

25 June 2010

Bionomics

Year End	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/09	2.9	(7.8)	(3.2)	0.0	N/A	N/A
06/10e	3.5	(6.7)	(2.3)	0.0	N/A	N/A
06/11e	3.5	(6.9)	(2.2)	0.0	N/A	N/A
06/12e	3.5	(7.2)	(2.3)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items; revenue is adjusted to exclude interest income, per IFRS. Excludes commercialisation revenue.

Investment summary: BCN210 study plans

Bionomics is selecting doses for two planned Phase Ib studies of its anxiety compound BNC210, which are due to begin enrolment shortly and are expected to report results in Q1 next year. The studies will be conducted in healthy volunteers, but will provide some efficacy data through use of an induced-anxiety model and measurement of cortisol. Meanwhile, Phase II studies of the VDA BNC105 in renal carcinoma and mesothelioma are both recruiting well and should provide some interim data in late 2010 and early 2011 respectively. These data are likely to be important in Bionomics' efforts to establish a corporate partnership.

Two Phase Ib studies of BNC210 planned

Bionomics is finalising plans to undertake two Phase Ib trials of BNC210. The first of the new trials will evaluate BNC210 effects when anxiety is induced in healthy subjects and the second trial will evaluate BNC210 effects on the brain using EEG measurements. Both studies will measure cortisol and other biomarkers of anxiety.

ASCO presentation should raise BNC105 profile

Bionomics continues to raise the profile of BNC105, capitalising on the unexpected boost to its competitive position in the VDA class with the failure of the ATTRACT-1 study of Novartis/Antisoma's ASA404. Data from Phase I studies of BNC105 were presented at ASCO.

Cash: Funded for two years

Forecast cash of A\$13m (net cash of A\$10.1m) as at 30 June 2010 is sufficient to fund the company for the next two years and support the trial programmes for BNC105 and BNC210, providing a window for Bionomics to partner one or both products.

Valuation: Valuation of A\$175m based on risk-adjusted NPV

We maintain our A\$175m valuation of Bionomics based on a risk-adjusted net present value of the two key programmes. This is derived from our assessment of the potential economic reward and timelines associated with the successful development of BNC105 and BNC210.

Bionomics is a research client of Edison Investment Research Limited

Price 28c
Market Cap A\$89m

Share price graph



Share details

Code BNO/BMICY
Listing ASX/NASDAQ
Sector Biotech
Shares in issue 318.1m

Price

52 week High 41c Low 20c

Balance Sheet as at 30 June 2010*

Debt/Equity (%) N/A
NAV per share (c) 8.2
Net cash (A\$m) 10.1

* Edison estimates.

Business

Bionomics is an Australian biotech company focused on developing small molecule products for cancer, anxiety, epilepsy and multiple sclerosis. Its lead programmes are a VDA (BNC105) and an anxiolytic compound (BNC210).

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

	Europe	US	Other
0%	75%	5%	20%

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Investment summary: Australian biotech

Company description: CNS/cancer expertise

Bionomics is an Australian biotech company focused on the development of products for the treatment of cancer and central nervous system disease. The company was founded in 1999 and initially conducted research into the genetics of epilepsy, angiogenesis and breast cancer and later evolved into a drug development business. It has two proprietary compounds in clinical trials: BNC105, a tumour vascular disrupting agent (in Phase II for mesothelioma and kidney cancer) and BNC210 (in Phase I for anxiety) and a development partnership with Merck Serono for Kv1.3 inhibitors, currently in preclinical development. The company is based in Thebarton, a suburb of Adelaide, and has a CRO subsidiary in Illkirch, near Strasbourg, France.

Bionomics has raised A\$75m in equity funding to date and completed two acquisitions: in January 2005 it acquired Neurofit Preclinical Research, a French CRO specialising in neurology (€1.25m in cash and shares) and in May 2005 it acquired Iliad Chemicals, a Melbourne-based firm with chemistry expertise (40.9m shares, with potential milestone payment of a further 13.6m shares). Bionomics has been listed on the ASX since 1999 (it has Level 1 ADR on NASDAQ, ticker BMICY). It has 34 employees.

