

BIONOMICS LIMITED

March 2005

(ASX Code BNO;BNOOA; US OTC:BMICY)

www.bionomics.com.au
Price 23.5¢. Spec. Buy

Bionomics Ltd is a growing Adelaide based biotechnology company which has the ingredients to become a significant player in the international arena, focusing on drug development in the neurological and cancer fields.

- Licensed a First-Of-Class childhood epilepsy diagnostic to Athena Inc and GTG Ltd. Initial revenue generated from the two agreements was AUD 707k. Royalty payments are included within the agreements, although undisclosed. Industry standard for a genetic test is about 5-10% the procedure price. The total global market size for this test is estimated at 500,000 per annum.
- Bionomics acquired NeuroFit (France), which provides the company with new drug development platforms and (more importantly) a portfolio of clients that include tier one and two pharmaceutical companies. This has the potential of opening additional research and commercialisation channels.
- CEO Deborah Rathjen stated that the NeuroFit acquisition is the first of a series of acquisitions. Bionomics plans to acquire a therapeutic in Phase I or II clinical trials in the future, as well as other early stage drug discovery related acquisitions within its core areas of expertise.
- Bionomics' board has proven experience in creating internationally recognised companies, using the strategies implemented by the company.
- The company has been preparing its research capabilities and access to unique technology via collaborations with numerous universities and commercial organisations. These include Southern Cross University, Perkin Elmer Inc, University of Wisconsin-Madison, Louisiana State University, the Emory University, the WEHI and the Howard Florey Institute.
- Bionomics is positioning itself to take advantage of one of the current major drivers in the genomics industry; being access to proprietary gene targets that would allow the development of proprietary First-Of-Class therapeutics.
- Dr Rathjen stated that the board has initiated an aggressive strategy to grow the market capitalisation to AUD 200m in three years.

Year end 30 June	2002A	2003A	2004A	2005E	2006E
Grants Received	1.6	1.0	1.4	1.7	1.4
Licensing Fees	0.0	0.1	0.1	0.9	1.1
Services and Other	0.1	0.2	0.1	1.4	1.9
Total Expenses	5.5	5.8	5.2	7.9	8.1
Depr'n & Amortn	0.4	0.7	0.5	0.6	0.8
R & D Expense	3.5	3.7	3.1	5.1	6.0
Net Profit/(Loss)	(3.5)	(4.5)	(3.6)	(3.9)	(3.7)
Trading EPS, ¢	(9.5)	(11.3)	(7.3)	(5.0)	(4.1)
Net Op. Cash Flow	(2.9)	(3.7)	(3.0)		
Cash Resources	8.6	6.1	8.7	Indicative	
NetTangibleAssets	9.9	6.7	8.9	Estimates Only	
Share Issues net	3.2	1.2	5.7		

Shares on Issue	64.0million
Market Capitalisation	\$15 million
12 Month Price Range	\$0.35 - \$0.19
Monthly Share Turnover	1.5m shares
Options – Unlisted: 7.6m, various dates & prices	
-listed BNOOA: 9.8m exercise by 31.7.07 @ 50¢	
Cash resources as at 31.12.04	\$7.4m
NTA per share, approx 31.12.04	11.1¢
Cash per share, approx 31.12.04	11.6¢

DIRECTORS

Dr Peter Jonson BComm, MA, PhD - Chairman
 Dr Deborah Rathjen BSc, PhD - CEO & MD
 Dr Christopher Henney PhD, DSc - Non Executive
 Peter Maddern MM, LLB, BEc - Non Executive
 Dr George Morstyn MB BS, PhD - Non Executive

SHAREHOLDERS

Duncan Mount, Boom Aust 8.15%; Link Traders (Aust) 7.03%;
 Queensland Investment Corp 6.10%; WAM Capital 2.84%; WAM
 Equity 1.70%; Mirrabooka Investments 1.72%; Directors 2.99%.
 The top twenty shareholders hold 47.2% approx.



