



RISK MANAGEMENT POLICY

1. Introduction

The directors and management of Bionomics Limited and its controlled entities ("Company") view risk management as integral to their objective of effective management of Company assets and creating and maintaining shareholder value.

The Company's risk management policy provides the framework to manage the risks associated with its activities. It is designed to identify, assess, monitor and manage risk.

2. Risk Responsibility

The Board of the Company is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems.

The Board has established the Audit and Risk Management Committee, the role of which in relation to risk includes:

- (a) overseeing the creation, implementation and maintenance of the risk management system of the Company and its controlled entities and their internal control framework, including information systems;
- (b) establishing a risk profile for the Company setting out both financial and non-financial material risks facing the Company;
- (c) reviewing the effectiveness of the Company's implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any non-financial audits;
- (d) seeking to reach a common understanding with management and auditors about the risk management process, key financial and regulatory risks and related controls including focusing on the "key" risks which are considered to be currently, or may in the future be, more significant or more likely to occur;
- (e) analysing the effectiveness of the Company's risk management and internal compliance system and the effectiveness of their implementation;
- (f) developing an understanding of the overall business environment, relevant laws and codes of importance to the Company and the programmes that the Company has in place to provide reasonable assurance of compliance;
- (g) meeting with designated members of the Company's management Risk Review Committee on a regular basis;
- (h) reviewing the Company's occupational health and safety policies and ensuring regular reporting to the committee on issues related to occupational health and safety;
- (i) ensuring that the Chief Executive Officer and Managing Director and the Chief Financial Officer state in writing to the Board annually that:
 - a. the statement given to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
 - b. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- (j) reviewing insurance coverage and claims trends.



A management Risk Review Committee has been established which meets at least four times a year. The aim of this committee is to provide to the Board, through the Audit and Risk Management Committee, and to management generally assurance that the major business risks are being identified and consistently assessed and that management plans are in place to address risk. The members of the Risk Review Committee shall be:

- Chief Executive Officer - Chair
- Chief Financial Officer
- Chief Scientific Officer
- Legal Counsel & Company Secretary
- Vice President, Neuroscience Research
- Vice President, Clinical Development
- Chair – Work, Health & Safety Committee

The role of the management Risk Review Committee is detailed further below.

3. Risk Management

Management Risk Review Committee

The management Risk Review Committee is comprised of risk owners for each of the core functions (Corporate, Financial and Science). It is responsible for:

- (a) implementation of the principles, actions and requirements of the risk management plan and monitoring its implementation within the Company;
- (b) provision of the necessary tools and resources to identify and manage risks;
- (c) review of risks on a quarterly basis, including identification of new risks, changes to existing risks and retirement of previously identified risks (through a formal decision making process);
- (d) the manner in which ownership of risks is taken by managers or others in accordance with function or expertise;
- (e) regular reporting of the status of risk items to the Audit and Risk Management Committee and the Board;
- (f) appraisal of risk owners' actions taken to manage risk and correction of inappropriate performance;
- (g) internal compliance and control systems for the implementation of the risk management plan;
- (h) consideration of non-financial audits; and
- (i) compliance with regulatory requirements and best practice.

Risk Identification

To ensure key risks are identified and analysed, the Company:

- (a) defines risks in the context of the Company's strategy;
- (b) prepares risk profiles including a description of the material risks, the risk level and action plans used to mitigate the risk; and
- (c) regularly reviews and updates the risk profiles.

The risks are divided into project risks and corporate risks.

In very general terms project risks encompass risks relating to particular products and their development.

Corporate risks include the following risks:

- business
- operating



- financial and legal (including acquisitions & compliance)
- organisational
- corporate
- occupational health and safety
- insurance
- environmental

The Company optimises its ability to achieve business objectives by operating a system that assists appropriate management and provides early warning of risks.

Risk Management and Compliance and Control

In developing a culture of risk management, managers are responsible for appropriate responses to manage risk, aided by the risk action plans.

To enable this, the Company:

- has implemented a systematic process to assist in the identification, assessment, treatment and monitoring of risks;
- provides the necessary tools and resources to management and staff to support the effective management of risks; and
- reviews and communicates risk management best practice on a regular basis.

Assessment of Effectiveness

The Company assesses the effectiveness of its risk management plan through structured continuous improvement processes to ensure risks and controls are continually monitored and reviewed. This includes appraisal of risk owners' actions taken to manage risks.

Reporting

The Company ensures that the audit and risk committee and the Board are adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis.