
Disposals	-	(30,484)	(644,930)	(8,120)	(683,534)
Foreign currency exchange differences	7,618	55,857	63,847	-	127,322
Cost at 30 June 2016	<u>264,140</u>	<u>1,921,066</u>	<u>3,087,886</u>	<u>592,387</u>	<u>5,865,479</u>

Notes to the Financial Statements

Accumulated depreciation at 30 June 2014	-	-	(2,216,299)	(137,782)	(2,354,081)
Depreciation (Note 6)	-	(56,763)	(397,259)	(56,898)	(510,920)
Disposals	-	-	62,809	-	62,809
Foreign currency exchange differences	-	-	(21,737)	-	(21,737)
Accumulated depreciation at 30 June 2015	-	(56,763)	(2,572,486)	(194,680)	(2,823,929)
Depreciation (Note 6)	-	(153,116)	(254,896)	(213,205)	(621,217)
Disposals	-	5,039	461,630	8,120	474,789
Foreign currency exchange differences	-	1,431	(61,487)	-	(60,059)
Accumulated depreciation at 30 June 2016	-	(203,409)	(2,427,239)	(399,765)	(3,030,413)
Net Carrying Amounts at 30 June 2015	256,522	1,824,133	964,073	405,827	3,450,555
Net Carrying Amounts at 30 June 2016	264,140	1,717,657	660,647	192,622	2,835,066

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

	\$
Carrying amount at 30 June 2014	9,488,432
Additions	-
Foreign currency exchange differences	1,000,201
Carrying amount at 30 June 2015	10,488,633
Additions	-
Foreign currency exchange differences	153,596
Carrying amount at 30 June 2016	10,642,229

(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 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:

	2016	2015
	\$	\$
Drug discovery and development	10,642,229	10,488,633
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

Notes to the Financial Statements

rate of 25% per annum (2015: 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.

	\$
Gross carrying amount at 30 June 2014	20,992,946
Additions	12,705
Foreign currency exchange differences	3,243,297
Gross carrying amount at 30 June 2015	<u>24,248,948</u>
Additions	-
Foreign currency exchange differences	547,640
Gross carrying amount at 30 June 2016	<u>24,796,588</u>
Accumulated amortisation amount at 30 June 2014	(5,767,190)
Amortisation (Note 6)	(1,202,572)
Foreign currency exchange differences	(351,567)
Accumulated amortisation amount at 30 June 2015	<u>(7,321,329)</u>
Amortisation (Note 6)	(1,316,395)
Foreign currency exchange differences	(95,910)
Accumulated amortisation amount at 30 June 2016	<u>(8,733,633)</u>
Net carrying amount 30 June 2015	<u>16,927,619</u>
Net carrying amount 30 June 2016	<u>16,062,954</u>

NOTE 17: TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Current		
Trade payables	2,633,103	3,933,232
Accrued expenses	3,222,040	2,532,394
	<u>5,855,143</u>	<u>6,465,626</u>
Non-current		
Other payables	<u>144,938</u>	<u>140,758</u>

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

Notes to the Financial Statements

NOTE 18: BORROWINGS	2016	2015
	\$	\$
Unsecured – at amortised cost		
Commercial bill (i)	550,000	550,000
Bank overdraft (ii)	-	45,473
Secured – at amortised cost		
Finance lease liabilities (iii)	57,611	200,405
Equipment mortgage (iv)	431,021	546,252
Bank loan (v)	20,129,922	12,885,376
Commercial bill (vi)	-	550,000
	<u>21,168,554</u>	<u>14,777,506</u>

Disclosed in the financial statements as:

Current liabilities	2,731,837	5,460,133
Non-current liabilities	18,436,717	9,317,373
	<u>21,168,554</u>	<u>14,777,506</u>

- (i) the rolling commercial bill line is secured by a restricted deposit of \$550,000 (2015: \$550,000) and shown in Note 9.
- (ii) the overdraft had an interest rate of 2.985% and matures on 30 June 2017.
- (iii) lease lines are secured by the leased plant and equipment (refer Note 14) and have an average interest rate of per annum 7.05% (2015: 7.17% 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 (2015: three to five years).
- (v) bank loan is a secured US \$15 million (2015: US\$10 million) borrowing. The loan bears interest at a rate of 8.15% (2015: 6.86%) and is interest only up to and including March 2017 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 2016.
- (vi) the commercial bill had an interest rate of 3.7% and matured on 30 July 2015.