Recent Development Highlights

- In December 2004, Bionomics announced the acquisition of the contract research organisation, NeuroFit (France). NeuroFit generates about EUR 1m per annum and is profitable. Thus, Bionomics does not anticipate the need to inject capital into the business in the short term. The acquisition of Neurofit will proceed with EUR 1m cash and EUR 250k in Bionomics' shares (subject to escrow).

Strong synergies between the two companies exist. NeuroFit has a suite of neurological, cellular and ophthalmological assays that would be highly beneficial in assisting Bionomics to characterise new and proprietary disease associated genes. In particular, Bionomics cites that NeuroFit's Parkinson's Disease Model has importance.

NeuroFit has partnerships with prestigious research institutions such as the Université Louis Pasteur, University of San Diego, Inserm and Centre National De La Recherche Scientifique. More importantly, clients include Biogen Guilford Pharmaceuticals, Serono, Boehringer-Ingelheim, Novartis, and Sanofi-Synthelabo. These clients have validated the usefulness of NeuroFit's assays in neurology drug development.

- In September 2004, Athena Diagnostics Inc (USA) was licensed the North American and Japanese rights to Bionomics' proprietary Severe Myoclonic Epilepsy of Infancy (SMEI or Dravet Syndrome) diagnostic kit. Athena was an excellent choice of partner given that the company operates 80 genetic tests focusing upon neurological disorders servicing North America's 9,000 neurologists. Athena's competitive advantage is that, unlike Extract Sciences Inc, Liposcience Inc, Myriad Genetics Inc or Prometheus Laboratories Inc, Athena has first mover advantage for high-end priced genetic testing in the neurological sector. Athena generates an estimated \$35+ million in annual revenues and employs more than 50 sales representatives.
- Two months after the Athena agreement, Genetic Technologies Limited (ASX: GTG) was licensed the worldwide testing and marketing rights for the SMEI test, with exclusivity in Australia and New Zealand. The test would be performed by GTG and channelled through the GENDIA network of international genetic testing laboratories.
- The collaboration between the Emory University (USA) and Bionomics was established to identify additional mutant genes that are associated with SMEI. Researchers at the Emory University identified several mutations in the sodium channel gene, SCN1A, which is responsible for two forms of epilepsy: Generalized Epilepsy with Febrile Seizures (GEFSP2) and SMEI. This agreement will increase Bionomics' hold on the SMEI diagnostic market.
- In September 2004, Bionomics established a USA subsidiary and appointed an American Business Development Officer. The purpose is to hold its

growing intellectual property estate, enhance access to USA government grant funding and provide a vehicle for further business activities. A NASDAQ listing or a European listing is very strongly on the cards for Bionomics over the coming three years. An ADR programme is currently present, but turnover is low.

- In December 2004, Bionomics announced that it received an additional AUD 540k in Government funding to further characterise the BNO69 gene and develop monoclonal antibodies therapeutics. Historically, antibodies demonstrate better properties than antisense technologies as commercially viable therapeutics (outside of ophthalmological therapeutics).

Management

Bionomics has a very strong board:

Dr Peter Jonson; Chairman; Former chief economist with the Reserve Bank of Australia, CEO of Norwich Union's Australian business, MD and then Chairman of ANZ Funds Management, chairman of the Federal Government's Biotechnology Centre of Excellence Expert Panel. Current director of Village Roadshow, Pro Medicus and Sequoia Capital Management; as well as Chairman of the Australian Institute for Commercialisation and the CRC for Microtechnology.

Dr D Rathjen; CEO and MD; Joined Bionomics in 2000 after employment as the Business Development Manager of Peptech.

Dr C Henney; Non-Exec Director; Co-founder of Structural GenomiX Inc, ICOS Corp, Dendrion and Immunex.

Mr P Maddern; Non-Exec Director; MD of Palmerston Projects Pty Ltd, specialising in commercialisation of intellectual property.

Dr G Morstyn; Non-Exec Director: Former Senior Vice President of Development and Chief Medical Officer of Amgen Inc. Current activities include membership within the Commercialisation Committee of the WEHI, and the Board of the Royal Women's Hospital

The Board's proven capabilities

Structural Genomics Inc (SGX) is a private Californian company that initially focused on in-house drug discovery, using a unique technology to validate disease associated genes. This platform allowed the company to develop a number of collaborations with pharmaceutical companies such as Roche, Lilly, Boehringer Ingelheim and others. These potential therapeutics are in the discovery stage of development. In July 2004, SGX announced the acquisition of worldwide rights from Shire to Troxatyl®, an anti-cancer agent currently in Phase I/II clinical trials for the treatment of acute myelogenous leukemia (AML) for undisclosed upfront, milestone and royalty payments. Dr Tim Harris is on Bionomics' Scientific Advisory Board and stepped down as Structural Genomics Inc CEO in December 2004 after founding the company with Dr Henney.

Immunex Corporation (NASDAQ: IMNX) was acquired by Amgen Inc (NASDAQ: AMGN) in 2002 for USD 16bn. At the time Immunex had progressed Embrel into the later

stages of phase III clinical trials. Dr Henney co-founded Immunex where from 1981 to 1989 he held various positions, including director, vice chairman and scientific director.

Dendreon Inc (NASDAQ: NM:DNDN) grew organically and via acquisition to have a strong pipeline of anti-cancer therapeutics. Immunotherapies for prostate cancer are in phase III clinical trials and there are various other therapies in discovery to Phase II assessment. Dendreon was capitalised at USD 490m in February 2005. Dr Henny was on the board of Dendreon for nine years and retired in July 2004.

ICOS Corp (NASDAQ NM:ICOS) was capitalised at USD 1.5bn in February 2005. The company has a strong manufacturing division, various anti-cancer and immunology products in pre-clinical to phase II clinical trials and sales of Cialis™ at USD 552.3m. Cialis is a treatment of erectile dysfunction developed through a joint venture with Eli Lilly. Dr Henney co-founded ICOS Corp where from 1989 to 1995 he served as executive vice president, scientific director and director.

Bionomics' Technologies

BNO69

BNO69 (p73RhoGAP or p73) is a novel target identified by Bionomics. BNO69 is a RhoGAP protein involved in regulation angiogenesis. These proteins modulate the GTPase protein and can be 'switched off' by shRNA. In other words, this protein can be controlled *in vitro* to prevent angiogenesis associated with tumour growth.

The company has demonstrated that an antisense technology prevented the growth of blood vessels in *in vitro* and *in vivo* models¹. Bionomics is also undertaking development of antibodies against angiogenesis. The antibody therapeutic strategy is more likely to yield a commercial outcome. The antibody strategy was used to develop the first FDA approved anti-angiogenesis therapeutic, Avastin™ (Bevacizumab).

BNO97

BNO97 (a Type I Transmembrane Glycoprotein) is another protein Bionomics demonstrated is associated with angiogenesis. Early data suggests that silencing this gene *in vitro* prevents the angiogenesis.

BNO69 and BNO97 are Bionomics' two most advanced drug targets. Drugs developed against these targets are in the early discovery stage.

The first drugs targeting anti-angiogenesis would be expected to enter Phase I Clinical Trials around 2007-8. These will be antisense technologies to treat wet age-related macular degeneration (ARMD) and diabetic retinopathy. The company plans to license these technologies to a third party for further development after additional validation and development by Bionomics. Other in-house developed anti-angiogenesis drugs would expect to enter clinical trials after 2010.

Nevertheless, products at this stage of clinical development have a 5-7% chance of entering the clinic and a 60% chance that sales of the product would cover the cost of development.

IonX®

IonX® is a unique CNS drug discovery and development platform. Using this technology, the company has identified 200 variants (mutants) of 28 genes, in four broad classes², implemented in various types of epilepsy.

The IonX® platform has also allowed Bionomics to undertake a drug discovery programme into novel GABA_A modulating drugs for epilepsy, anxiety and cognitive memory. The platform also provides a small fee-for-service income from third parties.