Valuation

We maintain our A\$175m valuation of Bionomics based on a risk-adjusted net present value of the two key programmes. This is derived from our assessment of the potential economic reward and timelines associated with the successful development of BNC105 and BNC210. The valuation largely excludes the value of milestones (including those potentially receivable from Merck Serono in relation to the Kv1.3 programme) from potential licensing agreements for BNC105 and BNC210.

Sensitivities

Bionomics's investment case rests largely on the ability to partner BNC105 and/or BNC210. The company is subject to the usual risks associated with biotech drug development, including the possibility of unfavourable outcomes in clinical trials, success of competitors and commercial decisions by partners and potential partners. There is significant risk associated with a single product, with BNC105 contributing the bulk of our valuation. The valuation ascribes a relatively low probability to BNC210 because of its earlier stage of development, so there is considerable upside associated with success in development and partnering of this product.

Financials

Results for the financial year to 30 June should be reported in September. We expect cash to be around A\$13m (net cash A\$10m). Bionomics generates revenue from licence fees and payments from Merck Serono as well contract research services from Neurofit. Projected R&D expenditures suggest that cash at 30 June 2011 would be c A\$6.4m (more, if as expected, a milestone is received). This suggests Bionomics is funded for at least the next two years, providing a reasonable window in which to establish a partnership for BNC105 and/or BNC210.

Investment update: BNC210 studies planned

Bionomics is completing its dose selection for two planned Phase Ib studies of its anxiety compound BNC210, which are due to begin shortly and report results in Q1 next year. The studies will be conducted in healthy volunteers, but will provide efficacy data through use of an induced-anxiety model and measurement of cortisol. Meanwhile, Phase II studies of the VDA BNC105 in renal carcinoma and mesothelioma are both recruiting well and should provide some interim data in late 2010 and early 2011 respectively. The company's R&D pipeline is summarised in Exhibit 1.

Exhibit 1: Bionomics R&D summary

Programme	Indication	Notes
BNC105	metastatic renal cell carcinoma/ mesothelioma/ (Phase II)	152-pt Phase II study of BNC105 + everolimus in second line mRCC and BNC105 alone in patients progressing on everolimus. ¹ Patients will be randomized 1:1 to the two arms of the study. The study has a Phase I portion designed to determine the MTD of BNC105 in combination with everolimus (10mg/kg qd) up to 12.6mg/m ² , with BNC105 administered on days one and eight of a 21 day cycle. Primary endpoint: six month PFS; secondary endpoints are response rate on BNC105+ everolimus vs everolimus alone; PFS with BNC105 alone; adverse events of everolimus and BNC105 in combination or sequential regimen, overall survival and correlation of PFS with biomarkers. Interim results expected end 2010, with final trial data out in 2012. 60-pt Phase II study in mesothelioma unresponsive to pemetrexed + cisplatin. BNC105 will be administered at 16mg/m ² on days one and eight of a 21-day cycle. Primary endpoint is response rate (modified RECIST) and secondary endpoints are: PFS; six-month PFS; time to treatment failure; overall survival; symptom control – quality of life and lung function. An interim analysis based on the first 24 patients enrolled (results due H111). Strong interim data may allow resizing study to provide pivotal data. Final results expected in 2012.
BNC210	Anxiety (depression). Phase Ib	Two Phase Ib studies are planned: one in an induced anxiety model the other will evaluate EEG measurements after drug exposure. PK/food effects study shows higher drug exposure when taken with food, allowing dose selection for further studies. Results are expected in Q1 2011. A Phase I single ascending dose study showed BNC105 to be safe and well tolerated and able to achieve plasma levels equivalent to those required for anxiolytic activity in rodents.
Kv1.3 inhibitors	Multiple sclerosis/other autoimmune conditions/ preclinical	Partnership with Merck Serono (Merck KGaA) . Upfront payment of US\$2m received with up to US\$47m per compound based on successful development and commercialisation plus undisclosed royalties. Collaboration renewed in May 2010. R&D funding. Merck Serono will be able to select compounds for development and will fund all development activities, including clinical development. Efficacy has been shown in animal models of inflammatory disorders such as Delayed Type Hypersensitivity (DTH) and Experimental Autoimmune Encephalomyelitis (EAE), a model of multiple sclerosis.
BN 069	Angiogenesis/ preclinical	Programme to develop small molecule inhibitors for novel target (p73 RhoGAP) for inhibiting angiogenic processes. BNO69 is over-expressed in endothelial cells. Xenograft models treated with BNO69 gene-silencing molecules showed a >75% reduction in size vs untreated tumours in experiments conducted over 31 days.
GABA _A agonists	Epilepsy/discovery	This discovery programme utilises Bionomics's ionX platform incorporating gene mutations observed in patients with epilepsy.