The unused facilities available at 30 June 2016 of the Group's bank overdraft is \$59,693 (2015: \$70,469) and equipment finance facility is \$269,080 (2015: \$153,330). There is no unused facility in relation to the commercial bill line.

Interest Rate Risk

The Group's exposure to interest rates and the effective weighted average interest rate by maturity period is set out in Note 24.

NOTE 19: PROVISIONS	2016	2015
	\$	\$
Current		
Employee benefits	<u>1,590,979</u>	<u>1,582,239</u>
Non-current		
Employee benefits	<u>61,928</u>	<u>91,168</u>
NOTE 20: OTHER LIABILITIES		
Current		
Unearned services income	<u>65,811</u>	<u>75,362</u>

Notes to the Financial Statements

NOTE 21: OTHER FINANCIAL LIABILITIES

Current

Warrants	72,802	122,544
Conditional warrants	1,069,518	-
	<u>1,142,320</u>	<u>122,544</u>
Balance at beginning of period	122,544	-
Warrants value at date of issue	87,170	223,912
Conditional warrants initial value	2,203,369	-
Change in value recognised in profit or loss (Note 5)	(1,270,763)	(101,368)
Balance at end of period	<u>1,142,320</u>	<u>122,544</u>

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

Warrants

A derivative was recognised in relation to the warrants issued by the Group in connection with the USD loan included in Note 18(v). These warrants are currently exercisable at the discretion of the holder and exchangeable for either 988,843 (2015: 643,611) ordinary shares at a fixed price (345,232 at \$0.5288 and 643,611 at \$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 warrants expiry dates are as follows:

Number	Expiry date
345,232	Oct-20
643,611	Nov-19

A derivative was recognised in relation to the conditional warrants issued by the Group in connection with the private placement of shares in December 2015 (see Note 22(a)). Under the Share Placement Agreement 16,082,988 warrants for 16,082,988 ordinary shares at a fixed price (\$0.5938) are required to be issued at the earlier of the approval of shareholders for the issue of the warrants and the passage of 12 months from the date of the agreement. As at 30 June 2016 the warrants are currently expected to be issued in December 2016. In the event that the warrants are not issued, the Company would be required to make a payment to the private placement participants. The Directors currently expect to issue the warrants in December 2016. Once the warrants are issued, their expiry date would be December 2021.

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

NOTE 22: ISSUED CAPITAL

(a) Issued and paid-up capital

	2016 Shares	2015 Shares
Ordinary shares – fully paid	480,986,821	418,198,869
Treasury stock	75,625	-
Total	<u>481,062,446</u>	<u>418,198,869</u>

Movements in Ordinary Shares and Treasury Stock (restricted shares issued subject to Employee Share Plan Loan Agreements) respectively, of the Company during the past two years were as follows:

Date	Details	Number of shares	\$
Ordinary Shares			
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
	Share issue – Employee Share Option Plan option exercise	921,250	288,718
	Placements (net of warrants) ¹	61,866,702	22,113,875
30 June 2016	Closing balance	<u>480,986,821</u>	<u>134,392,813</u>

Notes to the Financial Statements

Date	Details	Number of shares	\$
Treasury Stock			
30 June 2014	Closing balance	-	-
	Share issue – Employee Share Plan Loan Agreements	-	-
30 June 2015	Closing balance	-	-
	Share issue – Employee Share Plan Loan Agreements	75,625	-
30 June 2016	Closing balance	75,625	-
Total Issued Capital		481,062,446	134,392,813

1. The placements are net of the warrants issued in December 2015 for 24,124,484 ordinary shares at a fixed price (\$0.5938), valued at \$3,305,054 and conditional warrants for 16,082,988 ordinary shares at a fixed price (\$0.5938), valued at \$2,203,369, as at issue date. The warrants and conditional warrants were valued using a Black-Scholes methodology. As at 30 June 2016, the conditional warrants have not been issued and are disclosed under “Other financial liability (current)” in Note 21.