Epilepsy Mouse Models (GABA_A Knock-In Mouse Models for Human Inherited Epilepsy)

Once a gene is identified, various assays are conducted including a Transgenic Knock-In Mouse model. This model allows researches to determine the impact of the mutant gene and is a very powerful tool to assess a gene's causation of a disease.

An important mouse model developed by Bionomics is the GABA_A mouse model for inherited epilepsy. This model validated that a mutant GABA_A Receptor³, identified and patented by the company, is responsible for a common form of epilepsy. This is an important piece of understanding as it allowed Bionomics' researchers to develop drugs targeting this variant, which will not affect normal GABA_A.

Target Validation

In addition to the mouse models, the company has developed a xenopus oocyte⁴ gene validation technique that allows researchers to determine the impact of mutant genes at the cellular level. Bionomics made an exciting find. A specific GABA_A mutant (GABRG2⁵) was not susceptible to benzodiazepines. This is important, given that the current epilepsy therapeutics are not (or partially) effective in 30% -40% of patients.

GABA Drug Discovery

Bionomics has identified 86 variants in the GABA_A Receptor. This is an important discovery given that mutations within this gene are recognised as being strongly linked with the onset of epilepsy. The company's drug discovery programme is in the discovery stage.

Various potential drugs have been synthesised at the WEHI and two are awaiting to enter clinical trials using Bionomics' and NeuroFit's technologies.

¹ Su et al; Proc Natl Acad Sci U S A. 2004 August 17; 101(33): 12212-12217

² The GABA_A Receptor, the nicotinic acetylcholine receptor, and various sodium and potassium ion channels

³ The $\gamma 2$ sub-unit of the GABA_A Receptor

⁴ The egg cell of the African Clawed Frog

⁵ A part of the GABA_A protein

Angene™ Angiogenesis⁶ Drug Discovery Platform

Angene™ is a novel angiogenesis drug discovery platform held by the company. The platform is a suite of technologies that allow target identification and validation. These technologies include micro-array, *in vitro* models and bioinformatics. Using these technologies, the company has identified approximately 480 genes associated with angiogenesis. The company used an *in vitro* proliferation and migration assay to narrow the field to clinically viable drug targets. The principle system owned by the company is the NeoVascMouse® assay, which allows for the identification of potential drugs targeting angiogenesis associated proteins.

Parkinson's Disease Drug Discovery Platform

Acquired via the NeuroFit acquisition, the Parkinson's Disease Drug Discovery Platform allows Bionomics to identify (*in vitro*) and evaluate (*in vivo*) potential therapeutics that have anti-Parkinson's Disease properties.

Corporate Advancements

Four pillar strategy to grow the business to an AUD 200m market capitalisation in three years.

Dr Rathjen announced that the board will undertake an aggressive strategy to grow the market capitalisation to AUD 200m within three years.

Dr Rathjen said the company will try to accelerate growth via four methods. Firstly, Bionomics will in-license therapeutics undergoing Phase I/II clinical trials. Secondly, the NeuroFit acquisition will allow Bionomics to undertake internal preclinical studies quicker, cheaper and with greater expertise than was available in Australia. Thirdly, it will continue to partner with appropriate companies to take in-house developed diagnostics and therapeutics to market. Finally, acquisitions that provide a strategic fit for Bionomics are in consideration and will be further sought.

The acquisition of NeuroFit (France) will provide developmental and potential marketing synergies.

As mentioned earlier, the NeuroFit acquisition provides a strong operational fit with Bionomics. The neurological drug discovery platforms between the two companies will allow Bionomics to more rapidly identify disease associated genes and therapeutics. However this is only part of the story relating to the advantages of the acquisition.

The acquisition also buys Bionomics professional relationships with Biogen Guilford Pharmaceuticals, Serono, Boehringer-Ingelheim, Novartis, and Sanofi-Synthelabo; as well as other companies not able to be named because of confidentiality constraints. Also, 50% of NeuroFit's revenues is repeat business. Companies that have used NeuroFit's technology are also the companies which would have synergies with Bionomics' technologies. Hence, this channel potentially provides an exit strategy for Bionomics' in-house developed R&D, collaborations,

partnering opportunities and other commercial developments within the neurological therapy sector.

