UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report .....

Commission file number 000-49843

PRANA BIOTECHNOLOGY LIMITED

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)
Australia
(Jurisdiction of incorporation or organization)

Level 2, 369 Royal Parade, Parkville, Victoria 3052, Australia
(Address of principal executive offices)

Geoffrey Kempler, Chief Executive Officer
Level 2, 369 Royal Parade, Parkville, Victoria 3052, Australia
+61 3 9349 4906 (phone) ; +61 3 9348 0377 (fax)
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing ten Ordinary Shares	**NASDAQ Capital Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, as of June 30, 2012……..297,980,818

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

This Annual Report on Form 20-F is incorporated by reference into our Registration Statement on Form S-8 (File No. 333-153669) and our Registration Statements on Form F-3 (Files No. 333-173375 and 333-174278).

INTRODUCTION

Prana Biotechnology Limited was incorporated under the laws of the Commonwealth of Australia on November 11, 1997. Our mission is to develop therapeutic drugs designed to treat the underlying causes of degeneration of the brain and the eye as the aging process progresses, initially focusing on Alzheimer's disease and we are currently also focusing on Huntington's and Parkinson's diseases. Other potential applications for our therapies include certain cancers, age-related macular degeneration, Motor Neuron disease, Creutzfeldt-Jakob disease (the human variant of Mad Cow disease) and age-related cataracts.

The principal listing of our ordinary shares and listed options to purchase our ordinary shares is on the Australian Securities Exchange, or ASX. Since September 5, 2002, our American Depository Receipts, or ADRs, have traded on the NASDAQ Capital Market under the symbol "PRAN." The Bank of New York, acting as depositary, issues our ADRs, each of which evidences an American Depositary Share, or ADS, which in turn represents ten of our ordinary shares. As used in this annual report, the terms "we," "us," "our" and "Prana" mean Prana Biotechnology Limited and its subsidiaries, unless otherwise indicated.

We have not obtained or applied for trademark registrations. Any trademarks and trade names appearing in this annual report are owned by their respective holders.

Our consolidated financial statements appearing in this annual report are prepared in Australian dollars and in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our consolidated financial statements appearing in this annual report comply with both the IFRS and Australian Accounting Standards.

In this annual report, all references to "U.S. dollars" or "US$" are to the currency of the United States of America, and all references to "Australian dollars" or "A$" are to the currency of Australia.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms.

Except for the historical information contained in this annual report, the statements contained in this annual report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. We urge you to consider that statements which use the terms "anticipate," "believe," "do not believe," "expect," "plan," "intend," "estimate," and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section that appears in Item 3.D. "Key Information-Risk Factors."

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED CONSOLIDATED FINANCIAL DATA

We prepare our consolidated financial statements in accordance with IFRS, as issued by IASB. Our consolidated financial statements appearing in this annual report comply with both the IFRS as issued by IASB and Australian equivalents to International Financial Reporting Standards, or A-IFRS.

The following table presents our selected consolidated financial data as of the dates and for each of the periods indicated. The following selected consolidated financial data as of June 30, 2012 and 2011 and for the years ended June 30, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated financial data as of June 30, 2010, 2009 and 2008 and for the years ended June 30, 2009 and 2008 have been derived from our audited consolidated financial statements and notes thereto which are not included in this annual report.

The selected consolidated financial data set forth below should be read in conjunction with and are qualified entirely by reference to Item 5. "Operating and Financial Review and Prospects" and our consolidated financial statements and notes thereto included elsewhere in this annual report.

Statement of Comprehensive Income:

	Year Ended June 30,				
	2012	2011	2010	2009	2008
	(in A$, except number of shares)				
Revenue from continuing operations	186,664	156,135	215,008	428,193	490,943
Other income	2,340,851	6,785	-	-	170
Research and development expenses, net	(4,228,719)	(2,758,381)	(666,381)	(3,027,444)	(6,838,477)
Corporate personnel expenses	(1,858,562)	(1,965,408)	(2,508,845)	(3,020,718)	(4,268,880)
Intellectual property expenses	(261,706)	(399,237)	(431,082)	(1,107,534)	(469,428)
Auditor and accounting expenses	(153,597)	(157,436)	(168,909)	(129,998)	(331,950)
Travel expenses	(91,624)	(159,971)	(234,555)	(195,251)	(146,651)
Public relations and marketing expenses	(124,970)	(110,646)	(130,090)	(222,679)	(141,337)
Depreciation expenses	(19,621)	(31,577)	(35,290)	(34,190)	(25,349)
Other expenses	(1,107,283)	(857,281)	(940,699)	(978,875)	(975,404)
Foreign exchange gain (loss)	45,959	(145,377)	(6,079)	(6,723)	(402,886)
Gain (loss) on fair value of financial liabilities	33,139	(8,791)	-	772,430	(451,429)
Net loss	(5,239,469)	(6,431,185)	(4,906,922)	(7,522,789)	(13,560,678)
Loss per share – basic and diluted	(0.02)	(0.03)	(0.02)	(0.04)	(0.08)
Weighted average number of ordinary shares outstanding - basic and diluted	287,765,812	247,578,570	227,527,388	202,357,885	174,714,146

Balance Sheet Data:

	As at June 30,				
	2012	**2011**	**2010**	**2009**	**2008**
			(in A$)		
Cash and cash equivalents	5,636,469	8,838,245	5,227,298	4,304,977	11,219,035
Working capital	5,535,484	6,852,456	5,135,625	3,643,502	9,762,015
Total assets	7,341,868	9,010,952	6,801,417	4,597,250	11,698,313
Net assets	5,623,447	6,931,202	5,229,316	3,749,816	9,866,327
Issued capital	86,134,077	82,340,819	75,120,164	70,188,989	69,842,303
Share based payment reserves	9,633,451	9,494,995	8,582,579	7,127,332	6,067,740
Accumulated deficit during development stage	(90,144,081)	(84,904,612)	(78,473,427)	(73,566,505)	(66,043,716)
Total equity	5,623,447	6,931,202	5,229,316	3,749,816	9,866,327

Exchange Rate Information

The following tables set forth, for the periods and dates indicated, certain information regarding the rates of exchange of A$1.00 into US$ based on the noon market buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate.

Year Ended June 30,	At Period End	Average Rate	High	Low
2008	0.9615	0.8965	0.9654	0.7672
2009	0.8048	0.7480	0.9849	0.6005
2010	0.8567	0.8822	0.9405	0.7723
2011	1.0597	0.9894	1.1011	0.8323
2012	1.0161	1.0327	1.1080	0.9387

Month	High	Low
April 2012	1.0473	1.0226
May 2012	1.0468	0.9689
June 2012	1.0256	0.9577
July 2012	1.0507	1.0099
August 2012	1.0613	1.0276
September 2012	1.0624	1.0159

The noon buying rate on October 2, 2012 was US$1.0363 = A$1.00.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Investing in our American Depositary Shares involves a high degree of risk and uncertainty. You should carefully consider the risks and uncertainties described below before investing in our American Depositary Shares. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be harmed. In that case, the daily price of our depositary shares could decline, and you could lose all or part of your investment.

Risks Related To Our Business

We have incurred operating losses and may not be profitable in the future; our plans to maintain and increase liquidity may not be successful.

We have been unprofitable to date and expect to incur losses over the next several years as we expand our drug discovery and development programs and pre-clinical testing and as we conduct clinical trials of our product candidates. Our actual cash requirements may vary materially from those now planned and will depend upon numerous factors, including:

- the continued progress of our research and development programs;
- the timing, scope, results and costs of pre-clinical studies and clinical trials;
- the cost, timing and outcome of regulatory submissions and approvals;
- determinations as to the commercial potential of our product candidates;
- our ability to successfully expand our contract manufacturing services;
- our ability to establish and maintain collaborative arrangements; and
- the status and timing of competitive developments.

In the year ended June 30, 2012, we raised A$3,789,448 from the sale of our ordinary shares pursuant to our at-the-market offering facility and in a private placement. However, to continue to meet our longer term business objectives, which would include advancement of our research and development programs, we will need to secure additional financing. We will also require additional funds to pursue regulatory clearances, defend our intellectual property rights, establish commercial scale manufacturing facilities, develop marketing and sales capabilities and fund operating expenses. We intend to seek such additional funding through public or private financings and/or through licensing of our assets or strategic alliances or other arrangements with corporate partners. The global economic climate could adversely impact our ability to obtain such funding, license our assets or enter into alliances or other arrangements with corporate partners. Any shortfall in funding could result in our having to curtail or cease our operations, including our research and development activities, which would be expected to adversely affect our business, financial condition and results of operations.

We have incurred losses in every period since we began operations in 1997 and reported net losses of A$5,239,469, A$6,431,185 and A$4,906,922 during the fiscal years ended June 30, 2012, 2011 and 2010, respectively. As of June 30, 2012, our accumulated deficit was A$90,144,081. We expect to continue to incur additional operating losses over at least the next several years as we expand our research and development and pre-clinical activities and commence additional clinical trials of PBT2. We may never be able to achieve or maintain profitability.

We are a development stage company at an early stage in the development of pharmaceutical products and our success is uncertain.

We are a development stage company at an early stage in the development of our pharmaceutical products which are designed to treat the underlying causes of degeneration of the brain and the eye as the aging process progresses. We have not sufficiently advanced the development of any of our products, including our current lead product candidate, PBT2, to market or generate revenues from their commercial application. Our current or any future product candidates, if successfully developed, may not generate sufficient or sustainable revenues to enable us to be profitable.

We are faced with uncertainties related to our research.

Our research programs are based on scientific hypotheses and experimental approaches that may not lead to desired results. In addition, the timeframe for obtaining proof of principle and other results may be considerably longer than originally anticipated, or may not be possible given time, resource, financial, strategic and collaborator scientific constraints. Success in one stage of testing is not necessarily an indication that the particular program will succeed in later stages of testing and development. It is not possible to predict whether any of the drugs designed for these programs will prove to be safe, effective, and suitable for human use. Each drug will require additional research and development, scale-up, formulation and extensive clinical testing in humans. Unsatisfactory results obtained from a particular study relating to a program may cause us to abandon our commitment to that program or to the lead compound or product candidate being tested. The discovery of unexpected toxicities, lack of sufficient efficacy, unacceptable pharmacology, inability to increase scale of manufacture, market attractiveness, regulatory hurdles, competition, as well as other factors, may make our targets, lead therapies or product candidates unattractive or unsuitable for human use, and we may abandon our commitment to that program, target, lead therapy or product candidate. In addition, preliminary results seen in limited human testing may not be substantiated in larger controlled clinical trials.

We may experience delays in our clinical trials that could adversely affect our business and operations.

We do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule or at all. Our ability to commence and complete clinical trials may be delayed by many factors, including:

- government or regulatory delays, including delays in obtaining approvals from applicable hospital ethics committees and internal review boards;
- slower than expected patient recruitment;
- our inability to manufacture sufficient quantities of our new proprietary compound or our other product candidates or matching controls;
- unforeseen safety issues; and
- lack of efficacy or unacceptable toxicity during the clinical trials.

Patient enrollment is a function of, among other things, the nature of the clinical trial protocol, the existence of competing protocols, the size and longevity of the target patient population, and the availability of patients who comply with the eligibility criteria for the clinical trial. Delays in planned patient enrollment may result in increased costs, delays or termination of clinical trials. Moreover, we rely on third parties to assist us in managing and monitoring clinical trials. Any failure by these third parties to perform under their agreements with us may cause the trials to be delayed or result in a failure to complete the trials.

Product development costs to our collaborators and us will increase if we have delays in testing or approvals or if we need to perform more, larger or more complex clinical trials than planned. Significant delays could adversely affect the commercial prospects of our product candidates and our business, financial condition and results of operations.

We may not be able to secure and maintain research institutions to conduct our clinical trials.

We rely on research institutions to conduct our clinical trials. Our reliance upon research institutions, including hospitals and clinics, provides us with less control over the timing and cost of clinical trials and the ability to recruit subjects. If we are unable to reach agreements with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to quickly replace the research institution with another qualified institution on acceptable terms. Furthermore, we may not be able to secure and maintain suitable research institutions to conduct our clinical trials.

There is a substantial risk that we may not be able to complete the development of PBT2 or develop other pharmaceutical products.

We may not be able to progress with the development of our current or any future pharmaceutical product candidates to a stage that will attract a suitable collaborative partner for the development of any current or future pharmaceutical product candidates. The projects initially specified in connection with any such collaboration and any associated funding may change or be discontinued as a result of changing interests of either the collaborator or us, and any such change may change the budget for the projects under the collaboration. Additionally, our research may not lead to the discovery of additional product candidates, and any of our current and future product candidates may not be successfully developed, prove to be safe and efficacious in clinical trials, meet applicable regulatory standards and receive regulatory approval, be capable of being produced in commercial quantities at reasonable costs, or be successfully or profitably marketed, either by us or a collaborative partner. The products we develop may not be able to penetrate the potential market for a particular therapy or indication or gain market acceptance among health care providers, patients and third-party payers. We cannot predict if or when the development of PBT2 or any future pharmaceutical product will be completed or commercialized, whether funded by us, as part of a collaboration or through a grant.

If we do not obtain the necessary governmental approvals, we will be unable to commercialize our pharmaceutical products.

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived from such activities will be, subject to regulation by numerous governmental authorities in Australia, principally the Therapeutics Goods Administration, or TGA; the Food and Drug Administration, or FDA, in the United States; the Medicines and Healthcare products Regulatory Agency, or MHRA, in the United Kingdom; the Medical Products Agency, or MPA, in Sweden; and the European Medicines Agency, or EMEA. Prior to marketing, any therapeutic product developed must undergo rigorous pre-clinical testing and clinical trials, as well as an extensive regulatory approval process mandated by the TGA and, to the extent that any of our pharmaceutical products under development are marketed abroad, by foreign regulatory agencies, including the FDA in the United States and the MHRA in the United Kingdom. These processes can take many years and require the expenditure of substantial resources. Governmental agencies may not grant regulatory approval due to matters arising from pre-clinical animal toxicology, safety pharmacology, drug formulation and purity, clinical side effects or patient risk profiles, or medical contraindications. Failure or delay in obtaining regulatory approvals would adversely affect the development and commercialization of our pharmaceutical product candidates. We may not be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical product candidates.

We will not be able to commercialize any current or future product candidates if we fail to adequately demonstrate their safety, efficacy and superiority over existing therapies.

Before obtaining regulatory approvals for the commercial sale of any of our pharmaceutical products, we must demonstrate through pre-clinical testing and clinical studies that our product candidates are safe and effective for use in humans for each target indication. Conducting pre-clinical testing and clinical studies is an expensive, protracted and time-consuming process. Likewise, results from early clinical trials may not be predictive of results obtained in large-scale, later-stage clinical testing. In addition, even though a potential drug product shows promising results in clinical trials, regulatory authorities may not grant the necessary approvals without sufficient safety and efficacy data.

We may not be able to undertake further clinical trials of our current and future product candidates as therapies for Alzheimer's disease, Huntington's disease, Parkinson's disease or other indications or to demonstrate the safety and efficacy or superiority of any of these product candidates over existing therapies or other therapies under development, or enter into any collaborative arrangement to commercialize our current or future product candidates on terms acceptable to us, or at all. For example, in April 2005, we ceased clinical trials of our PBT1 compound as a treatment for Alzheimer's disease. Clinical trial results that show insufficient safety and efficacy could adversely affect our business, financial condition and results of operations.

We may need to prioritize the development of our most promising candidates at the expense of the development of other products.

We may need to prioritize the allocation of development resources and/or funds towards what we believe to be our most promising product or products. The nature of the drug development process is such that there is a constant availability of new information and data which could positively or adversely affect a product in development. We cannot predict how such new information and data may impact in the future the prioritization of the development of our current or future product candidates or that any of our products, regardless of its development stage or the investment of time and funds in its development, will continue to be funded or developed.

Our research and development efforts will be seriously jeopardized if we are unable to retain key personnel and cultivate key academic and scientific collaborations.

Our future success depends to a large extent on the continued services of our senior management and key scientific personnel. We have entered into employment or consultancy agreements with these individuals. The loss of their services could negatively affect our business. Our success is highly dependent on the continued contributions of our scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions and scientists. Competition among biotechnology and pharmaceutical companies for qualified employees is intense, and we may not be able to continue to attract and retain qualified scientific and management personnel critical to our success. We also have relationships with leading academic and scientific collaborators who conduct research at our request or assist us in formulating our research and development strategies. These academic and scientific collaborators are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, these collaborators may have arrangements with other companies to assist such companies in developing technologies that may prove competitive to ours.

If we are unable to successfully keep pace with technological change or with the advances of our competitors, our technology and products may become obsolete or non-competitive.

The biotechnology and pharmaceutical industries are subject to rapid and significant technological change. Our competitors in Australia and elsewhere are numerous and include major pharmaceutical companies, biotechnology firms, universities and other research institutions. These competitors may develop technologies and products that are more effective than any that we are developing, or which would render our technology and products obsolete or non-competitive. Many of these competitors have greater financial and technical resources and manufacturing and marketing capabilities than we do. In addition, many of our competitors have much more experience than we do in pre-clinical testing and human clinical trials of new or improved drugs, as well as in obtaining FDA, TGA, MHRA, MPA, EMEA and other regulatory approvals.

We know that competitors are developing or manufacturing various technologies or products for the treatment of diseases that we have targeted for product development. Some of these competitive products use therapeutic approaches that compete directly with our product candidates. Our ability to further develop our products may be adversely affected if any of our competitors were to succeed in obtaining regulatory approval for their competitive products sooner than us.

Acceptance of our products in the marketplace is uncertain, and failure to achieve market acceptance will negatively impact our business and operations.

Our current or future products may not achieve market acceptance even if they are approved by the TGA, FDA or any other regulatory authority. The degree of market acceptance of such products will depend on a number of factors, including:

- the receipt and timing of regulatory approvals for the uses that we are studying;

- the establishment and demonstration to the medical community of the safety, clinical efficacy and cost-effectiveness of our product candidates and their potential advantages over existing therapeutics and technologies; and
- the pricing and reimbursement policies of governments and third-party payors.

Physicians, patients, payors or the medical community in general may be unwilling to accept, use or recommend any of our products.

Our success depends upon our ability to protect our intellectual property and our proprietary technology.

Any future success will depend in large part on whether we can:

- obtain and maintain patents to protect our own products and technologies;
- obtain licenses to the patented technologies of third parties;
- operate without infringing on the proprietary rights of third parties; and
- protect our trade secrets, know-how and other confidential information.

Patent matters in biotechnology are highly uncertain and involve complex legal and factual questions. Accordingly, the availability and breadth of claims allowed in biotechnology and pharmaceutical patents cannot be predicted. Any of the pending or future patent applications filed by us or on our behalf may not be approved, or we may not develop additional proprietary products or processes that are patentable or that we will be able to license any other patentable products or processes.

Our commercial success will also depend, in part, on our ability to avoid infringement of patents issued to others. If a court determines that we were infringing any third party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. Licenses required under patents held by third parties may not be made available on terms acceptable to us or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, export, manufacture or commercialization of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents, and any of these circumstances could adversely affect our business, financial condition and results of operations.

We may have to resort to litigation to enforce any patents issued or licensed to us or to determine the scope and validity of third party proprietary rights. We may have to defend the validity of our patents in order to protect or enforce our rights against a third party. Third parties may in the future assert against us infringement claims or claims that we have infringed a patent, copyright, trademark or other proprietary right belonging to them. Any infringement claim, even if not meritorious, could result in the expenditure of significant financial and managerial resources and could negatively affect our profitability. While defending our patents, the scope of the claim may be reduced in breadth and inventorship of the claimed subject matter, and proprietary interests in the claimed subject matter may be altered or reduced. Any such litigation, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could prevent us from developing, manufacturing or commercializing our products and could adversely affect our business, financial condition and results of operations.

We have limited manufacturing experience with our product candidates. Delays in manufacturing sufficient quantities of such materials to the required standards for pre-clinical and clinical trials may negatively impact our business and operations.

We may not be able to manufacture sufficient quantities of our product candidates in a cost-effective or timely manner. Manufacturing includes the production, formulation and stability testing of an active pharmaceutical ingredient and its formulation into pharmaceutical products, such as capsules or tablets. Any delays in production would delay our pre-clinical and human clinical trials, which could adversely affect our business, financial condition and operations.

We may be required to enter into contracting arrangements with third parties to manufacture our product candidates for large-scale, pre-clinical and/or clinical trials. We may not be able to make the transition from laboratory-scale to development-scale or from development-scale to commercial production. We may need to develop additional manufacturing resources, enter into collaborative arrangements with other parties who have established manufacturing capabilities, or have third parties manufacture our products on a contract basis. We may not have access on acceptable terms to the necessary and substantial financing that would be required to scale-up production and develop effective commercial manufacturing processes and technologies. We may not be able to enter into collaborative or contracting arrangements on acceptable terms with parties that will meet our requirements for quality, quantity and timeliness.

We expect that we will be required to design and develop new synthetic pathways for most, if not all, of the product candidates that we currently intend to develop or may develop in the future. We cannot predict the success of such efforts, the purity of the products that may be obtained or the nature of the impurities that may result from such efforts. If we are not able to obtain an acceptable purity for any product candidate or an acceptable impurity profile, pre-clinical and clinical trials would be delayed, which could adversely affect the priority of the development of our product candidates, our business, financial condition and results of operations. We also cannot guarantee that the active pharmaceutical ingredient, or API, will be suitable for high throughput encapsulation to produce drug product. This may adversely impact the cost of goods or feasibility of market scale manufacture.

We are dependent upon a sole manufacturer of our lead compound, PBT2, and on a sole manufacturer to encapsulate the compound and could incur significant costs and delays if we are unable to promptly find a replacement for either of them.

We typically rely on a single manufacturer to develop Good Manufacturing Practice, or GMP, synthetic processes for our lead compounds. Our lead compound, PBT2, was manufactured by the Institute of Drug Technology Australia Limited until early 2008. During late 2008, we transferred our PBT2 drug substance manufacturing process technology to Dr. Reddy's Laboratories Limited, based in Hyderabad, India, to enable future and efficient large scale manufacture of PBT2 to provide drug substance for the currently planned Phase II trials in Alzheimer's patients and Huntington's patients. We also rely on a sole manufacturer, Patheon Inc., to encapsulate PBT2. We intend to continue this approach, subject to ongoing appraisal of our manufacturing needs and financial position. We may not be able to promptly find a replacement manufacturer, if required, without incurring material additional costs and substantial delays.

The failure to establish sales, marketing and distribution capability would materially impair our ability to successfully market and sell our pharmaceutical products.

We currently have no experience in marketing, sales or distribution of pharmaceutical products. If we develop any commercially marketable pharmaceutical products and decide to perform our own sales and marketing activities, we will require additional management, will need to hire sales and marketing personnel and will require additional capital. Qualified personnel may not be available in adequate numbers or at a reasonable cost. Further, additional financing may not be available on acceptable terms, or at all, and our sales staff may not achieve success in their marketing efforts. Alternatively, we may be required to enter into marketing arrangements with other parties who have established appropriate marketing, sales and distribution capabilities. We may not be able to enter into marketing arrangements with any marketing partner, or if such arrangements are established, our marketing partners may not be able to commercialize our products successfully. Other companies offering similar or substitute products may have well-established and well-funded marketing and sales operations in place that will allow them to market their products more successfully. Failure to establish sufficient marketing capabilities would materially impair our ability to successfully market and sell our pharmaceutical products.

If healthcare insurers and other organizations do not pay for our products, or impose limits on reimbursement, our future business may suffer.

The drugs we hope to develop may be rejected by the marketplace due to many factors, including cost. The continuing efforts of governments, insurance companies, health maintenance organizations and other payors of healthcare costs to contain or reduce healthcare costs may affect our future revenues and profitability and those of our potential customers, suppliers and collaborative partners, as well as the availability of capital. In Australia and certain foreign markets, the pricing or profitability of prescription pharmaceuticals is already subject to government control. We expect initiatives for similar government control at both the state and federal level to continue in the United States and elsewhere. The adoption of any such legislative or regulatory proposals could adversely affect our business and prospects.

Our ability to commercially exploit our products successfully will depend in part on the extent to which reimbursement for the cost of our products and related treatment will be available from government health administration authorities, private health coverage insurers and other organizations. Third-party payors, such as government and private health insurers, are increasingly challenging the price of medical products and services. Uncertainty exists as to the reimbursement status of newly approved health care products and in foreign markets, including the United States. If third-party coverage is not available to patients for any of the products we develop, alone or with collaborators, the market acceptance of these products may be reduced, which may adversely affect our future revenues and profitability. In addition, cost containment legislation and reductions in government insurance programs may result in lower prices for our products and could materially adversely affect our ability to operate profitably.

We may be exposed to product liability claims, which could harm our business.

The testing, marketing and sale of human health care products also entails an inherent risk of product liability. We may incur substantial liabilities or be required to limit development or commercialization of our products if we cannot successfully defend ourselves against product liability claims. We have historically obtained no fault compensation insurance for our clinical trials and intend to obtain similar coverage for future clinical trials. Such coverage may not be available in the future on acceptable terms, or at all. This may result in our inability to pursue further clinical trials or to obtain adequate protection in the event of a successful claim. We may not be able to obtain product liability insurance in the event of the commercialization of a product or such insurance may not be available on commercially reasonable terms. Even if we have adequate insurance coverage, product liability claims or recalls could result in negative publicity or force us to devote significant time, attention and financial resources to those matters.

Natural disasters, terrorist attacks or breaches of network or information technology security could have an adverse effect on our business.

Natural disasters, terrorist acts, acts of war, cyber-attacks or other breaches of network or information technology (IT) security may cause equipment failures or disrupt our systems and operations. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our inability to operate our facilities as a result of such events, even for a limited period of time, may result in significant expenses. In addition, a failure to protect employee confidential data against breaches of network or IT security could result in damage to our reputation. Any of these occurrences could adversely affect our results of operations and financial condition.

We may fail to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADRs.

The Sarbanes-Oxley Act of 2002 imposes certain duties on us and our executives and directors. Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, governing internal control and procedures for financial reporting, which started in connection with our Annual Report on Form 20-F for the year ended June 30, 2008, have resulted in increased general and administrative expenses and a diversion of management time and attention, and we expect these efforts to require the continued commitment of significant resources. We may identify material weaknesses or significant deficiencies in our assessments of our internal control over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities and could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADRs.

Risks Relating to Our Securities

Our stock price may be volatile and the U.S. trading market for our ADSs is limited.

The market price for our securities, like that of the securities of other pharmaceutical and biotechnology companies, has fluctuated substantially and may continue to be highly volatile in the future. During the last two fiscal years, the market price for our ordinary shares on the ASX has ranged from as low as A$0.11 to a high of A$0.38 and the market price of our ADSs on the NASDAQ Capital Market has ranged from as low as US$1.09 to a high of US$4.50. The market price for our securities has been affected by both broad market developments and announcements relating to actual or potential developments concerning products under development. We believe that the following factors, in addition to other risk factors described above and elsewhere in this annual report, will continue to significantly affect the market price of our ordinary shares:

- the results of pre-clinical testing and clinical trials by us and our competitors;
- developments concerning research and development, manufacturing, and marketing alliances or collaborations by us and our competitors;
- announcements of technological innovations or new commercial products by us and our competitors;
- determinations regarding our patent applications, patents and those of others;
- publicity regarding actual or potential results relating to medicinal products under development by us and our competitors;
- proposed governmental regulations and developments in Australia, the United States and elsewhere;
- litigation;
- economic and other external factors; and
- period-to-period fluctuations in our operating results.

In addition, stock markets have experienced extreme price and volume fluctuations. These fluctuations have especially affected the stock market price of many high technology and healthcare related companies, including pharmaceutical and biotechnology companies, and, in many cases, are unrelated to the operating performance of the particular companies. Market fluctuations, as well as general political and economic conditions, such as a recession, interest rate or currency rate fluctuations, could adversely affect the market price of our securities.

Your ownership interest in our company may be diluted as a result of additional financings.

We may seek to raise funds from time to time in public or private issuances of equity, and such financings may take place in the near future or over the longer term. In March 2011, we issued 27,200,000 ordinary shares and options to purchase an additional 6,800,000 ordinary shares in a private placement. In May 2011, we registered US$50,000,000 of securities for public sale pursuant to our registration statement on Form F-3 filed on May 17, 2011. During the fiscal year ended June 30, 2012, we issued a total of 22,694,035 ordinary shares, including 22,042,170 ordinary shares through our "at-the-market" facility. Without shareholder approval, we may not issue more than 15% of our outstanding ordinary shares in any twelve month period. Sales of our ADSs in this offering will result in dilution to our shareholders. Sales of our securities offered through future equity offerings may also result in substantial dilution to the interests of our current shareholders. The sale of a substantial number of securities to investors, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

There is a substantial risk that we are a passive foreign investment company, or PFIC, which will subject our U.S. investors to adverse tax rules.

Holders of our ADRs who are U.S. residents face income tax risks. There is a substantial risk that we are a passive foreign investment company, commonly referred to as PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ADRs and would likely cause a reduction in the value of such ADRs. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005, and once again qualified as a PFIC during each of the last six fiscal years, under a literal application of the asset test described above, which looks solely to market value. We believe that we once again will be classified as a PFIC for the taxable year ended June 30, 2012. If we are classified as a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. holders owning ADRs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. United States residents should carefully read "Item 10.E. Additional Information - Taxation, United States Federal Income Tax Consequences" for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ADRs.

We do not anticipate paying dividends on our ordinary shares.

We have never declared or paid cash dividends on our ordinary shares and do not expect to do so in the foreseeable future. The declaration of dividends is subject to the discretion of our Board of Directors and will depend on various factors, including our operating results, financial condition, future prospects and any other factors deemed relevant by our board of directors. You should not rely on an investment in our company if you require dividend income from your investment in our company. The success of your investment will likely depend entirely upon any future appreciation of the market price of our ordinary shares, which is uncertain and unpredictable. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which you purchased your ordinary shares.

Risks Relating to our Location in Australia

It may be difficult to enforce a judgment in the United States against us and our officers and directors or to assert U.S. securities laws claims in Australia or serve process on our officers and directors.

We are incorporated in Australia. All of our executive officers and directors are non-residents of the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws in an Australian court against us or any of those persons or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to enforce civil liabilities under U.S. federal securities laws in original actions instituted in Australia.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Stock Market Rules. As an Australian company listed on the NASDAQ Capital Market, we may choose to follow home country practice with regard to, among other things, the composition of the board of directors, director nomination process, compensation of officers and quorum at shareholders' meetings. In addition, we may choose to follow Australian law instead of the NASDAQ Stock Market Rules that require that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the Securities and Exchange Commission each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules. As of the date of this report, we have not elected to follow any home country practice instead of NASDAQ requirements.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is Prana Biotechnology Limited. We were incorporated under the laws of the Commonwealth of Australia on November 11, 1997 and began limited operations shortly thereafter. Our registered office is located at Suite 2, 1233 High Street, Armadale, Victoria, 3143, Australia and our telephone number is 011-61-3-9824-8166. Our principal executive office is located at Level 2, 369 Royal Parade, Parkville, Victoria 3052, Australia and our telephone number is 011-61-3-9349-4906. Our website address is www.pranabio.com. The information in our website is not incorporated by reference into this annual report.

Our mission is to develop therapeutic drugs designed to treat the underlying causes of degeneration of the brain and the eye as the aging process progresses, currently focusing on Alzheimer's disease, Huntington's disease and Parkinson's' disease. Other potential applications for our therapies include certain cancers, age-related macular degeneration, Motor Neuron disease, Creutzfeldt-Jakob disease (the human variant of Mad Cow disease) and age-related cataracts. Our technology is the outcome of many years of intense research from some of the leading scientists in the world in the area of age-related degenerative diseases.

In August 2009, a key patent protecting our clinical drug asset PBT2 was granted by the European Patent Office, or the EPO. The patent entitled '8-Hydroxyquinoline derivatives' covers the composition of matter of selected families of 8-Hydroxyquinoline compounds, including PBT2, and the uses of such compounds for the treatment of neurological diseases, including Alzheimer's disease and Huntington's disease. The European patent has a 20-year term expiring on July 16, 2023, with a possible extension of the term of up to five additional years under supplementary protection provisions. In July of 2010, we received notification from the EPO that the mandatory nine month post-grant opposition period had expired in Europe and that the patent had been entered into the European Register of Patents. Also in August 2009, we received a notice of allowance from the United States Patent and Trade Mark Office, or USPTO, for our key patent protecting our clinical drug asset PBT2. The patent was granted in November 2009. The U.S. patent, which is also entitled '8-Hydroxyquinoline derivatives,' covers the composition of matter of selected families of 8-Hydroxyquinoline compounds, including PBT2. In August 2010, we announced that the USPTO granted a recalculation of such U.S. patent term to extend it by 889 days and accordingly, such patent will expire on December 21, 2025. It is possible that the patent may be further extended in the future under the pharmaceutical extension of term provisions that apply in the United States. In April 2011, we announced that the Japanese Patent Office had granted the same patent, also entitled '8-Hydroxyquinoline derivatives', with the claimed subject matter encompassing compounds and pharmaceutical compositions containing PBT2 and the use of the compounds for the treatment of Alzheimer's disease. The Japanese patent will expire on July 2023 and may be eligible for pharmaceutical extension of patent term for up to a further five years. In November 2011, we announced that we received a notice of allowance from the USPTO, for our key patent protecting our product candidate for Parkinson's disease, PBT434. The patent is entitled 'Neurologically Active Compounds' and covers the composition of matter and pharmaceutical compositions of selected families of 8-hydroxy quinazolinone compounds, including PBT434.

Since inception, we have not been required to invest material amounts for capital expenditures since our development efforts have taken place at research facilities operated by institutions with which we have relationships. In the three fiscal years ended June 30, 2012, our capital expenditures have totaled A$63,121.

Alzheimer's disease

Since completing our initial public offering and listing process of our ordinary shares on the ASX on March 28, 2000, we have concentrated our resources toward the pursuit of our disease targets and creation of a chemical library of metal protein attenuating compounds, or MPACs. PBT2 was announced as Prana's lead MPAC for Alzheimer's disease in early August 2003. PBT2 is the result of rational drug design and was built "from the ground up" to fulfill very specific criteria. It was designed so that it will be orally bioavailable and cross the blood-brain barrier. PBT2 was selected from over 300 MPAC compounds that had been developed by us at such time on the basis of its significant effectiveness in pre-clinical testing, both *in vitro* and *in vivo*. It was designed to have an improved safety and efficacy profile compared to the prototype MPAC, PBT1. Phase I trials for PBT2 were completed by February 2006 in healthy young and aged volunteers and demonstrated that the drug was well tolerated and suitable for Phase II clinical development.