Source: Edison Investment Research

Bionomics recently presented updated trial data on BNC105 at ASCO²; describing the outcome of a Phase I/II study in 21 patients (13m/8f; median age 60yrs), who were enrolled on six dose levels (2.1, 4.2, 8.4, 12.6, 16, 18.9mg/m²). The study achieved four SDs (stable disease) in mesothelioma (SD up to week 22, on 8.4mg/m²), renal (12.6mg/m²), adrenocortical (16mg/m²) and leiomyosarcoma (16mg/m²). In recent months, Bionomics has presented data at AACR³, including from preclinical studies demonstrating its activity in renal cell carcinoma.⁴

¹ <http://clinicaltrials.gov/ct2/show/NCT01034631>.

² http://www.asco.org/ASCOv2/Meetings/Abstracts?&vmview=abst_detail_view&confID=74&abstractID=42278
<http://www.bionomics.com.au/siteFiles/files/ASCO%20BNC105%20P1%202010%20-%2025%20May%20Final.pdf>

³ <http://www.bionomics.com.au/siteFiles/files/AACR%202010%20BNC105%20Preclinical%20Poster.pdf>

⁴ See Edison note; <http://www.edisoninvestmentresearch.co.uk/research/company/bionomics>.

Exhibit 2: Metastatic renal cell carcinoma (mRCC) profile

Description	Metastasised form of kidney cancer arising in the lining of the proximal convoluted tubules. Patients are usually diagnosed with non-metastatic RCC and undergo nephrectomy before disease usually becomes metastatic after a period of time (several years). Incidence is 210,000 cases/year worldwide (55,000 cases/year in the US and 63,000 in the EU). RCC accounts for c 90% of all kidney cancers. Five year survival rate in metastatic disease <2%.
Current treatments	Standard treatment for mRCC is immunotherapy (IL-2 or IFN-alpha) in combination with a TKI. Two TKIs: Sutent (sunitinib, Pfizer) and Nexavar (sorafenib, Bayer) and two mTOR inhibitors: Afinitor (everolimus, Novartis) and Torisel (temsirolimus, Pfizer) are currently approved. Afinitor is the only drug indicated for second line use. Avastin (bevacizumab, Roche) is approved in combination with IFN-alpha.
Competition	
Axitinib/ Pfizer	650-pt Phase III for second line therapy (results: July 2010). 447-pt Phase III vs sorafenib (results: April 2011).
Tarceva (erlotinib) Roche/Astellas	650-pt Phase III in combination with bevacizumab (results Oct 2009). NCI-sponsored Phase II study in combination with sunitinib.
Tivozanib (AV-951)/ AVEO/Kirin	500-pt Phase III study (TIVO-1) vs sorafenib (results: Dec 2011). 272-pt Phase II study completed (results due).
Anyara (nap-tumomab)/ Active Bio	524-pt Phase II/III (results: Sept 2010). Interim data show median survival of 26.2 months (c 2x expected)
Aflibercept/ Sanofi-Aventis	ECOG-sponsored 120-pt Phase II (results: April 2016).
GSK1363089 (XL880) GSK/Exelixis	71-pt Phase II (results: June 2010).
AMG 102/ Amgen	61-pt Phase II underway.
TKI258/ Novartis	81-pt Phase I/II (results: June 2010).
AGS-003/ Argos	50-pt Phase I/II in combination with sunitinib (results: Feb 2011).
IMA90/ Immatics	68-pt Phase II completed (no results published).
Regorafenib/ Bayer	41-pt Phase II (results due).
Ramucirumab/ Lilly	39-pt Phase II (results: December 2010).
AMG386/ Amgen	80-pt Phase II after cytokine failure in combination with sunitinib (results: May 2015).
Revimid (lenalidomide)/ Celgene	68-pt Phase I/II (results: October 2012).

