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BIONOMICS



CEO Report

Dear Shareholders,

Welcome to the June edition of Bionomics NOW. Earlier this month we were **pleased to announce a development and licensing agreement with Merck Serono**, the Pharma division of global pharmaceutical and chemical group Merck KGaA, to develop our Kv1.3 compounds for the treatment of Multiple Sclerosis (MS) and other autoimmune conditions. The agreement with Merck Serono is an important milestone for our Company. It validates Bionomics' discovery approach which has brought the program to this stage. We look forward to working with Merck Serono in the next stage to bring innovative treatment options for patients with MS to the clinic.

Our first clinical trial of anti-cancer compound BNC105 continues to make good progress, and it was pleasing to be recognised in the Thomson Pharma The Ones To Watch Review as one of the "Top Five Most Promising Drugs entering Phase I Trials". BNC105 was the only anti-cancer candidate included on this list. In relation to our ongoing clinical trial of BNC105 I can report that patient enrolment is proceeding as planned.

Bionomics has attended several key international conferences this quarter, including the Excellence in Biotechnology Investment Conference, BIO2008 and the Rodman and Renshaw Global Healthcare Investor Conference. Most significantly, we presented new data on BNC105 at the 2008 American Association for Cancer Research Annual Meeting in San Diego, California. The new data supports the development of BNC105 as a treatment for a variety of cancer types. In animal models, it has now shown a potent anti-cancer and cytotoxic effect against six types of cancers. We expand upon this new data in this edition.

We have achieved a number of milestones during the quarter including the progression of our second drug candidate, anti-anxiety compound BNC210, towards the clinic. Last quarter we commenced a formal pre-clinical safety and tolerability program for BNC210. This quarter we were pleased to announce the initiation of the Good Manufacturing Practice (GMP) manufacture of BNC210. Following a competitive bidding process, we awarded manufacturing company Sai Advantium with the contract. We will provide further information on the progress with Sai Advantium later in this edition.

We look forward to reporting on the next quarter's achievements and once again, I would like to take this opportunity to thank you for your continued support. ●

Dr Deborah Rathjen Chief Executive Officer

Merck Agreement – MS Program

Bionomics and Merck Serono signed a development and licensing agreement to develop new treatments for multiple sclerosis (MS) and other autoimmune conditions. Headquartered in Geneva, Merck Serono is a division of global pharmaceutical and chemical group Merck and is a world leader and pioneer in developing treatments for MS.

Under the agreement, Bionomics will receive an upfront payment of US\$2 million. Merck Serono will fund all research and development activities, including clinical development. An undisclosed number of compounds will be the subject of development. For each compound Bionomics will receive milestone payments of US\$47 million and other undisclosed financial consideration. Bionomics will be eligible to receive royalties on the sales of licensed products.

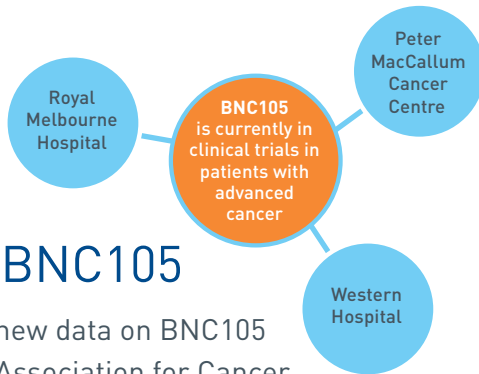
Bionomics' compounds target the potassium ion channel called Kv1.3, which are found on a type of human immune cell, suggesting that inhibitors of Kv1.3 may also have application in the treatment of other inflammatory disorders. The compounds have shown to be effective in animal models of MS and are highly selective and potent blockers of Kv1.3. ●

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AACR conference – New data on BNC105



Bionomics presented new data on BNC105 at the 2008 American Association for Cancer Research Annual Meeting in San Diego, California confirming that Vascular Disruption Agent (VDA), BNC105 exhibits a dual mode of action.

The new data presented also indicated that BNC105 causes almost complete disruption of tumour blood vessels in animal models of lung, brain, neck, breast, colon and prostate tumours.

Additional data continues to support that low dose of BNC105 in combination with FDA-approved drug Avastin® (bevacizumab) resulted in an enhanced anti-cancer effect on cancer blood vessels and tumours. In addition the combined treatment extended the duration of tumour blood vessel shutdown from at least 24 hours to 5 days.

