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Bionomics Limited
31 Dalglish Street
Thebarton, South Australia 5031

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Bionomics Limited (ASX: BNO) recently announced an agreement with Phillip Capital to manage the underwriting of the BNOOB options that expire on 31 January 2009. You expect to raise up to \$6.9 million from the exercise of the options, which will be used to support the continued clinical development of your BNC105 anti-cancer vascular disrupting agent. How does this position you for the next 12 to 24 months?

CEO & MD Deborah Rathjen

The full exercise of the options will put us in a good funding position to reach key milestones. To have a large portion of the issue underwritten six weeks out from the options expiry date when the announcement of the arrangements with Phillip Capital was made, and with additional commitments in place since that announcement is a tremendous vote of confidence in the company and its prospects for 2009 and beyond. This funding is important for the continued development of BNC105.

Operationally, our immediate focus is on completing the current BNC105 clinical trial which is being conducted here in Australia at four centres in Melbourne. We've recently brought on board Austin Health as part of that clinical trial, joining the other three centres enrolling patients: the Peter McCallum Cancer Centre, the Western Hospital and Royal Melbourne Hospital. We anticipate completing and reporting the results of that trial in the first half of calendar 2009: the exact timing will depend on the results observed in patients. We're also planning the next stage of development for BNC105.

That is, getting the Phase II development program up and running as efficiently as possible, and starting the first Phase II trial in the second half of calendar 2009.

Another focus over the next 12 months will be on securing a major deal. Last year we secured Merck Serono as commercial partner on our multiple sclerosis program, and that's a significant collaboration for us. As we enter 2009, we now have assets of considerable maturity – BNC105 in cancer and BNC210 in anxiety – both of which have strong partnership prospects.

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To what extent will you now be able to internally fund Phase II trials of BNC105?

CEO & MD Deborah Rathjen

With the options exercised and the cash that we already have on hand, we're well placed to begin the Phase II development program for BNC105 and to fund the initial trial. That's been our strategy from the beginning, based on the value that deals in the space can generate with a Phase II compound. For example, the deal Antisoma struck with Novartis in 2007 for a vascular disrupting agent was worth up to US\$890 million in milestone payments, with Antisoma receiving an up-front payment of US\$75 million. More recently, US biotech company ArQule did a deal last month with the Japanese pharmaceutical company Daiichi Sankyo for an anti-cancer kinase inhibitor in Phase II trial. ArQule received a US\$60 million up-front payment and is eligible for up to US\$560 million in milestone payments as well as double digit royalties.

Clearly we see taking BNC105 into Phase II as a significant value-enhancing step for the company.

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What steps remain in the current Phase I trial of BNC105 and what's the time line for preparing and conducting the Phase II trials?

CEO & MD Deborah Rathjen

In the current Phase I trial, we're in the process of increasing the doses patients enrolled in the trial receive, and we've had encouraging preliminary data emerge as we've stepped up the dose levels with indications of vascular disruption at doses consistent with the preclinical animal data. . At present, patient numbers are being expanded with the aim of identifying the maximum tolerated dose (MTD) that can be used in the Phase II trials. Once that's established, we'll be able to complete the trial and move into the Phase II program. As I mentioned before, we expect to complete the trial and report the results in the first half of 2009 calendar year.

In preparation for the Phase II clinical trial, we've consulted with oncologists in both Australia and US to identify priority areas of interest for evaluating BNC105 further. Those areas of interest cover a range of different cancer types. We've then looked at this from a commercial perspective and identified from that priority list the cancer settings for evaluation that are likely to enhance our deal making prospects for BNC105.

At this stage we aim to start making submissions for the Phase II trial in the first half of calendar 2009 and envisage getting the first of the trials underway some time in the third quarter.

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You also recently announced the successful completion of the safety and tolerability studies for your anti-anxiety compound BNC210. What are the implications of the results for the future for BNC210?

CEO & MD Deborah Rathjen

The safety evaluation demonstrated there were no show-stoppers for BNC210 to move into clinical development. Many compounds, particularly for central nervous system (CNS) disorders such as anxiety and depression, fail in the safety evaluations prior to entering clinical development. BNC210 has passed one of the significant hurdles for compounds that target CNS disorders, which has de-risked the BNC210 program significantly.

Further, the evaluation has shown that the effective dose, in terms of suppressing the symptoms of anxiety in the various animal models, is far less than the dose at which side effects are apparent. That also provides a high level of confidence about taking BNC210 into human clinical trials.

Our strategy with BNC210 is to seek out partnership opportunities at an earlier stage than we might with BNC105 for example, and to look for a partner with the capacity to take the program into Phase II development.

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Can you comment on the partnering prospects for Bionomics' pipeline? Have the partnering prospects been impacted by the recent economic slowdown?

CEO & MD Deborah Rathjen

Our partnering prospects are very strong. Bionomics has a reputation, as evidenced by the Merck Serono deal, of having very solid science and a very professional approach to drug candidate identification and development. This stands us in good stead in partnering discussions. We also have a reputation for identifying at the outset the competitive advantages and differentiating features of our drug candidates and programs. We're able to quickly tell potential partners what they'll be getting and how our drug candidate will fit in the market.

In BNC105 and BNC210, we have two high quality drug candidates that are meeting the target product profile we've set for them. What's encouraging in the current environment is that the big pharmaceutical companies have very strong balance sheets and very little debt. Given the issue of patent expiries, they're also looking externally to fill their pipelines. They're looking more and more to biotech companies and using much more outsourcing for their new product identification.

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You've indicated that you're currently focussing your resources on assets that will create the greatest value for shareholders. How do you expect your pipeline to develop over the short to medium term?

CEO & MD Deborah Rathjen

We've focused our resources in four key areas and we're confident our pipeline will develop very strongly. Internally we're focussed on our lead programs – BNC105 and BNC210 – and the high value partnering opportunities they represent.

Another focus is those programs that are underpinned by resources from other parties, for example our Merck Serono collaboration. It's important to us to ensure that collaboration is successful in delivering a new compound for the treatment of multiple sclerosis.

We're also a shareholder in the Cancer Therapeutics Cooperative Research Centre (CTx), and we're accessing the resources of CTx for the progression of our discovery program for BNO69, a target for inhibiting the process of angiogenesis or new blood vessel growth which is critical for the growth and spread of solid tumours.

We're confident this strategic focus will deliver value for our shareholders in the short to medium term.

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Thank you Deborah.

For more information about Bionomics Limited, please visit www.bionomics.com.au or call Dr Deborah Rathjen on (08) 8354 6101.

For previous Open Briefings with Bionomics Limited, or to receive future Open Briefings by e-mail, please visit www.corporatefile.com.au.

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Factors Affecting Future Performance

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