Source: Edison Investment Research

Exhibit 3: Mesothelioma profile

Description	Cancer of the mesothelium (the membrane that forms the lining of several body cavities). Most commonly affects the pleura (the outer lining of the lungs and internal chest wall). Usually diagnosed at a late stage of the disease (life expectancy is only 6-12 months from diagnosis). Caused by prior occupational exposure to asbestos. Incidence is 2,200 new cases/year in the US and c5,000 cases/year in Europe.
Current treatments	Surgery and radiotherapy are used but are usually as a palliative treatment. Alimta (pemetrexed, Lilly) is approved in combination with cisplatin, based on a single study in 456 pts which showed median survival of 12.8m vs 9m for cisplatin alone. No other drugs are indicated for first or second line use.
Competition	
Zolinza (vorinostat)/ Merck & Co	600-pt Phase III placebo-controlled study in second line setting (results: Sept 2011). Filing due in 2012.
Milataxel/ Taxolog	90-pt Phase II underway.
Recentin(cedirinib)/ AstraZeneca	NCI-sponsored 116-pt Phase I/II of pemetrexed/cisplatin ± cediranib (results: March 2011); 50-pt academic sponsored study.
CBP501/ CanBas	72-pt Phase I/II of CBP501 + pemetrexed + cisplatin (results: December 2010).
NGR-hTNF/ MolMed	400-pt Phase III trial (NGR015) of NGRhTNF plus best investigator's choice (BIC) versus placebo plus BIC (BIC includes supportive care alone or combined with one chemotherapeutic agent [either doxorubicin, gemcitabine, or vinorelbine]).57-pt Phase II study showed an overall disease control rate of 46% with a median duration of 4.7 months. Weekly schedule selected for Phase III trial, based on advantage in terms of progression-free time vs tri-weekly schedule (9.1 vs 4.4 months).
Onconase (ranpirnase)/ Alfacell	300-pt Phase III showed a significant improvement in survival in pts who failed one prior chemotherapy regimen, a pre-defined sub-group, but not in all patients. FDA confirms additional study requirement.
MORAb-009/ Eisai	IgG1 antibody against glycoprotein-9. Phase II final data (results: H1 12).
belinostat/ TopoTarget/Spectrum	37-pt Phase II completed (completed, no results published).
Afinitor (everolimus)/ Novartis	39-pt Phase II in pts with Merlin/NF2 loss as biomarker of sensitivity (results: December 2011).
Trovax/ Oxford BioMedica	Investigator-sponsored open-label Phase I/II study of TroVax (MVA gene therapy for 5T4 tumour antigen) in combination with first-line chemotherapy (pemetrexed/cisplatin).
AMG102/ Amgen	55-pt Phase II in combination pemetrexed/cisplatin (results: October 2012).
Various	Investigator-sponsored studies with single agent and combinations of bortezomib, oxaliplatin, bevacizumab, imatinib and gemcitabine.

Source: Edison Investment Research

Phase II studies of BNC105 are underway in mRCC and mesothelioma (profiled opposite). The mRCC study evaluates BNC105 in combination with, or following, Afinitor (everolimus, Novartis) following treatment with tyrosine kinase inhibitors. The mRCC study evaluates BNC105 as a single agent for second-line treatment of mesothelioma, after failure of Alimta (pemetrexed, Lilly)/cisplatin.