Licensing the SMEI test to Athena and GTG

The expected revenues from the SMEI test are difficult to assess because it is a new type of test on the market and details of the deal were not disclosed by the company.

Athena's genetic testing ranges between USD 750 to USD 1000 per assay. It is assumed that Bionomics' assay would be within a similar range. The industry average royalty rate for genetic test is about 10% net sales. The average adoption rate is problematic to assess because information of precedent technologies is not-publicly available. Therefore, it would be assumed that the adoption rate would only be a percentage of 24,000 per annum referred children.

Proposed Phase I or II Clinical Trial developed therapeutic acquisition.

The company has stated that it is seriously considering acquiring an experimental therapeutic undergoing a human clinical trial. The industry average valuation upon a technology at Phase I or early Phase II is around USD 7-10m. Bionomics believes that such an acquisition would be within this range.

To develop the acquired product, Bionomics expected expenses would be within the range of AUD 750k – 6m (depending upon the stage of development and R&D requirements) for pre-clinical studies, AUD 1-4m for a Phase I Trial and AUD 2-8m for the completion of a Phase IIa. A Phase IIb trial would be within the range of AUD 15-30m.

The Key Market Drivers

Bionomics is positioning itself to take advantage of the genomics industries key drivers.

The key drivers in the genomics industry are firstly, the outsourcing of drug development to smaller contract research organisations. This is primarily due to the reduced costs involved and the unique skill set that a focused team has over a generalist organisation.

The second is the formation of strategic agreements with firms that hold unique and validated technology. Pharmaceutical companies are seeking first mover advantage on almost all in-licensed drugs or technology. This provides the pharmaceutical company greater access to a class of drugs that address an unmet medical need. In most incidences greater market share is obtained with the launch of novel therapeutic as opposed to second or third generation drugs.

Bionomics has proprietary ownership of validated cancer associated genes.

The ownership of the therapeutic applications of a validated gene target is a valuable asset. The key driver to successful genomics and small drug development companies are therapeutics that target a unique and proprietary target. On this fact, Bionomics has significant potential value. Once a target is validated to cause disease, there are a number of different drug development partnerships and strategies that genomics companies can utilise simultaneously.

⁶ The formation of new blood vessels. Although angiogenesis is a normal process, the process can be initiated by cancer cells to feed the tumour's growth. Angiogenesis is also associated with various inflammatory and degenerative eye confections.

Highly profitable epilepsy drugs will become off-patent within 4 years and need to be replaced.

One of the key drivers in the pharmaceutical industry is the large loss of revenue expected from pharmaceutical companies selling the current branded epilepsy drugs. These companies have historically acquired or out-sourced third party technologies which would help fill the gap generated by the loss of a branded product to generic drug manufacturers. Bionomics is positioning itself to take advantage of the trend by pharmaceutical companies to preferentially acquire (or license) new drug discovery platforms, potential therapeutics in pre-clinical trials and experimental drugs in phase II/III clinical trials.

The Cancer –Associated Angiogenesis Market

It goes without saying that the angiogenesis market is potentially big, estimates range between USD 10-33bn. However in February 2004, the first anti-angiogenesis therapeutic approved by the FDA was Genentech and Roche's Avastan™, for the treatment of Colon Cancer. Nevertheless, by December 2004, Avastin™ generated Genentech USD 555m⁷.

There are about 50 anti-angiogenesis drugs going through various stages of clinical trials at the present. However, none target the genes or pathways targeted by Bionomics. Therefore, Bionomics technology has a unique position in the sector once a therapeutic has been developed to its proprietary targets.

The Ophthalmological-Disease Associated Angiogenesis Market.

Age Related Macular Degeneration (ARMD)

It is estimated that 1.3-1.5m Americas have evidence of Wet ARMD. As the population ages, it is expected that in 2020 the number would be about 1.7m⁸.