During 2007, a Phase IIa clinical study was undertaken in elderly patients with Alzheimer's disease over three months. The top line results were announced in February 2008, including the primary endpoints of safety and tolerability being met together with several secondary endpoints in biomarker and cognition endpoints also being met. In July 2008, the results of the Phase IIa trial were published in *The Lancet Neurology* journal. The key findings included that PBT2 was well tolerated, with the safety profile of PBT2 being similar to that of the placebo, that the level of Abeta in the cerebrospinal fluid was significantly lowered and that two measures of executive cognitive function were improved in patients on the higher dose of PBT2.

Also in July 2008, the results of extensive pre-clinical research findings for PBT2 were published in the journal *Neuron*. The key findings included the demonstration that PBT2 could rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses between neurons enabling improved neurotransmission. In March 2009, we published further data on the impact of PBT2 on synapses in transgenic animal models. The findings demonstrated that PBT2 could prevent the loss of synapses in these Alzheimer's disease animal models, indicating that PBT2 has a potent neuroprotective effect on neurons, consistent with the observation that PBT2 can improve cognitive performance in impaired transgenic animals.

In November 2009, an erratum to the July 2008 edition of *The Lancet Neurology* journal was published that corrected the original results of the neuropsychological test battery, or NTB, arising from the Phase IIa trial. The corrected results show that in addition to two measures of executive cognitive function found to be significantly improved, the overall executive function domain of the NTB, comprising five cognitive tests, was significantly improved for those patients taking 250mg of PBT2 compared to patients on placebo. In April 2010, we published an unblinded analysis of the responses of individual patients treated with PBT2 in the Phase IIa clinical trial in *The Journal of Alzheimer's Disease*. The responder analysis demonstrated that there was a significant probability that any patient with improved cognitive executive function in the trial was being treated with 250mg of PBT2. Moreover, 81% of patients taking the 250mg dose of PBT2 responded better on the executive function of the NTB score than the best performing patient on placebo. Improvement in ADAS-cog, a measure of memory and cognition, was observed in patients treated with 250mg of PBT2, almost reaching statistical significance by 12 weeks of the Phase IIa trial. The corrected cognitive data from the Phase IIa trial together with the additional internal analysis provided strong evidence of the ability of PBT2 to improve cognitive executive function as measured by the NTB.

In March 2011, we announced that the New York-based Alzheimer's Drug Discovery Foundation would make a $700,000 project-based investment towards a Phase II study in 40 patients with prodromal or mild Alzheimer's disease. The primary outcome measure for this trial is the burden of amyloid in the brain as measured by brain imaging techniques. For additional details regarding the clinical trial in Alzheimer's disease with PBT2, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Lead Compound."

Huntington's disease. In late July 2008, we received the findings from a report commissioned by us from U.S.-based clinical researchers on the suitability of PBT2 for Huntington's disease. The report detailed the relevance of animal modeling experiments done with PBT2, its demonstrated mode of action in the brains of Huntington's disease model mice and its promising safety and efficacy findings in the recently completed Alzheimer's disease Phase IIa study with PBT2. The report concluded that PBT2 was recommended to proceed to clinical trials in Huntington's disease research participants.

In July 2010, we presented data emerging from our research and development that the neuroprotective qualities of our lead product candidate PBT2 indicate that PBT2 may have clinical application in Huntington's disease patients in addition to Alzheimer's disease. At the International Conference on Alzheimer's Disease in Hawaii, our Head of Research, Associate Professor Robert Cherny, described how PBT2 prolonged survival, increased motor strength and delayed involuntary limb clenching that otherwise presents in the transgenic mouse model of Huntington's disease. In addition, PBT2 appears to prevent the aggregation of the hallmark toxic mutant huntingtin protein. Examination of the brains of transgenic mice revealed that PBT2 had a significant impact on preventing the degeneration of neurons, further evidencing the neuroprotective attributes of PBT2 that had been reported earlier in our work on Alzheimer's disease.

In December 2010, our management assembled a team to develop a Phase IIa clinical trial protocol for the treatment of Huntington's disease with PBT2. The group is comprised of leading clinical researchers from Australia and the United States, including members from the Huntington Study Group based in the United States and Australia. The team designed a six month Phase IIa clinical trial testing study most appropriate for PBT2, or the Reach2HD Trial, which includes a double blind placebo controlled study of 100 patients with early to mid-stage Huntington's Disease. On April 30, 2012, we announced that the first patient had been dosed in the Reach2HD Trial. For additional details regarding the clinical trial in Huntington's disease with PBT2, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Lead Compound."

Brain Cancer. In September 2009, we received a report on a study conducted on PBT519, our lead brain cancer MPAC, by the Royal Melbourne Hospital. The report showed that PBT519 was able to significantly prevent the growth of the tumors of the deadly *glioblastoma multiforme* form of brain cancer in mouse models of the disease. Moreover, PBT519 appeared to be very well tolerated and was at least as efficacious as the current leading form of chemotherapy, temozolomide. The data indicates that PBT519 may work synergistically with temozolomide in reducing the growth of such brain tumors. The company is generating mechanistic information on the behaviour of this compound and generating other structurally related MPACs with potential anti-cancer activity. During 2012, prospective candidate compounds have been submitted to the National Institutes for Cancer in the National Institutes of Health and the Department of Health and Human Services based in Bethesda, Maryland. See Item 4.B "Business Overview – Platform Technology and Research Programs – Brain Cancer."

Parkinson's disease. In September 2010, we announced that we have selected a new novel lead drug candidate with potential to be developed as a disease modifying treatment for Parkinson's disease, PBT434. Over the past year, substantial mechanistic information of PBT434 has been generated and the company was awarded a grant of $206,000 from the New York based Michael J. Fox Foundation to initiate pre-clinical development of the compound. See Item 4.B "Business Overview - Platform Technology and Research Programs - Parkinson's Disease."

B. BUSINESS OVERVIEW

Prana's Background

Medical science has made a significant number of breakthroughs over the past century. The average life span in western cultures has substantially increased. The diseases associated with aging have, however, yet to be fully understood or effectively treated. It is now believed that a number of age-related diseases may be capable of being treated.

The protein believed to be involved in the toxicity associated with Alzheimer's disease is beta amyloid. Very little was known about beta-amyloid protein until 1984 when Professors Colin Masters, Konrad Beyreuther and the late Dr. George Glenner sequenced the chemistry of the protein which has since become the dominant focus of Alzheimer's disease research world-wide.

In 1987, Professors Masters, Beyreuther and Rudi Tanzi of Harvard Medical School discovered how beta-amyloid was produced and in 1994, Professor Ashley Bush of Harvard Medical School discovered that the interaction between metals and beta-amyloid is associated with the toxicity seen in Alzheimer's disease, hopefully paving the way for the development of therapeutic drugs to treat the disease.

Our intellectual property has been developed over an extended period through the collaborative efforts of highly regarded scientists and research institutions in this field.

Research Institutions

The intellectual property owned by our company has been developed at several internationally recognized institutional research facilities, listed below, and through a team of scientists employed or engaged by our company who are based at the University of Melbourne:

- The Massachusetts General Hospital, Genetics and Aging Unit in Boston. Massachusetts General Hospital is the largest teaching hospital for Harvard Medical School;
- The University of Melbourne, Department of Pathology;
- The Mental Health Research Institute in Melbourne; and
- The Biomolecular Research Institute in Melbourne.

Work conducted at the first three of these institutions demonstrated that clioquinol, codenamed PBT1, had potential efficacy for the treatment of Alzheimer's disease. Our research efforts led to the development of a novel MPAC within the same chemical class as PBT1, PBT2, a low molecular weight chemical entity that demonstrates a significant pre-clinical improvement over PBT1, and currently a library of over 800 MPAC molecules in total (approximately 200 of which are of the same chemical class as PBT1 with the remaining MPACs of other chemical classes). Our research program aims to find further and potentially more effective preferred compounds for the treatment of Alzheimer's disease as well as for our other major disease indications (such as Huntington's disease, Parkinson's disease, certain cancers and age-related macular degeneration).

Platform Technology and Research Programs

We regard our intellectual property as a "platform technology" since we believe that it addresses the causes of a broad spectrum of age-related diseases based on the interrelationship of metals and proteins. To date, the majority of our research efforts have been directed at research into potential therapeutics for the treatment of Alzheimer's disease, as well as Huntington's disease and Parkinson's disease**.** Published data together with our initial findings have provided strong indications that the pathology for other certain age-related and degenerative disorders may also be based on the inter-relationship between certain metals and proteins, and we believe that the platform technology may also be applicable for: certain cancers; age-related macular degeneration; Motor Neuron disease; Creutzfeldt-Jakob disease; age-related cataracts; and other neurodegenerative diseases.