Preclinical studies with BNC105 have shown effectiveness in models of head and neck, brain, prostate, breast, colon and lung cancers. These studies have shown inhibition of tumour growth for BNC105 as a single agent, suggesting it may have a direct cytotoxic effect (which has not been seen with other VDAs). This dual mechanism could also mean that BNC105 is able to potentiate the effectiveness of existing anticancer therapy (radiation treatment, cytotoxic chemotherapy and biological agents).

The failure of Novartis/Antisoma's ASA404 in a Phase III study for first-line non-small cell lung cancer has, in our view, strengthened BNC105's competitive position in the VDA class. This probably will open up the four main solid tumours (lung, breast, colon and prostate) as possible future avenues for development of BNC105 and thereby boost the product's attractiveness to potential partners. The competitive landscape for VDAs is shown in Exhibit 4.

Exhibit 4: Competitive landscape in tumour-vascular disrupting agents

Product	Company	Development stage/notes
ASA404/ AS1404 (DMXAA/ vadimezan)	Novartis/ Antisoma	ATTRACT-2 Phase III study underway in second-line non-small cell lung cancer in combination with docetaxel (interim analysis is due in H210, results due: H111). ATTRACT-1 Phase III study in first-line NSCLC failed at an interim analysis. Novartis holds worldwide rights under a development and commercialisation deal valued at US\$890m, which comprised US\$75m upfront with US\$355m in milestones in development/approval milestones and US\$325m in sales milestones.
AVE8062	Sanofi- Aventis	300-pt Phase II/III in advanced-stage soft tissue sarcoma after failure of anthracycline and ifosfamide (results: Mar 2012). 85-pt Phase I in combination with platinum-taxane doublet in advanced solid tumours (results due: Apr 2011).
Zybrestat (fosbretabulin/ combretastatin/ CA4P)	OXiGENE	Phase II/III (FACT) study with carboplatin/paclitaxel in anaplastic thyroid cancer closed to further recruitment (results: survival analysis expected in early 2011). 40-pt Phase II (FAVOR) study against vasculopathy of the retina (results: interim analysis H110). Preliminary results from 46 evaluable pts in Phase II (FALCON) study (carboplatin/paclitaxel/bevacizumab ± CA4) in chemotherapy-naïve NSCLC show median PFS of 5.7 months vs 5.1 months. PRs seen in 48% of pts (vs. 46%) (ASCO June 2010). Positive interim results seen in investigator-sponsored open-label Phase II study in platinum-resistant ovarian cancer, in combination with carboplatin and paclitaxel.
Plinabulin/ NPI-2358	Nereus Pharma	180-pt Phase I/II (ADVANCE) in combination with docetaxel in advanced NSCLC (results: November 2010).
Azixa (MPC- 6827)	Myriad Pharma	68-pt Phase I/II in recurrent glioblastoma multiforme (results: Jan 2011). 30-pt Phase I/II in combination with carboplatin in recurrent/relapsed GBM (results: Aug 2010). 22-pt Phase I/II study with temozolomide in metastatic melanoma shows 10 SDs and 2 PRs. Median PFS of 2.8 months is favourable when compared with historic data for TMZ. Licensed from EpiCept.
CYT997	YM Biosciences	35-pt Phase II study in combination with carboplatin and etoposide in relapsed GBM (Phase I results: mid 2010/Phase II 2011).
crinobulin	EpiCept	33-pt Phase I in advanced cancer completed. Phase Ib with other chemotherapy planned.