There are two main forms of ARMD, Wet and Dry. The age related prevalence of total ARMD incidence is near absence at age 50 to about 2% and 6% prevalence at age 70 and 80; respectively. Although total blindness is not common from ARMD, the conversion of Dry ARMD to Wet ARMD results in a worsening prognosis.

Treatment of ARMD has been disappointing to date. Currently, there is no treatment that can 'cure' the disease or reverse its course, only retard deterioration⁹.

Diabetic Retinopathy

The risk of developing diabetic retinopathy is directly proportionate to the duration of a person having diabetes mellitus. Both type I and type II diabetes can lead to retinal damage. Retinopathy usually does not appear for up to five years after a type I diagnosis but may be already present when type II diabetes is diagnosed. After about 15 years of diabetes 98-99% of those with type I diabetes and 78-80% with type II have some degree of retinal damage.

Among an estimated 10.2 million US adults 40 years and older known to have diabetes mellitus, the 1993-2001 crude prevalence rates for retinopathy and vision-

threatening retinopathy were 40.3% and 8.2%, respectively. In other words, the general US population prevalence rates are 3.4% (4.1 million persons) and 0.75% (899,000 persons); respectively¹⁰.

The condition is irreversible, but laser treatment can generally retard further degeneration; as too can better management of diabetes.

The SMEI and other Epilepsy Markets

The concept that epilepsy is a cause by one dysfunctional gene has long been dispelled. There are a number of different genes that have been associated with epilepsy¹¹.

The Epidemiology is 0.5% of the Population

Approximately 0.5% of the population has epilepsy. More common in males, the onset of the condition generally occurs before the age of 14, and is a serious medical condition and expense upon the healthcare system. It is estimated that 60-70% of the population responds well to current anti-epileptic drugs, but the number of people who do not respond represents about 400,000 in the US alone.

The mortality of SMEI is high with little treatment available.

It has been reported that 35% to 83% of SMEI patients encode mutants in the SCN1A gene¹².

The incidence of SMEI is 1:40,000¹³ and traditional drugs for tonic-clonic seizures are of little or no benefit in SMEI, but aggressive use of drugs for myoclonic seizures have reported to have a marginal positive clinical benefit¹⁴.

Given the severity of the disease, early intervention to manage the disease is highly desirable. The total US market of children that may warrant testing is around 240,000. However, the current number of children referred to neurologists because they display SMEI symptoms, is 24,000. As Bionomics' assay is a PCR test, the parents would also require testing for an accurate result.

Bionomics is the only licensor (or manufacturer) of a commercially available SMEI diagnostic.

All SMEI patients are cognitively impaired (50 % severely) but without deterioration after the age of 4 years¹⁵. The mortality rate is very high, from 15.9% to 18%¹⁶.

First Line Treatment uses Cheap Generic Drugs

There are now around 17 drugs available, many of which are off-patent. First-line therapies use carbamazepine (Novartis' Tegretol), sodium valproate (Abbott's Depakote/Valcote), phenytoin (Pfizer's Dilantin) or ethosuximide as monotherapy or in combination, and these treat approximately 80% of cases.

¹⁰ National Institute of Health – National Eye Institute

¹¹ Moulard & Bertrand: Expert Opinion on Therapeutic Patents: Jan 2002, 12:1:85-91(7)

¹² Nabbut et al; Neurology 2003;60:1961-1967, Ohmori et al; Biochem. Biophys. Res. Commun. 295: 17-23, 2002

¹³ Hurst; Epilepsia 31: 397-400, 1990

¹⁴ Hurst; Pediatr Neurol. 1987 Sep-Oct;3(5):269-72

¹⁵ Guerrini and Dravet; Epilepsy. A comprehensive textbook. Vol. 3, Philadelphia-New-York: Lippincott-Raven, 1998:2285-302

¹⁶ Dravet et al, Epileptic syndromes in infancy, childhood and adolescence. 3rd ed. London: John Libbey, 2002:81-103

⁷ Genetech Annual Report Year Ending December 2004

⁸ Hawkins et al; Mol Vis 1999 Nov 3; 5: 26

⁹ The American Academy of Ophthalmology

Around 60-70% of patients who respond to first or second line treatment are seizure free.

