



DIRECTORS & EXECUTIVE MANAGEMENT SHARE TRADING POLICY

Introduction

This document sets out the policy of Bionomics Limited (**Company**) concerning dealings in the Company's Shares by:

- Directors of the Company (**Directors**) and their associates; and
- members of the Company's Executive Management team (**Executives**) and their associates.

This revised policy was approved by the Board on 12 March 2010.

Purpose

The purpose of this policy is to:

- explain the type of conduct in relation to dealings in securities that is prohibited under the Corporations Act, which is applicable to the Directors and Executives; and
- establish a best practice procedure relating to buying and selling securities that provides protection to both the Company, Directors and Executives against the misuse of unpublished information which could materially affect the value of securities.

The Board of Directors considers that compliance with this policy is essential to ensure that the highest standards of conduct are being met by all the Directors and Executives. The Company also wishes to ensure that any perception of Directors and Executives dealing in Shares when they should not do so is avoided.

Policy

1. Legal Obligations

Directors and Executives must comply at all times with the provisions of the Corporations Act and Australian Securities Exchange (**ASX**) Listing Rules concerning Share dealings including:

- insider trading provisions;
- market manipulation provisions;
- substantial shareholder notice provisions;
- notification requirements.

It is each Director's and Executive's own responsibility to ensure that they are fully aware of their legal obligations with respect to share dealings.

2. Price Sensitive Information – Insider Trading

Even outside a "*black-out period*" referred to in paragraph 3 below, Directors and Executives may not:

- trade in Shares in the Company while they are in possession of material price sensitive information which is not publicly available; and

- communicate that information to any other person other than in the course of performance of their duties and should ensure that external advisers to the Company that are in possession of the information are required to keep that information confidential.

Price sensitive information may include significant changes or forecasts of significant changes in the Company's performance, compared to market expectations, as well as information relating to other events or developments which will have, or are likely to have, a significant effect on the Company.

3. Black-Out Periods

Subject at all times to paragraphs 1 and 2 above and the other provisions of this Policy, Directors and Executives may trade in Shares in the Company (*as those expressions are given meaning in paragraph 10 below*) at any time except for the "black-out periods".

Directors and Executives may not trade in Shares in the Company during the following periods ("**Black-Out Periods**"):

- four (4) weeks prior to the Company's annual general meeting (AGM);
- four (4) weeks prior to the release of the Company's annual accounts to the ASX;
- four (4) weeks prior to the release of the Company's half yearly accounts to the ASX;
- two (2) weeks prior to release of the Company's quarterly reports (for the March, June, September and December quarters) in relation to the cash position; and
- any other time that the CEO declares as a Black-Out Period.

4. Imminent Releases

Directors and Executives may not trade in Shares in the Company at any time when they are aware that any announcement of a major event or release of price sensitive information is likely to occur.

5. Retiring Directors

A retiring Director of the Company or an Executive who ceases employment with the Company shall be bound by the provisions of this Policy for a period of 30 days from the date their retirement or cessation becomes effective. The Company Secretary shall advise the Director or Executive in writing of any such restriction as soon as practicable after the Company has determined that such restriction is in place for continuing Directors and / or Executives of the Company.

6. Trading outside a Black-Out Period – Confirmation

Before trading in Shares outside a Black-Out Period, Directors and Executives should inform the Company Secretary in writing of their intention to trade and seek the Company's confirmation to proceed with the trade. The Company Secretary shall provide this confirmation in writing only after consultation with the Chairman or CEO.

Directors and Executives should provide confirmation of any trading in Shares that has occurred to the Company Secretary, and the Company Secretary should forward this confirmation to the Chairman and CEO.

7. Trading inside a Black-Out Period – Approval

Subject to paragraphs 1, 2, 3 and 4 above, Directors and Executives may only trade in Shares in the Company inside a Black-Out Period where expressly approved by the Chairman and CEO, which will only be given in exceptional circumstances.

8. Section 205G Notices

Copies of all notices of changes of interests under section 205G of the Corporations Act must be provided to the Company Secretary for lodgement and must be available for inspection by all Directors.

9. Other Companies

A Director or Executive should not trade in Shares of other corporations where the Director or Executive has in his or her possession price sensitive information relating to the Company that also concerns that other corporation, or is aware of any proposed transaction by the Company concerning that other corporation or its Shares.