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

(b) Ordinary Shares

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

(c) Option Modification

The terms of the options under the Bionomics 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
May-06	Jul-16	\$0.2176	25,000	\$ 0.20
Nov-06	Nov-16	\$0.2976	100,000	\$ 0.19
Oct-07	Oct-16	\$0.2876	5,000	\$ 0.35
	Oct-17	\$0.2876	5,000	\$ 0.36
Jan-08	Jan-17	\$0.3776	4,000	\$ 0.32
	Jan-18	\$0.3776	4,000	\$ 0.33
Jul-08	Jul-16	\$0.3576	14,000	\$ 0.27
	Jul-17	\$0.3576	14,000	\$ 0.28
	Jul-18	\$0.3576	14,000	\$ 0.29
Nov-08	Aug-16	\$0.3692	330,000	\$ 0.14
	Nov-16	\$0.2976	100,000	\$ 0.16
	Nov-17	\$0.2976	100,000	\$ 0.17
	Nov-16	\$0.2776	10,000	\$ 0.08
	Nov-17	\$0.2776	10,000	\$ 0.09
	Nov-18	\$0.2776	10,000	\$ 0.10

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Mar-09	Mar-17	\$0.2876	2,120	\$	0.10	
	Mar-18	\$0.2876	2,120	\$	0.11	
	Mar-19	\$0.2876	10,000	\$	0.12	
Jun-09	Mar-19	\$0.2876	2,120	\$	0.12	
	Jun-17	\$0.2476	4,000	\$	0.20	
	Jun-18	\$0.2476	4,000	\$	0.20	
	Jun-19	\$0.2476	4,000	\$	0.21	
Nov-09	Nov-16	\$0.2976	100,000	\$	0.18	
	Nov-17	\$0.2976	100,000	\$	0.19	
	Nov-18	\$0.2976	100,000	\$	0.20	
	Nov-19	\$0.2976	100,000	\$	0.20	
Jul-10	Jul-19	\$0.3176	10,000	\$	0.19	
	Jul-20	\$0.3176	10,000	\$	0.20	
Nov-10	Nov-16	\$0.3076	100,000	\$	0.14	
	Nov-17	\$0.3076	100,000	\$	0.16	
	Nov-18	\$0.3076	100,000	\$	0.17	
	Nov-19	\$0.3076	100,000	\$	0.17	
Nov-11	Nov-16	\$0.6116	95,000	\$	0.22	
	Nov-16	\$0.6116	500,000	\$	0.22	
	Aug-17	\$0.9186	1,000,000	\$	0.05	
Dec-11	Dec-17	\$0.5156	100,000	\$	0.33	
	Dec-18	\$0.5156	100,000	\$	0.36	
	Dec-19	\$0.5156	100,000	\$	0.37	
	Dec-20	\$0.5156	100,000	\$	0.39	
	Dec-21	\$0.5156	100,000	\$	0.40	
Mar-12	Mar-18	\$0.5026	5,000	\$	0.29	
	Mar-19	\$0.5026	5,000	\$	0.30	
	Mar-20	\$0.5026	5,000	\$	0.32	
	Mar-21	\$0.5026	5,000	\$	0.34	
	Mar-22	\$0.5026	5,000	\$	0.35	
Jun-12	Jun-18	\$0.3356	8,000	\$	0.16	
	Jun-19	\$0.3356	8,000	\$	0.17	
	Jun-20	\$0.3356	8,000	\$	0.18	
	Jun-21	\$0.3356	8,000	\$	0.19	
	Jun-22	\$0.3356	8,000	\$	0.20	
Aug-12	Aug-17	\$0.2846	37,500	\$	0.13	
Dec-12	Dec-17	\$0.2846	65,000	\$	0.16	
	Dec-18	\$0.3176	200,000	\$	0.18	
	Dec-19	\$0.3176	200,000	\$	0.19	
	Dec-20	\$0.3176	200,000	\$	0.20	
	Dec-21	\$0.3176	200,000	\$	0.21	
	Dec-22	\$0.3176	200,000	\$	0.22	
	Dec-18	\$0.3176	5,000	\$	0.21	
	Dec-19	\$0.3176	5,000	\$	0.22	
	Dec-20	\$0.3176	5,000	\$	0.23	
	Dec-21	\$0.3176	5,000	\$	0.24	
	Dec-22	\$0.3176	5,000	\$	0.25	
	Mar-13	Mar-19	\$0.4176	50,000	\$	0.20
		Mar-20	\$0.4176	50,000	\$	0.22
Mar-21		\$0.4176	50,000	\$	0.23	
Mar-22		\$0.4176	50,000	\$	0.24	
Mar-23		\$0.4176	50,000	\$	0.25	
May-13	May-19	\$0.3745	64,000	\$	0.22	
	May-20	\$0.3745	64,000	\$	0.24	
	May-21	\$0.3745	64,000	\$	0.25	
	May-22	\$0.3745	64,000	\$	0.26	
	May-23	\$0.3745	64,000	\$	0.27	
Aug-13	Aug-18	\$0.3301	122,500	\$	0.38	
Oct-13	Oct-19	\$0.6014	15,000	\$	0.46	
	Oct-20	\$0.6014	15,000	\$	0.48	