Newer second-line anticonvulsant therapy is employed, using drugs such as Pfizer's Neurontin (gabapentin), GlaxoSmithKline's Lamictal (lamotrigine), UCB's Keppra (levetiracetam), Johnson & Johnson's Topamax (topiramate), Novartis' Trileptal (oxcarbazepine) and Sanofi-Aventis' Sabril (vigabatrin). Other drugs occasionally used in treatment include benzodiazepines and barbiturates.

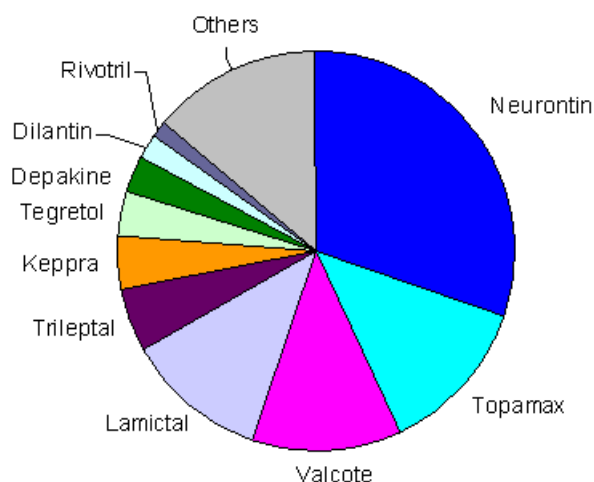
Treatment with either the first or second line treatments allows 60-70% of the sufferers to be seizure free.

Strong market growth, but generic products will capture 70% of the branded products produced by pharmaceutical companies.

In US dollar sales, the 2003 global epilepsy market had grown five times the 1994 level. The 1994-2003 CAGR was 21.4%. The combined sales in the nine major industrialised countries topped USD8bn in 2003¹⁷. This growth rate in sales terms will off in 2008 due to the potential dominance of generically labelled gabapentin, topiramate and lamotrigine. It is forecast that each generic would capture about 70% of US brand volume.

Leading 10 anti-epileptics worldwide

12 months to June 2004



Source IMS MIDAS

Financial Position

The Company's cash balance at 31 December 2004 was AUD 7.442m, down 14.5% over the 6 month period. Net cash flows from operating activities were a loss of AUD 1.106m, up 5.53%. Grants constituted AUD 858k with receipts from licensees representing the second largest cash inflow item at AUD 717k, mostly achieved in the 2nd quarter. The company's principal expense relates to R&D and was AUD 2.198m, representing 66% of Bionomics' total cash outflows for the 6 months to December 2004. For FY2004, R&D contributed AUD 3.108m of the AUD 4.633m operating activity cash outflows. For the Half Year ending December 2004, Bionomics reported an NTA per share of AUD 0.111.

¹⁷ IMS Therapy Forecaster

Valuation

Options Modelling was used to ascertain the value of Bionomics. Assuming that end-products attract similar sales to the average drug (i.e. AUD 115m per annum), adjusting against the probability of success (i.e. 3%), assuming a long term T bond rate of 8.0%, a standard deviation in the present value of project cash flows at 30%, and inflation at 3%. The 2005 valuation of Bionomics was estimated at AUD 0.63 and AUD 0.53 for the undiluted and diluted adjusted EPS, respectively. The sensitivity of the valuation model was moderately high ranging between AUD 0.46 to AUD 0.60 for the diluted adjusted EPS.

However, it is common for early stage companies to be valued below the options model price because the market incorporates non-R&D related development risks.

Nevertheless, should Bionomics' board achieve their stated objectives of acquiring new products in human clinical trials, organic development of the company's existing programmes and greater industrialisation of the drug discovery platforms, revaluation of the company's valuation would be warranted because of the risk/reward profile improvement. Members of Bionomics' board have successfully used this strategy to significantly enhance the value of other early stage biotechnology companies.

