

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR'S ADDRESS
BIONOMICS' ANNUAL GENERAL MEETING
THURSDAY, 8 NOVEMBER 2001

Slide 1: Dr Deborah Rathjen, Bionomics CEO and MD

Thank you Fraser and good morning fellow shareholders.

Slide 2: Gene-based Products..... Here and Now

We have entered a new age of medical treatments based on our understanding of the function of certain genes and their relationship to disease. Two specific examples of this are the drugs Herceptin and Gleevec.

Herceptin has received a great deal of attention in recent times in relation to its entry into the Pharmaceutical Benefits Scheme here in Australia. Discovered by Bionomics SAB member Professor Axel Ullrich and his colleagues, at the US biotech company Genentech, Herceptin is used in conjunction with a gene-based diagnostic test to treat advanced breast cancer.

The very recently FDA approved drug Gleevec is used to treat certain types of leukemia. To date it has exhibited extraordinary efficacy and safety in patients. Gleevec, which targets a gene product associated with leukemia, received very rapid regulatory approval, speeding what has traditionally been regarded as a very lengthy drug development process. Together these examples – Herceptin and Gleevec convey the promise and practical advantages of gene-based treatments.

Genomics research is expected to generate a large number of new drug opportunities – estimated to be in excess of 10,000. These opportunities will lead to a more personalised approach to drug treatment.

Slide 3: Patents and Partnerships underpinned by innovative research

Bionomics' first full year as a public company has been marked by a number of significant R&D and commercial advances. The theme of my presentation is patents and partnerships, underpinned by innovative research. These are the three drivers for our business moving forward and we have a number of strategies in place to achieve major advances in the forthcoming year.

Slide 4: Operations Overview

During this morning's presentation I plan to touch on the key areas of our business which, in an operational sense, directly affect the Company's ability to deliver shareholder value.

I will start my presentation with an overview of the business strategy and the commercial and R&D milestones achieved in the past year. I will then give you an update on the progress we have made with our three R&D projects, breast cancer, epilepsy and angiogenesis.

Bionomics belongs to a knowledge-based industry and fundamental to our business strategy is the protection of our intellectual property for future growth and development. The second part of my report will focus on the progress we have made in patenting our gene discoveries and our plans to progress these key patent filings into the international patenting system.

Forging corporate alliances to enhance Bionomics' competitiveness and establish the Company as a global player in the genomics sector is a key priority for the coming year. We have actively addressed ways to enhance the Company's ability to compete globally in genomics research and announced two technology collaborations designed to advance our breast cancer project. In addition we have expanded our capacity to undertake functional genomics studies and to validate drug targets. The third part of my report expands on the role of alliances in advancing our commercial business objectives.

Our recently announced Hybrigen alliance resulted from initial meetings held at this year's premier international biotechnology conference, BIO 2001 held in San Diego in June. Genomics is a global industry and much of our R&D and commercial focus is off-shore. Raising the international profile of the company is a crucial component of our business strategy.

Genomics research gives rise to proprietary information on thousands of drug targets and we need to maintain constant international exposure to capitalise on our gene discoveries and new opportunities.

Finally, I will conclude this report with our plans for moving forward and the key priorities for the year ahead.

Slide 5: Business Strategy

Bionomics underpins everything it does with a sound business strategy. The main objectives involve:

- exploiting broadly based gene technologies to discover, develop and sell gene-based products in the global market place;
- partnering research programs at an early stage and to participate in the success of the resulting products; and,
- Leveraging management experience in the biotechnology commercialisation process.

Slide 6: 2001 Business Objectives Achieved

The traditional model of drug discovery and drug development is often lengthy and, accompanied by high costs and high risk. Bionomics' commercial and R&D milestones achieved over the past 12 months demonstrate the Company's ability to rapidly advance gene discovery research, while exploring international and local commercial opportunities to capitalise on these discoveries. In addition to our gene discoveries, we have announced two strategic alliances to accelerate and further progress our internationally recognised breast cancer research project. This represents the first step in progressing the commercial prospects for Bionomics' projects. As our chairman has already indicated we are making good progress towards the commercialization of our intellectual property and the generation of first revenues from this source is a priority for 2002.

In seeking to balance our R&D pipeline Bionomics has secured world-wide rights to angiogenesis genes and received significant injection of funds through Federal Government R&D grant schemes.

Slide 7: R&D Report – Epilepsy

Epilepsy affects three percent of the population and Bionomics scientists are focusing on the discovery of genes relating to Idiopathic Generalised Epilepsy, the most common form of the disease. Over one quarter of people suffering from Idiopathic Generalised Epilepsy are unable to adequately control their seizures with currently available medications.

Our highly valued collaboration with researchers at the Women's and Children's Hospital in Adelaide and at the University of Melbourne has continued to progress our understanding of the genetic basis of epilepsy. This ground-breaking research was presented at the World Epilepsy Congress in Argentina where Scientific Advisory Board member, Professor Samuel Berkovic was awarded the Novartis Prize for Epileptology.