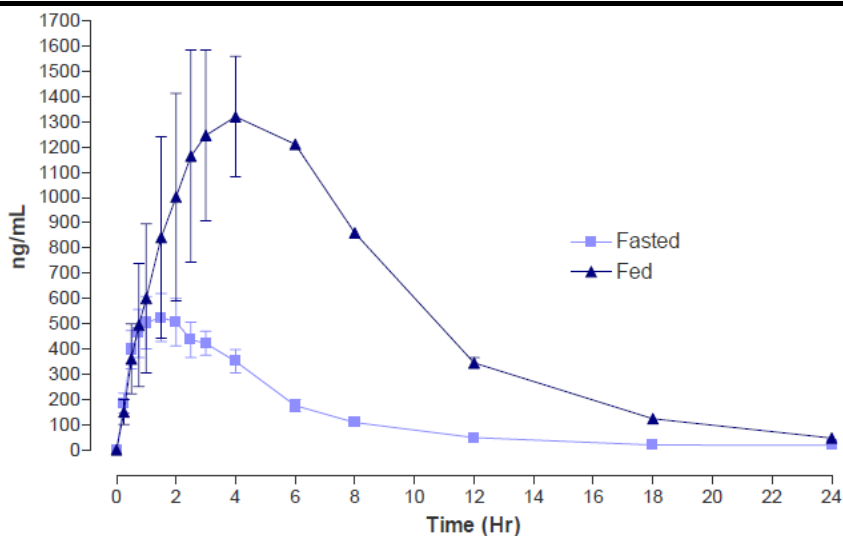
Source: Edison Investment Research

BNC210 – anxiety

Bionomics is selecting the dose for two Phase Ib trials of BNC210, which it expects to start in Q3 and render results around the year end. The first will evaluate BNC210 when anxiety is induced in healthy subjects and the second will evaluate effects on the brain using EEG measurements. Both studies will measure cortisol and other biomarkers of anxiety. The company has just completed a small food effects study, which showed that drug exposure was four times higher when given with fed versus fasted subjects. Results for one of the doses in this study are shown in Exhibit 5.

Exhibit 5: Exposure of single 300mg dose of BNC210 in fed vs fasted subjects.

Note: Data is from a double-blind, placebo-controlled five-way crossover study of ascending single doses in four healthy volunteers (three randomised to receive drug and one to receive placebo). The same subjects attended for up to five visits in fasted and fed conditions.



Source: Bionomics

The study suggests that a lower dose of BNC210 could be given if the drug is given with food. Earlier PK studies suggested that a dose of 300-600mg would in fasted subjects provide the same exposure as the effective dose in rat model (5mg/kg) and these data suggests it could be lowered, perhaps to 75-150mg, if the drug is taken with food. The Phase Ia study of single doses showed no clinically significant adverse events at doses up to and including 1,200mg.

BNC210 has shown effectiveness in animal models of stress-induced anxiety, reducing anxiety levels to pre-stress or baseline levels. Studies have not shown any evidence of dependence following cessation of treatment. BNC210 has shown activity in a rat model of depression following both acute treatment and daily dosing for 14 days. Withdrawal of BNC210 treatment following 14-day repeat dosing does not result in adverse physical events usually seen following withdrawal of opioids, benzodiazepines or SSRIs.

Bionomics believes this profile could offer competitive advantages over existing anxiety and depression treatments, including speed of onset (of action), lack of sedation, memory and motor impairment and risk of habituation. The anxiety market is, in our view, mature and, with many of the leading products off patent, has seen relatively little development activity in recent years. As a consequence there are fewer competing development agents.

Competing programmes in later stage development for anxiety are shown in Exhibit 6.

Exhibit 6: Competing developments in anxiety (Phase II or later)

Class	Company	Mechanism	Notes
Lu AA21004	Lundbeck/ Takeda	5-HT ₃ antagonist, 5-HT _{1a} agonist and 5-HT enhancer	457-pt Phase III and 300-pt Phase II in relapse prevention (completed, no results yet published). Three Phase III studies completed for depression; two did not reach significance, a third trial showed mixed results.
AZD2327	AstraZeneca	Selective, high affinity enkephalinergic agonist	96-pt Phase II study for anxious major depression (results: August 2011). 80-pt Phase II in anxious major depressive disorder (results due: Feb 2010).
GSK561679	GSK	CRFR1 antagonist	150-pt Phase II in women with post-traumatic stress disorder (results: Dec 2012).
ABIO 08/01	Abiogen	N/A	Phase II (no details disclosed).
ADX71149	Addex/J&J	mGluR2 positive allosteric modulation	Planned Phase II in H2 2010.