Financial Summary

	2003	2004	2005	2006	2007
	AUD '000				
Revenue	1,275	1,674	3,991	4,411	6,328
-Grants Received	1,028	1,425	1,716	1,390	1,510
-Licensing Fees	80	105	860	1,135	2,838
-Royalties	0	0	10	20	60
-NeuroFit	0	0	1,250	1,717	1,768
-Others	166	144	155	149	152
Operating EBITDARD	(144)	31	1,820	3,171	5,716
Operating EBITDA	(3,876)	(3,077)	(3,325)	(2,829)	(784)
D&A (Excluding Goodwill)	639	475	574	850	911
Operating EBITA	(4,515)	(3,552)	(3,899)	(3,678)	(1,695)
Goodwill Amortised	57	14	0	0	0
EBIT	(4,572)	(3,566)	(3,899)	(3,678)	(1,695)
Net Interest Expense	(31)	8	10	11	8
NPBT	(4,541)	(3,575)	(3,909)	(3,689)	(1,703)
Taxation	0	0	0	0	0
Minority Interests	0	0	0	0	0
Reported NPAT	(4,541)	(3,575)	(3,909)	(3,689)	(1,703)
Non Recurring Items	0	0	0	0	0
Reported NPAT (Excluding Non Recurring I	(4,541)	(3,575)	(3,909)	(3,689)	(1,703)
NPAT (adjusted for amortised goodwill)	(4,484)	(3,560)	(3,909)	(3,689)	(1,703)
Weighted Number of Shares (undiluted)	40,244	48,657	77,733	89,937	90,687
Weighted Number of Shares (diluted)	48,573	57,762	93,748	105,019	105,769
Adjusted EPS (undiluted)	(11.14)	(7.32)	(5.03)	(4.10)	(1.88)
Adjusted EPS (diluted)	(9.23)	(6.16)	(4.17)	(3.51)	(1.61)
Reported NPAT (Excluding Non Recurrir	(4,541)	(3,575)	(3,909)	(3,689)	(1,703)
Non-Cash Items	0	0	0	0	0
D&A	682	518	574	850	911
Provisions	35	52	77	87	87
Other	47	33	47	47	47
Changes in Assets and Liabilities	0	0	0	0	0
? Debtors	13	(47)	(6)	(56)	35
? Creditors	83	(90)	(1)	11	2
? Operating Assets	(49)	126	224	(13)	(25)
Operational Cash Flow	(3,731)	(2,984)	(2,993)	(2,763)	(646)
Sale of Plant and Equipment	0	87	0	0	0
Payment for PPE	(43)	(214)	(105)	(54)	(79)
Payment of NeuroFit	0	0	(1,676)	0	0
Investing Cash Flow	(43)	(127)	(1,780)	(54)	(79)
Sub Total	(3,774)	(3,111)	(4,774)	(2,817)	(725)
Proceeds from Share Sale	1,249	6,270	2,500	3,500	0
Issue Expenses	(28)	(526)	(222)	(378)	0
Financing Cash Flow	1,221	5,744	2,278	3,122	0
Net Increase in Cash	(2,554)	2,633	(2,496)	305	(725)
Cash At the Beginning of the Year	8,624	6,070	8,703	6,208	6,512
Cash At the End of the Year	6,070	8,703	6,208	6,512	5,787

Assumptions

The up-take of the SMEI diagnostics is 50, 100 and 300 units per annum for 2005, 206 and 2007; respectively

The cost of the SMEI diagnostic is AUD 2000.

The impact of the acquisition(s) of a Phase I or II experimental therapeutic is not considered.

The capital raised is assumed to be used for the NeuroFit Acquisition and working capital.

The licensing fees assume that the company will make three and five new deals in for diagnostic technologies in 2006 and 2007; respectively.

Grants and Other's revenue remain stable.

NeuroFit's revenue were EUR 1m, the AUD:EUR swap was 1.00:0.60 and revenues were growing at 3% per annum. The NeuroFit operation was considered to be break even.

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