A Federal Government R&D Start Grant of approximately \$1 million over two years is enabling the Company to increase its commitment to the epilepsy program.

Slide 8: Epilepsy- A new paradigm for drug discovery

Progress in the epilepsy project to date has enabled Bionomics to develop a new paradigm for the discovery of more specific drugs to treat epilepsy. Our strategy is to move closer to the clinic with our gene discoveries. An example of this is our work with the GABA receptor, which shows a specific change which is associated with childhood absence epilepsy. The genetic change in this instance prevents an "normal" response by the GABA receptor to a top selling class of anti-epileptic drugs called benzodiazapines. Using Bionomics' genetic models it may be possible to develop a more effective drug to treat this form of epilepsy which affects approximately 3% of children.

Despite the anti-epileptics market being dominated by old, off-patent medicines which are often poorly tolerated and produce adverse side-effects, the current epilepsy drug market is experiencing revenues in the order of US\$4 billion with a growth rate of approximately 15 percent per annum. The commercial opportunity on which Bionomics seeks to capitalise is to produce safer, more effective treatments which fulfil the current unmet need left by existing treatments.

Slide 9: Breast Cancer – The Problem

Breast cancer is the leading cause of death in women between 40 and 50 years of age, with the lifetime risk factor for developing the disease being up to 1 in 10 women. In Australia, more than 8,500 new cases are diagnosed each year with a 25 percent mortality rate. In the US, 200,000 new cases are diagnosed each year. The fact that only five percent of all diagnosed cases result from an inherited predisposition presents an urgent need to improve our understanding of the genetic basis of the disease. Gene therapy has the potential to revolutionise cancer treatment, avoiding chemotherapy and serious disfiguring surgery.

Slide 10: Breast Cancer – 3 Pronged Approach

Our scientists have developed a three-pronged approach to identify genes and drug targets associated with breast cancer. The first approach is to discover tumour suppressor genes, which work to suppress activity that could promote the development of breast cancer. The second approach examines anti-angiogenic genes which have been shown to inhibit the growth of cancer by inhibiting blood vessel growth and the third identifies oncogenes which, when expressed uncontrollably, enable the cancer to develop.

Slide 11: Gene-based approaches for the treatment of breast cancer

The discovery of genes associated with Bionomics 3-pronged approach to breast cancer covers many potential ways to treat the disease. Tumour suppressor genes and anti-angiogenic genes can be replaced, genes which are up-regulated in breast cancer can be inhibited by a variety of approaches including small molecule drugs, antibodies, and vaccines.

This slide clearly demonstrates the leadership and competitive advantage Bionomics has developed in the Company's search for genes related to breast cancer.

Slide 12: Bionomics Breast Cancer Tumour Suppressor Gene Project

The leading gene discovery advances in Bionomics' breast cancer project focus on BNO64, TSG16, TSG18 and BNO1.

In addition Bionomics has filed provisional patents for a further 67 genes on human chromosome 16, changes to which are evident in the early stages of breast cancer.

Slide 13: BNO64 inhibits the growth of breast cancer cells

BNO64 is a tumour suppressor gene implicated in approximately 50 percent of breast cancers. BNO64 works by dramatically reducing breast cancer cell growth by 25-fold.

Slide 14: Bionomics Breast Cancer Tumour Suppressor Gene Project

Turning now to our other breast cancer gene discoveries. Bionomics completed a full patent filing covering the gene known as TSG16 in November last year. TSG16 is thought to control the growth of breast cancer cells. Closely related is TSG18, a gene found on chromosome 18.

BNO1 has been shown to be lacking in breast cancer and prostate cancer cells. When inserted into breast cancer cells, the BNO1 gene restores programmed death.

Work in the coming year will focus on delivery of the genes to breast cancer cells in which the genes are absent, and other preclinical studies to test their potential as gene therapy agents for the treatment of breast cancer. We will also investigate the use of these genes as prognostic and diagnostic markers for breast cancer.

Slide 15: Angiogenesis – A new frontier

Angiogenesis, a critical process involved in serious diseases such as cancer and rheumatoid arthritis, was added to the Company's R&D portfolio as a new area of focus in May when we acquired world-wide rights to genes involved in the process. The inclusion of the angiogenesis project within our portfolio is in line with our stated business objectives to identify new project opportunities, provide a balanced research and development portfolio, and establish alliances which enhance Bionomics' ability to compete in the international arena.

Angiogenesis research presents significant commercial opportunities for the Company as industry estimates suggest diseases which may be treated by angiogenesis-based therapies encompass 20 percent of the US\$322 billion global pharmaceutical market.

Slides 16, 17 & 18: The Role of Angiogenesis in cancer – 3 slides

Angiogenesis is the process which controls the formation of new blood vessels. While the process is essential for healing, it can also be responsible for feeding cancers.