With the advantage of being cleared from all healthy tissues after 24 hours, while being "locked-in" at high levels within the tumour, BNC105 achieves a maximum anti-cancer result.

BNC105 is currently in clinical trials in patients with advanced cancers at three Melbourne cancer centres: the Peter MacCallum Cancer Centre, The Western Hospital and the Royal Melbourne Hospital. ●

○ **Importantly, the compounds have demonstrated the potential for oral delivery, which is a valuable market differentiator.**

Many current MS treatments are administered intravenously, and have a number of side-effects. An oral treatment will address a large unmet clinical need and improve patients' quality of life.

Dr. Bernhard Kirschbaum, Chief Scientific Officer, of Merck Serono said, "This partnership with Bionomics reflects our long-term commitment to patients with MS as Kv1.3 inhibition represents an innovative approach for the discovery of oral compounds in the field of MS. It brings together Bionomics' expertise in Kv1.3 biology and Merck Serono's expertise in MS pharmacology in a combination that could speed up progress in the identification of novel drug candidates for the treatment of MS."

Merck Serono's lead product Rebif® (interferon beta-1a), a disease-modifying drug used to treat relapsing forms of MS, is registered in more than 80 countries worldwide. In addition to Rebif®, the Company also offers a second therapy within its US portfolio of MS therapies: Novantrone® (mitoxantrone for injection concentrate) for worsening forms of MS. ●

GMP manufacture of BNC210

Anxiety affects

19 million patients in the US alone

In April, Bionomics announced the initiation of the GMP (Good Manufacturing Practice) manufacture of its anxiety drug candidate BNC210. The material will be used in the pre-clinical safety studies currently underway and also in clinical trials which are expected to commence in 2009.

Following a competitive bidding process, Indian based company, Sai Advantium has been awarded the manufacturing contract. Prior to the contract, Sai Advantium was involved in collaborative work with Bionomics, fine-tuning the large-scale production process of BNC210 with a particular focus on cost-effectiveness. Sai Advantium was reviewed by leading US auditor, Globepharm providing Bionomics with the satisfaction that the company was qualified to produce BNC210 within US Food and Drug Administration requirements.

A novel compound generated from Bionomics' powerful medicinal chemistry platform technology MultiCore®, BNC210 was the best performing anxiety drug candidate out of a library of compounds. Preclinical data shows that in animals, BNC210 is able to reduce anxiety without the common side effects including drowsiness, impairment of memory and motor function, often associated with current anxiety drugs. In addition, BNC210 was shown to be fast-acting and effective with a single daily dose and taps into a market with large unmet need. Anxiety affects 19 million patients in the US alone, and an estimated market value of US\$5-\$12 billion worldwide. ●

Factors Affecting Future Performance This publication contains "forward-looking" statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Any statements contained in this publication that relate to prospective events or developments, including, without limitation, statements made regarding Bionomics' development candidates BNC105 and BNC210, its drug discovery programs and pending patent applications are deemed to be forward-looking statements. Words such as "believes," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by these forward-looking statements, including risks related to our available funds or existing funding arrangements, a downturn in our customers' markets, our failure to introduce new products or technologies in a timely manner, regulatory changes, risks related to our international operations, our inability to integrate acquired businesses and technologies into our existing business and to our competitive advantages, as well as other factors. Results of studies performed on competitors products may vary from those reported when tested in different settings. Subject to the requirements of any applicable legislation or the listing rules of any stock exchange on which our securities are quoted, we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this publication.

BNC105 named "One to watch"

Bionomics' lead anti-cancer candidate BNC105 has been named as one of the "Top Five Most Promising Drugs Entering Phase I Trials" in the international report The Ones To Watch released by Thomson Pharma®. The international review evaluates new drugs entering the market and clinical trials commencing in the first quarter of 2008.

You can download a copy of the report at:
http://www.thomsonpharma.com/media/pdfs/tpqr/totw_latest.pdf

See Bionomics

- 17-20 June 2008**
BIO2008
San Diego
- 25-26 July 2008**
Biotech Summit
Thredbo
- 30 August-3 September 2008**
21st ECNP (European College of Neuropsychopharmacology)
Congress Barcelona

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