Alzheimer's disease. Research is ongoing to increase our understanding of the neuropathology of Alzheimer's disease. Our research continues to focus on the structure and function of beta-amyloid and its precursor, and protein structural studies specifically around the sites of interaction between metals, metal complexes, our MPACs and the significant proteins in Alzheimer's disease, such as Amyloid Precusor Protein and beta-amyloid. PBT2, our lead compound from our MPAC library for Alzheimer's disease, has been extensively tested in both *in vitro* and *in vivo* animal models for its ability to reduce both the amount of Abeta and its toxic effects in the brain. Results of the research, which were published in the journal *Neuron* in July 2008, demonstrate that PBT2 can rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses (the space) between neurons, enabling improved neurotransmission. Experimental work during 2008 and 2009 has shown that PBT2 can also prevent the loss of neuronal synapses, a feature of the brain degeneration associated with Alzheimer's disease.

During 2009 and 2010, our scientists further examined the apparent link between aging and disease related defects due to metal imbalances in the brain. In February 2010, we reported in *The Journal of Neuroscience* on the loss of synaptic zinc uptake mechanisms in aged animal models and how this correlated with cognitive impairment. Our scientists also investigated the molecular basis for the neuroprotective qualities of PBT2 in animal models of Alzheimer's disease. They found that several important intracellular signaling pathways required for neuronal function were stimulated when animals were treated with PBT2. In March 2011, we reported in the scientific journal PLoS ONE that in the same Alzheimer's animal model where PBT2 is able to significantly improve cognition, it also caused changes in the brain anatomy. Specifically, it was observed that PBT2 treatment had significantly increased the numbers of spines on the branches (or dendrites) of neurons in the hippocampus, a memory centre affected in Alzheimer's disease. Increasing the number of spines permits many more neurons to interconnect with any particular neuron thereby increasing the brain's capacity to carry out learning and memory functions. These findings provide an insight into how PBT2 helps preserve and protect neurons in Alzheimer's disease and also in animal models of Huntington's disease.

In September 2011, new data was published on how the ability of PBT2 to transport and deliver zinc and copper in the brain contributes to mechanisms related to its anti-toxic effects of Alzehimer disease, including inhibition of beta-amyloid aggregation and promotion of the activation of GSK3 protein, an important brain protein suggested to be involved in Alzheimer disease. In addition, one of our research scientists, Dr Paul Adlard, received an Australian National Health and Medical Research Council (NHMRC) grant to study the benefits of PBT2 and other compounds in age-related cognitive impairment in a program entitled, "The role of metals in healthy brain aging: identification of novel compounds to prevent age-related cognitive decline." The grant will provide an opportunity to explore the importance of metal distribution imbalances in the brain to both cognitive deficits with ageing and Alzheimer disease. Also in October 2011, our scientist and co-inventor of PBT2, Dr. Kevin Barnham, was awarded a NMHRC grant to explore how PBT2's copper binding and transport activity can inhibit brain excitotoxicity, which is the overstimulation of certain chemical neurotransmitter receptors on neurons (NMDA receptors). Excitotoxicty is a common feature in the brains of patients affected by neurodegenerative disorders such as Alzheimer's disease and Huntington's disease. In March 2012, our newly appointed Chief Scientific Advisor, Professor Rudolph E. Tanzi, published an important body of work on the role of brain metals in the etiology of Alzheimer's disease, supporting Prana's therapeutic strategy. The paper was entitled, 'The Zinc Dyshomeostasis Hypothesis of Alzheimer's Disease' published in *PLoS ONE* in March 2012.

Our research into the interaction of metals with Abeta protein has resulted in the identification of agents which can block the metal binding site on Abeta thereby preventing the downstream toxicity of Abeta protein on neurons. This therapeutic approach to Alzheimer's disease is an alternative and complimentary drug strategy to our MPACs, which directly compete with Abeta protein by binding metals such as copper and zinc. Results from several proof-of-concept compounds were published in the Proceedings of the *National Academy of Sciences Journal* in May 2008. In addition to their use as Alzheimer disease therapeutics, these amyloid binding compounds may also have potential as novel imaging agents, binding Abeta in the brain. Our discovery program is generating novel forms of this alternative anti-amyloid class of compounds for testing in animal models as either therapeutic or diagnostic agents.

Metals, in particular copper, may cause Abeta protein to form specific toxic oligomers that inhibit normal neurotransmission in the brain. Accordingly, these toxic oligomers present a novel immunological target for vaccine research. Since 2004, we have undertaken a program to create a monoclonal antibody that only recognizes specific forms of the toxic Abeta oligomers and not other forms of Abeta protein. A candidate monoclonal antibody has been identified and will be tested for its efficacy and safety in a prospective mouse passive vaccine trial. However, initiation of the trial has been indefinitely delayed due to difficulties in the scale up and purification of the monoclonal antibody.

Huntington's Disease. Huntington's disease is a crippling genetic neurodegenerative disorder of the central nervous system caused by a mutation in a gene which encodes the huntingtin protein. The disease results in progressive deterioration of physical, cognitive and emotional abilities that lead to severe incapacitation and eventually death, generally 15-25 years after the onset of the disease. Huntington's disease primarily affects adults, usually between the ages of 30 and 50.

U.S.-based researchers have presented the effects of clioquinol in an animal model of Huntington's disease, showing evidence of improved behavior, motor skills and inhibition of the abnormal form of the huntingtin protein. Based on these findings, we have tested several proprietary MPACs in collaboration with researchers based at the Veterans Affairs Medical Center and the Department of Neurology, University of California, San Francisco, under a collaborative research agreement. PBT2 has shown good efficacy in the R6/2 mouse model of Huntington's disease.

In late July 2008, we received the findings from a report commissioned by us from U.S.-based clinical researchers on the suitability of PBT2 for Huntington's disease, concluding that PBT2 was recommended to proceed to clinical trials in Huntington's disease research participants. Further work undertaken by our scientists during 2009, 2010 and 2011 on the neuroprotective qualities of PBT2 provides further evidence that PBT2 may be considered for clinical application in Huntington's disease. Others scientists have previously published data that demonstrates that the levels of copper in the brains of Huntington's disease animals, such as the R6/2 mouse model, have elevated levels of copper relative to normal mice and that copper promotes the aggregation of the mutant Huntington protein formed in the brains of affected animals. Our scientists hypothesize that PBT2 may benefit Huntington's patients by preventing the aggregation of the huntingtin protein and through its neuroprotective properties, help to maintain normal neuronal function. This hypothesis is further supported by the findings of other researchers that the mutant huntingtin protein has a copper binding site and that the formation of oligomers or aggregates of the mutant protein that are toxic to neurons appears to be a metal-dependent process. The role of brain metals in the etiology of Huntington's disease was described in the Archives of Neurology paper entitled, 'Alterations in Brain Transition Metals in HD' authored by Professor Diana Rosas of the Center for Neuroimaging of Aging and Neurodegenerative disease at Massachusetts General Hospital in Boston. This important paper describes how the rise in levels of iron in the brains of people carrying the mutant huntingtin gene correlates with the severity of symptoms and also predicts the time of disease onset. Professor Rosas is the co-Principal Investigator of the company's Phase IIa clinical trial in Huntington's disease patients. Her work suggests that targeting the brain metals that accumulate in the Huntington's disease brain could offer an alternative therapeutic strategy.

Parkinson's Disease. Parkinson's disease, another crippling disease of the aging population, causes a progressive slowing of movement, tremors and the loss of fine motor control due to the death of *substantia nigra* cells in the brain. The *substantia nigra* cells produce the neurotransmitter dopamine in the brain, which is required for normal motor coordination. Increasingly, dementia is also being recognized as a significant component of Parkinson's disease. Existing therapies, such as dopaminergic agents, may provide some short-term symptomatic relief, but do not address the underlying cause of the disease. We believe that our platform technology may affect the aggregation of the proteins concerned and may provide a pathway for reversing the disease. Parkinson's disease ranks among the most common late life neurodegenerative diseases.