Slide 19: Angiogenesis Project Status

The angiogenesis project is conducted in collaboration with scientists at the Hanson Centre for Cancer Research in Adelaide's Institute of Medical and Veterinary Science. Of the 137 genes which have been identified to date, 32 are novel. There are still more than 900 genes to identify and characterise in this process, creating an R&D milestone objective for 2002.

Slide 20: Patent Summary – Intellectual Property Strength

Prior to joining Bionomics in June last year, I worked as Manager of Business Development and Licensing for Peptech and one of our key achievements was the successful defence of Peptech's TNF patents against a legal challenge by BASF. As I stated in my opening remarks, a critical part of Bionomics business is the protection of our gene discoveries and validated drug targets through patents. While there has been much discussion about the patentability of genes, the general consensus is that the function and use of a gene can be patented once its role in causing disease is understood, but raw DNA sequences are not able to be patented. Any products that are developed based on the patented functions will be liable for licensing fees payable to the patent holder.

When I started at Bionomics in June 2000, the patent summary chart looked like this. We had a granted Australian patent licensed from the Women's and Children's Hospital for the epilepsy project and we had licensed a provisional patent application for the breast cancer project also from the WCH.

Slide 21: Patent Summary – Intellectual Property Strength (full picture)

In the past 12 months Bionomics has been extremely active in the filing of provisional patents with the result that over 230 genes are now covered by patent applications arising from research projects.

Slide 22: Corporate and Research Partnerships

Let's take a look now at Bionomics corporate and research partnerships.

Bionomics' breast cancer project is currently benefiting from two strategic alliances announced this year. The Company's first alliance, announced in June, links us with Ozgene, a leading Australian drug target validation and functional genomics company based in Perth. An important aspect of the future development of drugs to treat breast cancer is the availability of genetic models which reflect the disease process. Ozgene's team are leaders in the development of gene knock-out technology and the models provided under this arrangement speed up our ability to capitalise on our breast cancer gene discoveries.

Our second alliance was announced in September with Hybrigen, a privately-held US biotech company with proteomic platform technologies to accelerate the identification and characterisation of high-value drug targets. The Hybrigen alliance is significant because Hybrigen technologies enable us to discover drug targets in ways that no competitive proteomic technology can match. Again, this alliance allows Bionomics to accelerate our goal to be a global player in developing and commercialising gene-based products for the treatment of breast cancer.

Through its links with leading research institutes, Bionomics has unparalleled access to clinical material and insights. When these are combined with the Bionomics platform of core technologies, the result is a powerful way to facilitate rapid gene discovery and position the Company as a world leader within its areas of expertise. Bionomics funds on-going research work in its three main project areas through agreements with three of Australia's premier research institutions – the Women's and Children's Hospital and the Hanson Centre for Cancer Research at the Institute of Medical and Veterinary Science in Adelaide and the University of Melbourne. These institutions employ leading edge technology and their researchers have international reputations as leaders in their fields of disease gene identification, combined with an excellent record of publication in high profile, peer reviewed scientific journals.

Slide 23: Priorities for 2002

I would like to conclude this report by re-stating the two key priorities for the coming year outlined in our recent Annual Report:

First, we will continue to develop our epilepsy, breast cancer and angiogenesis intellectual property, leading to commercialisation. This will be achieved through adding further gene discoveries to our substantial portfolio, combined with validating our discovered genes as drug targets for new therapeutic interventions. Our aim is to rapidly progress our gene discoveries to clinical evaluation. In addition, we will progress our key patent filings into the international examination phases.

Second, we will forge additional corporate alliances to enhance Bionomics' competitiveness and establish it as a global player in the genomics sector.

Bionomics is building an increasing industry awareness of its activities and the business opportunities inherent in its research projects in both the US and Europe. To date, the Company has been successful in identifying potential corporate partners for its research programs through participation at the Trigenome Partnering meeting in San Francisco, BIO2001 in San Diego and BioPartnering Europe in London. Bionomics will seek to increase its external marketing and communications activities in 2002 to further boost this profile.

Slide 24: Bionomics past, present and future

In summary, Bionomics has achieved significant progress since listing almost 23 months ago. In 2000 we focused on establishing a comprehensive gene discovery platform and activated licensing and services agreements to fast track our gene discovery programs and provide us with unparalleled access to clinical material. In 2001 we focused on accessing technologies to further accelerate drug target validation, notably the Hybrigen and Ozgene alliances and our new angiogenesis initiative. In 2002, our focus will be on accessing drug discovery platforms to take our gene discoveries closer to the clinic and seek partnerships with big pharmaceutical and biotechnology companies.

As the Chairman has outlined, the Company is financially well placed to achieve its commercial and R&D objectives. We are committed to realising the value of this new era of medical discovery for the benefit of shareholders.

I would like to acknowledge and thank our Board of Directors, the Scientific Advisory Board, Bionomics' scientists and the management team for their dedicated efforts towards achieving this goal.

Slide 25: Commercialising gene discoveries to revolutionise medical treatments