10. Securities Risk Management

A Director or Executive should not enter into transactions regarding the Director's or Executive's Shares in the Company for the purpose of, or where the transaction has the effect of, limiting or minimizing the economic risk to the Director or Executive of holding the shares. For example, by entering into put or call option arrangements in respect of Shares in the Company.

11. Prohibition on Margin Loan Arrangements

No Director or Executive may enter into a margin loan, stock lending or any other funding arrangement to acquire any Shares where the lender or other third party is granted a right to sell, or compel the sale of all or part of the relevant Director's or Executive's Shares.

12. Interpretation

For the purpose of this Policy:

"Associate" means:

- (a) a spouse or de facto spouse of the Director or Executive;
- (b) a parent or child of the Director or Executive or the Director's or Executive's spouse or de facto spouse;
- (c) a company, partnership, or trust which:
 - (i) the Director or Executive controls;
 - (ii) the Director or Executive and any person referred to in paragraphs (a) or (b) control; or
 - (iii) any person referred to in paragraphs (a) and (b) controls; or

- (d) any other person with whom the Director or Executive is acting or proposing to act in concert regarding the acquisition of securities.

For the purpose of this definition, “control” means the ability (whether or not based on a legal right) to determine the outcome of decisions about the relevant entity’s financial and operating policies.

“**Director**” includes an Associate of a Director.

“**Executive**” includes an Associate of an Executive;

“**Shares**” includes ordinary shares, preference shares, options debentures (including convertible notes), prescribed interests, derivatives and warrants issued or made available by the Company or any associated company, and

“**trading**” includes dealings by way of option exercise and rights trading and includes procuring or causing other persons to trade.

Explanatory Notes to the Policy

A. Insider Trading

The Corporations Act prohibits securities dealings by persons who are in possession of price sensitive information which is not generally available. These provisions are broad and apply to Directors and Executives.

For this purpose, “price sensitive information” is information (defined broadly) which a reasonable person might expect to influence persons who commonly invest in the relevant securities in deciding whether to buy, sell or hold the securities.

The Corporations Act also regulates:

- disclosure of shareholdings by substantial shareholders (Part 6C.1);
- disclosure of changes to relevant interests in shares by Directors (section 205G);
- market manipulation (sections 1041A, 1041B, 1041C, 1041E, 1041F);
- misleading and deceptive conduct (section 1041H).

Directors and Executives should have regard to all of these obligations. If in doubt, Directors and Executives should seek advice.

B. Trading in Time Windows

The Policy goes further than the Corporations Act and adopts the Black-Out Period concept used by many other listed companies.

However, trading outside of Black-Out Periods will not mean that a Director or Executive is necessarily in compliance with the Policy - refer to paragraphs 2, 3, and 4. Paragraph 2 expresses the same principles as the insider trading provisions of the Corporations Act, but attempts to do so in plain language. Paragraph 3 is based on a directive issued by the Company’s Board of Directors. Paragraph 4 is designed to avoid situations where a Director trades shortly before an announcement by the Company, which might be considered adversely by the market. The Board is of the view that trading prior to an AGM should be avoided as a matter of principle.

C. Notification

To ensure that the Policy is adhered to, and issues concerning Directors’ and Executives’ share trading are given due consideration on a timely basis, the Policy includes a requirement to inform the Company Secretary and receive the appropriate confirmation or approval (as set out in paragraphs 6 and 7 above) before a trade is undertaken. The Policy also requires Directors and Executives to provide notification of any trading in shares that has occurred to the Company Secretary (with the Company Secretary forwarding a copy to the Chairman and Managing Director).

D. Approval by Board

To recognise that Directors and Executives, for various reasons, may wish to trade inside a Black-Out Period, the Policy permits such trading where approved by the Board of Directors, which will only be given in exceptional circumstances. This will ensure that there is independent oversight of Directors' and Executives' share transactions.

E. Risk Aversion

Instruments are generally available in the market whereby the economic risk associated with holding shares is limited or minimised. For example, a put option may be purchased by a shareholder whereby, if the share price falls below a certain level, the person giving the put option may be required by the shareholder to purchase the shares at the original share purchase price (whereby, akin to an insurance policy, the shareholder does not make a loss).

It is recognised that entering into such transactions as a way to maintain value in shares in the Company is not in the best interests of the Company nor likely to engender confidence in fellow Company shareholders generally. The Policy requires that Directors and Executives not enter into these sorts of transactions.