Source: Edison Investment Research

Kv1.3 inhibitors

In May, Merck Serono extended its collaboration to develop orally-available inhibitors of the Kv1.3 potassium ion channel as potential anti-inflammatory agents. Merck Serono is funding all development activities and Bionomics is eligible to receive up to US\$47m in milestones per compound based on successful development and commercialisation plus undisclosed royalties.

Bionomics has identified compounds with high potency (as low 5nM), high specificity (c 25-fold or greater selectivity for related ion channels such as Kv1.1 or Kv1.5 and at least 100-fold selectivity over the hERG channel, indicating that the risk of cardiovascular toxicities is low). Efficacy has been shown in animal models of inflammatory disorders such as Delayed Type Hypersensitivity (DTH) and Experimental Autoimmune Encephalomyelitis (EAE), a model of multiple sclerosis.

Valuation

We maintain our A\$175m valuation of Bionomics based on a risk-adjusted net present value of the two key programmes. This is derived from our assessment of the probabilities of success and potential economic reward and timelines associated with the successful development of BNC105 and BNC210. The inputs used in the valuation model are shown in Exhibit 7.

Exhibit 7: Edison valuation model inputs

Note: Valuation uses net cash as of 30 December, not balance sheet cash.

Product	Indication	Status	Probability of success	Est launch	Est peak market	Potential market value	Est maximum royalty	Est peak sales
BNC105	mesothelioma	Phase II	30%	2013	25%	\$750m	18%	\$278m
BNC105	mRCC	Phase II	30%	2013	10%	\$1,500m	18%	\$281m
BNC105	other solid tumours	Phase I	15%	2014	5%	\$5,000m	18%	\$468m
BNC210	anxiety	Phase I	15%	2014	5%	\$5,000m	12%	\$487m
Kv-1.3	MS/other autoimmune	Preclinical	5%	2015	5%	\$10,000m	12%	\$900m
Total rNPV			A\$165m					
Current net cash			A\$10m					
Total valuation			A\$175m					

Source: Edison Investment Research

Sensitivities

Bionomics's business is subject to the risks associated with biotech companies, including the possibility of unfavourable outcomes in clinical trials, success of competitors and commercial decisions by partners and potential partners. The ability to partner BNC105 and/or BNC210 is crucial to the investment case and is therefore a key sensitivity.

Financials

Results for the financial year to 30 June should be reported in September. We expect year-end cash to be around A\$13m (net cash A\$10m). Bionomics generates revenue from licence fees and payments from Merck Serono as well contract research services from Neurofit. Projected R&D expenditures suggest that cash at 30 June 2011 would be c A\$6.7m (more if, as expected, a milestone is received in this period). This suggests Bionomics is funded at least for the next two years and therefore has a reasonable window in which to establish a partnership for BNC105 and/or BNC210. Our financial model is shown in Exhibit 8.

Exhibit 8: Financial results and forecasts

Note: Under Australian accounting standards, interest income is treated as a revenue item. For greater comparability, we have adjusted our forecasts of revenue to exclude this, while including grant income. Interest income is shown as a separate line item on the income P&L account, while reported pre-tax profit is equivalent to that shown by the company. Reported revenue is adjusted to exclude interest income, in line with IFRS, which is shown separately in income statement. No assumption of potential licensing deals is anticipated in the model.