During 2005, we entered into a contractual arrangement with the Integrative Neuroscience Facility based at the Howard Florey Institute in Melbourne to assist in the examination of the effect of MPACs administered to the 6-hydroxydopamine (PD) mouse model of the disease, which concluded with positive results. In addition, groups unrelated to us have published data that demonstrates the usefulness of clioquinol in treating the symptoms of Parkinson's disease generated in the alternative MPTP (1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine) mouse model of the disease. These two mouse models mimic the disease by using these toxins to destroy over time the cells of the *substantia nigra*, the area of the brain affected in Parkinson's disease, leading to motor function loss. Based on these positive results with clioquinol in such two mouse models, we began investigating the efficacy of other selected MPACs in these two models to screen for possible MPAC candidates as treatment candidates for Parkinson's disease. Currently, we have identified six potential compound leads that demonstrate the ability to rescue the *substantia nigra* neuronal cells in both models of Parkinson's disease, that otherwise perish over time as the disease progresses. During 2009 and 2010, a lead Parkinson's disease treatment candidate emerged, PBT434. PBT434 demonstrated significant ability to protect *substantia nigra* cells from the toxic effects of the two toxins, 6-hydroxydopamine and MPTP, when administered in the two models of Parkinson's disease. Motor function and coordination were also markedly improved in both models. This neuroprotection and motor improvement was observed when the candidate compound was administered after toxins had destroyed significant amounts of *substantia nigra* tissue, indicating that the compound can restore and maintain normal neuronal function. In September 2010, we announced that we selected PBT434 as a new novel lead drug candidate with potential to be developed as a disease modifying treatment for Parkinson's disease. During 2011, further mechanistic characterisation work was undertaken, and it was demonstrated that PBT434 reduces the accumulation of the target protein in Parkinson's disease and alpha-synuclein, and elevates the levels of the neuroprotective protein, DJ-1, which helps to modulate and reduce oxidative stress in neurons. In August 2011, the New York-based Michael J. Fox Foundation awarded us a grant entitled, 'PBT434, a Novel Neuroprotective Drug For Parkinson's Disease; Completion of Pre-Clinical Studies to Enable Human Clinical Trials.' In August 2012, we announced that PBT434 had achieved all of its milestones to date in preclinical toxicology studies, genotoxicity and safety pharmacology - allowing the compound to be positioned for larger scale animal toxicology studies prior to commencing clinical trials.

Brain Cancer. We have initiated a program of research into the potential use of selected MPACs from our library for use in the treatment of brain cancer, in particular the most prevalent and deadly form of the disease, Glioblastoma Multiforme, or GBM. Patients with GBM have a very poor prognosis upon diagnosis with an estimated median survival of approximately 12 months. The most commonly prescribed treatments are chemotoxic agents together with radiation therapy, which confer a median survival increase of several months. There is an increasing body of published evidence that there are elevated levels of copper in tumors leading to increased cellular oxidative stress. Several of our MPACs that demonstrate potent toxicity against human gliomablastoma cell lines and yet remain untoxic to normal brain cells are being tested in mouse models of GBM. We believe that MPACs with a strong ability to deliver copper into tumor cells will promote their death, and we are currently investigating this *in vivo*.

In September 2009, we received a report on a study conducted on PBT519, our lead brain cancer MPAC, by the Royal Melbourne Hospital. The report showed that PBT519 was able to significantly prevent the growth of the tumors of the deadly GBM form of brain cancer in mouse models of the disease. Moreover, PBT519 appeared to be very well tolerated and was at least as efficacious as the current leading form of chemotherapy, temozolomide. The data indicates that PBT519 may work synergistically with temozolomide in reducing the growth of such brain tumors. During 2010 and 2011, our discovery team have been creating variants of PBT519 to further understand its mechanism of action. PBT519 and related compounds have been submitted to the United States National Cancer Institute for *in vitro* profiling against a large range of tumour cell lines to test for anti-tumour potency.

Clinical Trials for Our Lead Compound

In February 2005, we were awarded a research and development START grant of A$1.35 million to take PBT2 through safety testing and Phase I clinical trials for Alzheimer's disease. Formal pre-clinical toxicology testing for PBT2 was completed and in March 2005, we commenced a series of Phase I clinical trials at a facility associated with the Utrecht University Hospital in Utrecht, the Netherlands. On November 7, 2005, we announced the successful completion of the first Phase I trial for PBT2, a double blind, placebo-controlled single dose escalation study, conducted on 55 healthy male volunteers between the ages of 18 and 50, which was designed to evaluate the safety, tolerability and pharmacokinetics of PBT2. Data from the study shows that PBT2 was well tolerated with little difference in the incidence of adverse events between those receiving PBT2 and those receiving the placebo. Additionally, the pharmacokinetic analysis demonstrated that the drug exposure increased/decreased predictably and in a linear manner, both of which are desirable characteristics for a central nervous system drug. On February 7, 2006 we announced the completion of the second Phase I safety clinical trial for PBT2. This trial was a multi-dose escalation trial of PBT2 conducted in elderly, healthy male and female volunteers completed in December 2005. Volunteers were dosed at a selected dose for seven days; the dose range was from 200mg to 800mg per day. Both Phase I trials demonstrated that PBT2 was well tolerated and suitable for progression to Phase II trials in patients with Alzheimer's disease.

In the third calendar quarter of 2006, chronic pre-clinical animal toxicology studies and the development work for GMP manufacture of PBT2 required for Phase II clinical studies was conducted and completed. On July 20, 2006, while preparations for the Phase IIa clinical trial were underway, we announced key pre-clinical efficacy findings with PBT2 demonstrating that PBT2 could rapidly enhance memory function within five days of dosing in an Alzheimer's disease mouse model, improve synaptic function and significantly reduce soluble beta-amyloid protein levels in mouse models of Alzheimer's disease in acute 24 hour experiments. On October 5, 2006, we announced the grant of approval from the Swedish Medical Products Agency (a Swedish regulatory authority) to undertake a Phase IIa clinical trial in elderly patients with mild Alzheimer's disease in Sweden. The Phase IIa trial was a three month double-blind, placebo-controlled safety and tolerability study of PBT2 in 80 elderly male and female patients with mild forms of Alzheimer's disease. Tolerability, safety, cerebrospinal fluid and plasma biomarker and cognition endpoints were measured. On August 6, 2007, we announced that 55 patients (of the planned 80) had been randomized to participate in the Phase IIa clinical trial, of which 30 patients had completed the trial, and that the independent Data Safety Monitoring Board, or DSMB, appointed by us upon the recommendation of Dr. Craig Ritchie and Quintiles, for the Phase IIa clinical trial of PBT2 had reviewed the data of over 50 patients and concluded there have been no treatment-related serious adverse events or withdrawals and that the trial was safe to continue in accordance with the original protocol. The DSMB is an independent group of experts who review the accumulated safety data in ongoing clinical trials in order to safeguard the interests and safety of participating and future patients. On November 29, 2007, we announced that the DSMB had completed its cycle of safety review meetings and reported to us that of the 59 patients included in the review at that time, there had been no treatment-related serious adverse events or withdrawals. The DSMB confirmed that the trial was safe to continue. Patient dosing was completed on December 18, 2007, and we announced the formal completion of the study on January 2, 2008. On February 26, 2008, we publicly released the top line trial results and announced that the trial primary endpoints of safety and tolerability were met. We also announced that with respect to the secondary endpoints, namely biomarker, cognition and behavioral changes, several significant and promising changes were observed. Specifically, that in the cerebrospinal fluid (CSF), PBT2 treatment at a 250mg dose resulted in a significant decrease in the target Abeta 42 protein. In addition, at the 250mg dose, while no significant effect was observed with the ADAS-cog, two of the five NTB tests for improvement in executive function were significantly improved. In July 2008, the results of the Phase IIa trial were published in *The Lancet Neurology* journal. The key findings included the demonstration that PBT2 could rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses between neurons enabling improved neurotransmission. Also in July 2008, the results of extensive pre-clinical research findings for PBT2 were published in the journal *Neuron*. The key findings included the demonstration that PBT2 could rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses between neurons enabling improved neurotransmission.

In November 2009, an erratum to the July 2008 edition of *The Lancet Neurology* journal was published that corrected the original results of the NTB cognitive findings arising from the Phase IIa trial. The corrected results show that in addition to the two measures of executive cognitive function found to be significantly improved, the overall executive function domain of the NTB, comprising five cognitive tests, was significantly improved for those patients taking 250mg of PBT2 compared to patients on placebo. In April 2010, we published an analysis of the responses of individual patients treated with PBT2 in the Phase IIa clinical trial in the *Journal of Alzheimer's Disease*. The analysis demonstrated that there was a significant probability that any patient that showed cognitive executive function improvement in the trial was being treated with 250mg of PBT2. Moreover, 81% of patients on the 250mg dose of PBT2 responded better on the executive function of the NTB score than the best performing patient on placebo. Improvement in ADAS-cog, a measure of memory and cognition, was observed with patients treated with 250mg of PBT2, almost reaching statistical significance by 12 weeks of the Phase IIa trial. The corrected cognitive data from the Phase IIa trial together with the additional analysis provides strong evidence of the ability of PBT2 to improve cognitive executive function as measured by the NTB. Also in November 2009, Prana presented its pre-clinical and clinical information package on PBT2 to the FDA in accordance with the Pre-Investigational New Drug, or IND, Consultation Program. The meeting provided useful guidance on possible steps to take to open an IND Application with the FDA to undertake clinical trials in the United States in Alzheimer's disease or Huntington's disease. The meeting provided us with important information to help form our regulatory strategy for the development of PBT2 in these neurological indications.