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	Oct-21	\$0.6014	15,000	\$	0.50
	Oct-22	\$0.6014	15,000	\$	0.52
	Oct-23	\$0.6014	15,000	\$	0.54
Dec-13	Dec-18	\$0.7224	100,000	\$	0.33
	Dec-18	\$0.3301	55,000	\$	0.46
	Dec-19	\$0.7224	100,000	\$	0.36
	Dec-19	\$0.6875	4,000	\$	0.37
	Dec-20	\$0.7224	100,000	\$	0.39
	Dec-20	\$0.6875	4,000	\$	0.39
	Dec-21	\$0.7224	100,000	\$	0.41
	Dec-21	\$0.6875	4,000	\$	0.42
	Dec-22	\$0.7224	100,000	\$	0.43
	Dec-22	\$0.6875	4,000	\$	0.44
	Dec-23	\$0.6875	4,000	\$	0.46
Oct-14	Oct-19	\$0.5643	161,000	\$	0.35
Dec-14	Dec-19	\$0.5643	75,000	\$	0.27
Apr-15	Apr-21	\$0.5029	19,000	\$	0.21
	Apr-22	\$0.5029	19,000	\$	0.23
	Apr-23	\$0.5029	19,000	\$	0.25
	Apr-24	\$0.5029	19,000	\$	0.26
	Apr-25	\$0.5029	19,000	\$	0.27
May-15	May-21	\$0.4246	288,600	\$	0.24
	May-22	\$0.4246	288,600	\$	0.25
	May-23	\$0.4246	288,600	\$	0.27
	May-24	\$0.4246	288,600	\$	0.28
	May-25	\$0.4246	288,600	\$	0.29
Jul-15	Jul-20	\$0.4341	151,000	\$	0.20
	Jul-21	\$0.4341	15,000	\$	0.22
	Jul-21	\$0.4152	3,000	\$	0.23
	Jul-22	\$0.4341	15,000	\$	0.24
	Jul-22	\$0.4152	3,000	\$	0.24
	Jul-23	\$0.4341	15,000	\$	0.25
	Jul-23	\$0.4152	3,000	\$	0.26
	Jul-24	\$0.4341	15,000	\$	0.26
	Jul-24	\$0.4152	3,000	\$	0.27
	Jul-25	\$0.4341	15,000	\$	0.28
	Jul-25	\$0.4152	3,000	\$	0.28
Oct-15	Oct-21	\$0.4575	5,000	\$	0.30
	Oct-22	\$0.4575	5,000	\$	0.32
	Oct-23	\$0.4575	5,000	\$	0.34
	Oct-24	\$0.4575	5,000	\$	0.35
	Oct-25	\$0.4575	5,000	\$	0.37
Dec-15	Oct-20	\$0.4211	85,500	\$	0.29
	Dec-20	\$0.4211	60,000	\$	0.16
	Dec-21	\$0.5389	100,000	\$	0.15
	Dec-22	\$0.5389	100,000	\$	0.17
	Dec-23	\$0.5389	100,000	\$	0.18
	Dec-24	\$0.5389	100,000	\$	0.19
	Dec-25	\$0.5389	100,000	\$	0.20
	Dec-21	\$0.5102	100,000	\$	0.16
	Dec-22	\$0.5102	100,000	\$	0.18
	Dec-23	\$0.5102	100,000	\$	0.19
	Dec-24	\$0.5102	100,000	\$	0.20
	Dec-25	\$0.5102	100,000	\$	0.22
May-16	May-22	\$0.3200	58,000	\$	0.18
	May-23	\$0.3200	58,000	\$	0.20
	May-24	\$0.3200	58,000	\$	0.21
	May-25	\$0.3200	58,000	\$	0.22
	May-26	\$0.3200	58,000	\$	0.23
			<u>9,698,860</u>		