Year end 30 June	A\$'000s	2007 IFRS	2008 IFRS	2009 IFRS	2010e IFRS	2011e IFRS	2012e IFRS
PROFIT & LOSS							
Revenue		3,089	6,513	2,926	3,540	3,540	3,543
Cost of sales		(145)	(213)	(338)	0	0	0
Gross profit		2,944	6,300	2,588	3,540	3,540	3,543
EBITDA		(6,672)	(4,058)	(7,023)	(6,396)	(6,488)	(6,583)
Operating profit (before GW and except.)		(7,198)	(4,661)	(7,555)	(6,926)	(7,018)	(7,112)
Intangible amortisation		(446)	(479)	(502)	(500)	(500)	(499)
Exceptionals		0	0	0	0	0	0
Share-based payments		(286)	(258)	(242)	(242)	(242)	(241)
Operating profit		(7,930)	(5,398)	(8,298)	(7,668)	(7,760)	(7,852)
Net interest		(305)	(313)	(283)	250	150	(100)
Profit before tax (norm)		(7,503)	(4,975)	(7,838)	(6,676)	(6,868)	(7,212)
Profit before tax (FRS 3)		(8,235)	(5,712)	(8,581)	(7,418)	(7,610)	(7,952)
Tax		2,449	359	37	0	0	0
Profit after tax (norm)		(5,054)	(4,616)	(7,801)	(6,676)	(6,868)	(7,212)
Profit after tax (FRS 3)		(5,786)	(5,353)	(8,545)	(7,418)	(7,610)	(7,952)
Average number of shares outstanding (m)		180.4	225.3	243.0	286.0	318.1	318.1
EPS - normalised (c)		(2.8)	(2.0)	(3.2)	(2.3)	(2.2)	(2.3)
EPS - FRS 3 (c)		(3.2)	(2.4)	(3.5)	(2.6)	(2.4)	(2.5)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0	0.0
Gross margin (%)		95.3	96.7	88.5	100.0	100.0	100.0
EBITDA margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
Operating margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET							
Fixed assets		16,866	19,457	18,837	17,914	16,991	15,963
Intangible assets		8,238	10,839	10,458	9,958	9,458	8,959
Tangible assets		8,628	8,618	8,379	7,956	7,533	7,004
Investments		0	0	0	0	0	0
Current assets		13,954	8,856	5,888	14,794	8,049	1,368
Stocks		99	79	122	148	148	148
Debtors		339	2,315	775	938	938	939
Cash		12,820	6,280	4,757	13,475	6,731	49
Other		696	182	232	232	232	232
Current liabilities		(3,613)	(3,051)	(2,791)	(3,110)	(3,110)	(3,111)
Creditors		(2,597)	(2,109)	(1,626)	(1,945)	(1,945)	(1,947)
Other current liabilities		(110)	(241)	(109)	(109)	(109)	(109)
Short-term borrowings		(542)	(572)	(529)	(529)	(529)	(529)
Long-term liabilities		(4,860)	(3,955)	(3,850)	(3,489)	(3,189)	(3,189)
Long-term borrowings		(3,877)	(3,536)	(3,165)	(2,803)	(2,503)	(2,503)
Other long-term liabilities		0	(50)	(50)	(50)	(50)	(50)
Net assets		22,347	21,307	18,083	26,110	18,742	11,031
CASH FLOW							
Operating cash flow		(6,533)	(6,512)	(4,986)	(6,266)	(6,488)	(6,582)
Net interest		232	569	287	250	150	(100)
Tax		0	0	0	0	0	0
Capex		(135)	(386)	(107)	(107)	(107)	0
Payment of deferred consideration		0	0	0	0	0	0
Capitalisation of development costs		0	0	0	0	0	0
Expenditure on intangibles		0	0	(4)	0	0	0
Acquisitions/disposals		0	0	0	0	0	0
Financing		14,487	103	3,739	15,203	0	0
Dividends		0	0	0	0	0	0
Net cash flow		8,050	(6,226)	(1,070)	9,080	(6,445)	(6,682)
Opening net debt/(cash)		(356)	(8,401)	(2,173)	(1,063)	(10,143)	(3,699)
HP finance leases initiated		0	0	0	0	0	0
Other		(5)	(4)	(39)	0	0	0
Closing net debt/(cash)		(8,401)	(2,172)	(1,063)	(10,143)	(3,699)	2,983

Source: Edison Investment Research, Bionomics accounts

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