Notes to the Financial Statements

Reconciliation of Employee Share Option Plan:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance at beginning of financial year	9,798,480	\$0.47	9,458,782	\$0.45
Granted during the financial year	1,716,500	\$0.47	1,930,500	\$0.45
Forfeited during the financial year	(576,550)	\$0.40	(298,500)	\$0.40
Exercised during the financial year	(921,250)	\$0.31	(842,302)	\$0.32
Expired during the financial year	(318,320)	\$0.39	(450,000)	\$0.35
Closing balance at 30 June	9,698,860	\$0.49	9,798,480	\$0.47

Employee Share Option Plan options exercised during the financial year:

Series	Number Exercised	Exercise Price	Exercise Date	Share Price at Exercise Date
01-Aug-12	30,000	\$0.2846	23-Sep-15	\$ 0.515
12-Aug-13	32,500	\$0.3301	23-Sep-15	\$ 0.515
12-Aug-13	100,000	\$0.2976	23-Sep-15	\$ 0.515
16-Nov-06	100,000	\$0.2976	21-Oct-15	\$ 0.510
12-Aug-13	65,000	\$0.3301	03-Nov-15	\$ 0.520
04-Nov-09	100,000	\$0.2976	04-Nov-15	\$ 0.515
04-Nov-10	100,000	\$0.3076	04-Nov-15	\$ 0.515
05-Jun-13	100,000	\$0.3873	11-Nov-15	\$ 0.520
05-Jun-13	100,000	\$0.3873	11-Nov-15	\$ 0.520
21-Nov-08	10,000	\$0.2776	30-Nov-15	\$ 0.490
15-Jun-09	50,000	\$0.2476	10-Mar-16	\$ 0.300
15-Jun-09	50,000	\$0.2476	10-Mar-16	\$ 0.300
15-Jun-09	50,000	\$0.2476	10-Mar-16	\$ 0.300
12-Aug-13	28,750	\$0.3301	15-Jun-16	\$ 0.295
01-May-06	5,000	\$0.2176	30-Jun-16	\$ 0.280
	<u>921,250</u>			

	2016 number	2015 number
Unlisted options vested and exercisable at the reporting date	<u>6,055,460</u>	<u>6,184,080</u>

(ii) *Weighted averages*

The weighted average remaining contractual life of any unlisted share options outstanding at the end of the year is 4.02 years (2015: 4.28 years).

The assessed fair value at grant date of options granted during the year ended 30 June 2016 is outlined in the Remuneration Report. The share price at grant date of these options ranged between \$0.34 and \$0.54 (2015: \$0.415 and \$0.565). The expected average price volatility of the company's shares ranged between 51.4% and 54.0% (2015: 56.5% and 73.6%). Expected dividend yield was 0% (2015: 0%) and the average risk free interest rate used ranged between 2.29% and 2.92% (2015: 2.5% and 3.4%).

Notes to the Financial Statements

(e) Warrants

During the year, the Company issued warrants and conditional warrants, see Note 21.

The weighted average remaining contractual life of the unlisted warrants and conditional warrants outstanding at the end of the year is 4.4 years (2015: 4.6 years)

The assessed fair value at grant date of the warrants and conditional warrants granted during the year ended 30 June 2016 was \$5,820,226 (2015: \$223,912). The share price at the grant dates of these warrants and conditional warrants ranged between \$0.38 to \$0.53 (2015: \$0.555). The expected average price volatility of the Company's shares ranged between 53.18% and 53.45% (2015: 72.1%). Expected average dividend yield was 0% (2015: 0%) and the risk free interest rate used ranged between 2.02% and 2.36% (2015: 3.28%).

Warrants recorded in equity

Details of outstanding warrants as at 30 June 2016 are as follows:

Grant date	Expiry date	Exercise price	Number	Fair value at grant date
Dec-15	Dec-20	\$0.5938	24,124,484	\$0.1370

Warrants recorded in Other Financial Liabilities (Note 21)

The assessed fair value at 30 June 2016 of warrants and conditional warrants granted is \$1,142,320 (2015: \$122,544). The share price as at 30 June 2016 was \$0.28 (2015: \$0.415). The expected average price volatility of the Company's shares was 55.73% (2015: 58.6%). Expected dividend yield was 0% (2015: 0%) and the average risk free interest rate as at 30 June 2016 was 1.65% (2015: 3.01%).

NOTE 23: RESERVES

	2016 \$	2015 \$
Foreign Currency Translation Reserve (a)	5,174,632	4,206,214
Share-based Payments Reserve (b)	6,041,406	2,336,439
Total reserves	11,216,038	6,542,653

(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 and warrants 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 2015. 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 is 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

	2016 \$	2015 \$
Financial assets		
Receivables	1,401,594	1,063,680
Other financial assets	934,000	934,000
Cash and cash equivalents	45,450,382	26,558,006
	<u>47,785,976</u>	<u>28,555,686</u>
Financial liabilities		
Amortised cost	27,168,635	21,383,890
Contingent consideration at fair value	10,489,438	8,276,292
	<u>37,658,073</u>	<u>29,660,182</u>
Reconciliation to total assets		
Financial assets (as above)	47,785,976	28,555,686
Non-financial assets	40,224,042	40,576,029
	<u>88,010,018</u>	<u>69,131,715</u>
Reconciliation to total liabilities		
Financial liabilities (as above)	37,658,073	29,660,182
Non-financial liabilities	7,918,899	7,505,708
	<u>45,576,972</u>	<u>37,165,890</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 2016 (2015: 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
EUR	2,697,299	2,655,101	5,551,524	3,832,179
USD	20,518,217	14,629,101	11,980,244	523,597
GBP	617,234	298,297	-	-

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		
	2016	2015		2016	2015		2016	2015	
	\$	\$		\$	\$		\$	\$	
Profit or loss	5,999	44,950	(i)	796,036	1,214,933	(ii)	56,112	27,118	(iv)
Equity	(265,474)	(151,957)	(iii)	(19,857)	(13,679)	(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 net borrowings 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 2016 (2015: 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 2016 would increase / (decrease) by \$83,722 (2015: increase / (decrease) by \$52,469). 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 of 30 June 2016, Merck represented 79% of the Group's trade and other receivables (2015: no customer representing more than 5% of the total balances). 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 + years \$	
2016							
Non-interest bearing		5,855,143	-	-	144,938	-	6,000,081
Finance lease liability	7.05	9,743	19,486	28,382	-	-	57,611
Variable interest rate instruments	8.15	136,910	282,948	3,247,747	19,892,894	-	23,560,499
Fixed interest rate instruments	4.62	567,026	23,878	107,451	330,268	-	1,028,623
		<u>6,568,822</u>	<u>326,312</u>	<u>3,383,580</u>	<u>20,368,100</u>	<u>-</u>	<u>30,646,814</u>
2015							
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>

(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 2016 \$	30 June 2015 \$				
Contingent consideration in a business combination (Note 34)	Liabilities - \$10,489,438	Liabilities - \$8,276,292	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 - \$1,142,320	Liabilities - \$122,544	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

	2016 Contingent consideration in a business combination	2015 Contingent consideration in a business combination
Opening balance	8,276,292	5,696,087
Total gains or losses:		
- in profit or loss	2,213,146	2,580,205
Closing balance	10,489,438	8,276,292

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:

	2016 \$	2015 \$
Short-term employee benefits	2,141,888	1,613,080
Post-employment benefits	90,865	56,161
Other long-term benefits	131,170	33,719
Share-based payments	118,258	218,368
Total key management personnel compensation	2,482,181	1,921,328

NOTE 26: COMMITMENTS FOR EXPENDITURE

(a) Finance Leases

The Group leases scientific equipment under finance leases. The average lease term is three years (2015: 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 with the current rate of 7.05% (2015: 5.22% to 7.37%) per annum.

	Minimum lease payments		Present value of lease payments	
	2016 \$	2015 \$	2016 \$	2015 \$
Finance Lease Liabilities				
Within one year	58,458	148,024	57,611	147,177
Later than one year but not greater than five	-	61,927	-	53,228
	58,458	209,951	57,611	200,405
Future finance charges	(847)	(9,546)	-	-
Present value of minimum lease payments	57,611	200,405	57,611	200,405

	2016 \$	2015 \$
Represented in the financial statements (Note 18) by:		
Current borrowings	57,611	147,177
Non-current borrowings	-	53,228
	57,611	200,405

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.

	2016 \$	2015 \$
<u>Non-cancellable operating lease commitments</u>		
Within one year	1,110,502	1,111,500
Later than one year but not greater than five	3,587,894	4,003,550
Later than five years	-	889,714
Minimum lease payments	<u>4,698,396</u>	<u>6,004,764</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).

	2016 \$	2015 \$
Future Rental Income Receivable		
Within one year	324,698	152,335
Later than one year but not greater than five	240,122	152,335
	<u>564,820</u>	<u>304,670</u>

NOTE 27: EVENTS OCCURRING AFTER REPORTING DATE

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

	2016 \$	2015 \$
NOTE 28: REMUNERATION OF AUDITORS		
During the financial year the following services were paid and payable to the external auditor:		
Auditor of the Group		
Audit or review of financial reports	719,343	281,170
	<u>719,343</u>	<u>281,170</u>

The auditor of Bionomics Limited is Deloitte Touche Tohmatsu.

	2016 \$	2015 \$
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:		
Cash and cash equivalents (Note 8)	45,450,382	26,558,006
Bank overdraft (Note 18)	-	(45,473)
	<u>45,450,382</u>	<u>26,512,533</u>
(b) Reconciliation of operating (loss)/profit to net cash outflow from operating activities		
(Loss)/Profit for the year	(16,608,757)	(16,949,405)
Items in (loss)/profit		
Depreciation and amortisation	1,937,612	1,713,492
Share-based payments	399,913	515,474
Gain on bargain purchase	-	(539,917)
Loss on asset disposals	140,159	8,063
Contingent consideration – accretion interest	158,399	156,362
Contingent consideration – adjustment to inputs	1,845,907	945,804
Amortisation of borrowing costs	130,624	45,931

Notes to the Financial Statements

	2016	2015
	\$	\$
NOTE 29: CASH FLOW INFORMATION		
Net unrealised foreign exchange differences	1,698,619	3,631,726
Interest received	(1,240,226)	(948,456)
Warrant mark-to-market	(1,494,676)	(101,368)
Changes in operating assets and liabilities		
(Increase)/Decrease in receivables	(378,983)	19,992,314
Increase in research and development incentive receivables	(1,595,956)	(504,143)
Decrease/(Increase) in other assets	635,357	(822,082)
Increase in inventory	(42,157)	(147,713)
Decrease in provisions	(35,835)	(359,647)
Decrease in other liabilities	(36,870)	(3,380,095)
(Decrease)/Increase in payables	(468,209)	2,007,496
Decrease in deferred tax liability	(404,475)	(327,718)
Net cash (outflows)/inflows from operating activities	<u>(15,359,554)</u>	<u>4,936,118</u>

	2016	2015
NOTE 30: LOSS PER SHARE		
Basic Loss per share	(\$0.03)	(\$0.04)
	(3 cents)	(4 cents)
Diluted Loss per share	(\$0.03)	(\$0.04)
	(3 cents)	(4 cents)

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

	2016	2015
	\$	\$
Loss per share (Basic and Diluted):		
Loss after tax for the year	(16,608,757)	(16,949,405)
	2016	2015
	number	number
Weighted average number of ordinary shares - Basic		
Weighted average number of ordinary shares used in calculating basic loss per share:	457,258,616	417,606,873
Weighted average number of ordinary shares – Diluted		
Weighted average number of ordinary shares used in calculating basic loss per share:	457,258,616	417,606,873
Shares deemed to be issued for no consideration in respect of:		
- Employee options	4,046,000	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share	<u>461,304,616</u>	<u>417,606,873</u>

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 per share.

	2016	2015
	number	number
Employee options	2,905,005	9,798,480

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

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.

Notes to the Financial Statements

(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 2016 (2015: \$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.

Financial Position	Year ended 30 June 2016	Year ended 30 June 2015
	\$	\$
Assets		
Current assets	56,063,216	38,090,327
Non-current assets	19,569,636	19,472,317
Total assets	<u>75,632,852</u>	<u>57,562,644</u>
Liabilities		
Current liabilities	9,390,149	11,140,329
Non-current liabilities	28,723,403	17,734,833
Total liabilities	<u>38,113,552</u>	<u>28,875,162</u>
Net Assets	<u>37,519,300</u>	<u>28,687,482</u>
Equity		
Issued capital	134,392,813	111,990,221
Accumulated losses	(102,914,920)	(85,639,178)
Share-based payments reserve	6,041,407	2,336,439
Total equity	<u>37,519,300</u>	<u>28,687,482</u>
Loss for the year	(17,275,742)	(19,406,078)
Other comprehensive income	-	-
Total comprehensive income	<u>(17,275,742)</u>	<u>(19,406,078)</u>

(a) Property, Plant and Equipment Commitments

There are no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2016 (2015: 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.

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 2016 this was \$10,489,438 (30 June 2015: \$8,276,292).

Dr Jonathan Lim retired as a Director of Bionomics on 18 November 2015 and 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

Notes to the Financial Statements

(14 September 2014). 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 was \$1,763,926, assuming the contingent consideration was fully earned.

	2016	2015
	\$	\$
Opening balance	8,276,292	5,696,087
Accretion interest	158,399	156,362
Adjustment for changes in timing of expected revenue projections	1,845,907	945,804
FX movement	208,840	1,478,039
Closing balance	<u>10,489,438</u>	<u>8,276,292</u>

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 in 2015 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the prior year, 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)

931,053

\$

Gain on bargain purchase

Fair value of identifiable net asset acquired	931,053
Less: consideration transferred	(391,136)
	<u>539,917</u>

The gain on bargain purchase has been recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in 2015. 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 included \$1,652,233 in respect of this acquisition.

Notes to the Financial Statements

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 considered 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 prior 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 \$871,206 (2015: \$887,038) in the event of redundancy, purchase or merger of the Company by a third party resulting in a material diminution in the employee's 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 9th day of August 2016

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 2016, 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 21 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 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 2016 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

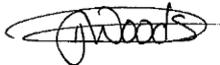
We have audited the Remuneration Report included on pages 8 to 17 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Penny Woods
Partner
Chartered Accountants
Adelaide, 9 August 2016