During the first half of 2010, we developed a Phase IIb trial protocol to test PBT2 in a Phase II trial in patients with Alzheimer's disease under the guidance of an international protocol steering committee. The protocol provides for a substantial trial measuring the effects of PBT2 on cognition and functional abilities in patients with mild to moderate Alzheimer's disease. We have not yet scheduled a Phase IIb trial in patients with Alzheimer's disease, which will require significant funding. In November 2011, we announced the approval from the Austin Health Research Ethics Committee based at the Austin Hospital Melbourne, to commence a 12 month Phase II imaging trial with PBT2 in patients with prodromal or mild Alzheimer disease. The study is being supported in part by a grant of US$700,000 from the New York based Alzheimer's Drug Discovery Foundation, or ADDF. The trial will entail forty patients treated for twelve months with either 250mg PBT2 or a placebo. The trial design will investigate the effect of PBT2 on a patient's amyloid burden in the brain as measured by Positron Emission Tomography imaging (PET), brain metabolic activity as measured by F-18-fluorodeoxyglucose, FDG - PET and brain volume by Magnetic Resonance Imaging, or MRI. As the Phase IIa trial demonstrated significant changes in cognitive executive function in twelve weeks, this trial will look at such cognitive domains over a twelve month period in this patient group. In December 2011, patient screening commenced for the imaging trial and was given the study name "IMAGINE." The first patient was enrolled in March 2012 and the trial is currently in its recruitment phase. In September 2012, we announced that the DSMB had held its first meeting and assessed that the trial may proceed as planned.

In addition to the current activities to initiate an imaging trial in Alzheimer's patients, we finalized a protocol to test PBT2 in a Phase II trial in patients with Huntington's disease. In April of 2011 the company announced its plans for a Phase IIa study in Huntington's disease. The trial is being undertaken under an open IND application through the FDA and is being conducted in clinical sites across the United States and Australia. The Phase IIa trial design entails a double blind placebo controlled study of 100 patients with early to mid-stage Huntington Disease and has the study name "Reach2HD." The trial will investigate the effect of PBT2 on cognition, behaviour, functional capacity, motor effects and safety and tolerability measures. In addition, an exploratory arm of the study, under the guidance of the co-Principal Investigator of the study, Professor Diana Rosas, will involve MRI brain imaging to undertake iron mapping in a patient's brain. Professor Rosas has published that iron and other metals change in concentration and distribution in the brain with increasing severity of the condition. In April 2012, the company announced that the first patient was enrolled into the study, which is currently in its recruitment phase.

Rational Drug Design

Rational drug design employs experiment-based models, which target the molecular composition of various substances (in the case of Alzheimer's disease the beta-amyloid protein) to allow the design of new chemical entities with the propensity to influence targeted substances and processes. In the case of MPACs, the targeted substances believed important are proteins and metals and the process of specific interest is believed to be metal-mediated oxyradical formation which leads to neurodegenerative changes.

Our medicinal chemistry program, previously based at laboratories leased from The University of Melbourne, was transferred in October 2009 to a laboratory leased from The University of Melbourne's Bio21 Molecular Science and Biotechnology Institute, which is a multidisciplinary research center that specializes in medical, agricultural and environmental biotechnology. Accommodating more than 500 research scientists, students and industry participants, the Bio21 Institute is one of the largest biotechnology research centers in Australia.

To date, our scientists have developed a pipeline of compounds across multiple chemical classes that target the interaction of specific metals and certain aggregating proteins such as beta-amyloid. Compounds continue to be designed, synthesized and undergo the required early phase pre-clinical screening before they are available for human testing. Based on the results of initial screening, our medicinal chemists continue to develop new chemical entities with novel design features and we believe that rational drug design will provide new and specifically designed drugs which will display efficacy in disaggregating aggregation-prone proteins such as beta-amyloid, α-synuclein and huntingtin, paving the way for future therapeutics.

A series of *in vitro* assays have been established to screen compounds developed by our medicinal chemistry group. From early 2002, a program was initiated by our medicinal chemistry group to undertake preliminary *in vivo* pharmacology and kinetic studies of the new compounds demonstrating activity in the *in vitro* screens. We perform *in vivo* modeling for our lead compound candidates for Alzheimer's disease with transgenic mice expressing a similar phenotype to human Alzheimer's disease. Similarly, a transgenic mouse carrying a mutated Huntingtin gene is used to model Huntington's disease and mice treated with neuronal toxins to produce the Parkinson's phenotype are used to model Parkinson's disease. Based on the results of these studies, lead compounds are selected by our medicinal chemistry group for formal pre-clinical studies. Data generated by these *in vitro* and *in vivo* screens are incorporated into our medicinal chemistry program to further refine development strategies for new compounds.

PBT2, our current Alzheimer's disease lead MPAC product candidate and PBT434 our candidate lead compound for Parkinson's disease were selected from this "rationally designed" pipeline. Both compounds have been built "from the ground up" to fulfill very specific criteria such as oral bioavailability and ability to cross the blood-brain barrier. PBT2 and PBT434 were selected from several hundred compounds and have demonstrated significant effectiveness in both pre-clinical *in vitro* and *in vivo* testing. For details regarding our PBT2 clinical trials see above in this Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Lead Compound."

Patents and Licenses

Patent Matters

Patent matters in biotechnology are highly uncertain and involve complex legal and factual questions. Accordingly, the availability and breadth of claims allowed in biotechnology and pharmaceutical patents cannot be predicted. Statutory differences in patentable subject matter may limit the protection we can obtain on some or all of our inventions outside Australia or prevent us from obtaining patent protection outside Australia, either of which could adversely affect our business, financial condition and results of operations. For example, methods of treating humans are not patentable in many countries outside Australia and the United States. Moreover, since patent applications are not published until at least 18 months from their first filing date and the publication of discoveries in the scientific literature often lags behind actual discoveries, we cannot be certain that we or any of our licensors were the first creator of inventions covered by pending patent applications or that we or our licensors were the first to file patent applications for such inventions. Additionally, the grant and enforceability of a patent is dependent on a number of factors that may vary between jurisdictions. These factors may include the novelty of the invention, the requirement that the invention not be obvious in the light of prior art (including prior use or publication of the invention), the utility of the invention, and the extent to which the patent clearly describes the best method of working the invention.

While we intend to seek patent protection for our therapeutic products and technologies, we cannot be certain that any of the pending or future patent applications filed by us or on our behalf will be approved, or that we will develop additional proprietary products or processes that are patentable or that we will be able to license any other patentable products or processes. We also cannot be certain that others will not independently develop similar products or processes, duplicate any of the products or processes developed or being developed by us or licensed to us, or design around the patents owned or licensed by us, or that any patents owned or licensed by us will provide us with competitive advantages. Furthermore, we cannot be certain that patents held by third parties will not prevent the commercialization of products incorporating the technology developed by us or licensed to us, or that third parties will not challenge or seek to narrow, invalidate or circumvent any of the issued, pending or future patents owned or licensed by us.

Our commercial success will also depend, in part, on our ability to avoid infringement of patents issued to others. If a court of competent jurisdiction determines that we were infringing any third party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. We cannot be certain that the licenses required under patents held by third parties would be made available on terms acceptable to us or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, export, manufacture or commercialization of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents, and any of these circumstances could adversely affect our business, financial condition and results of operations.

We may have to resort to litigation to enforce any patents issued or licensed to us or to determine the scope and validity of third party proprietary rights. Such litigation could result in substantial costs and diversion of effort by us. We may have to participate in opposition proceedings before the Australian Patent and Trademark Office or another foreign patent office, or in interference proceedings declared by the United States Patent and Trademark Office, to determine the priority of invention for patent applications filed by competitors. Any such litigation, interference or opposition proceeding, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could prevent us from developing, manufacturing or commercializing our products and could adversely affect our business, financial condition and results of operations.

In addition to patent protection, we rely on unpatented trade secrets, know-how and other confidential information as well as proprietary technological innovation and expertise that are protected in part by confidentiality and invention assignment agreements with our employees, advisors and consultants.

Patent Portfolio

The following table presents our portfolio of patent and patents applications, including their status and a brief description of the respective inventions.

Patent	Status	Invention
"Beta amyloid peptide inhibitors"	Patents have been granted in the USA, Canada and Australia.	The invention encompasses claims to specific classes of metallocomplex agents capable of inhibiting binding of specified metal ions to the N-terminus of beta-amyloid and the use of these agents in the treatment of amyloid related conditions including Alzheimer's Disease.
Filed: July 21, 2000		
Applicant: Biomolecular Research Institute and University of Melbourne		
Assigned to Prana Biotechnology Limited		
"Neurotoxic Oligomers"	Patents have been Granted in Australia, New Zealand and the USA (2). Applications are under examination in Canada, China and Japan. A case has been Granted in Europe and is undergoing Validation in separate countries.	The invention is directed to an immunotherapy strategy using or targeting tyrosine cross-linked protein aggregates. The approach may be used in the treatment of Alzheimer's Disease and other amyloid related conditions.
Filed: June 28, 2000		
Applicants: Prana Biotechnology Limited and The General Hospital Corporation		

"8-Hydroxyquinoline Derivatives" Filed: July 16, 2003 Applicant: Prana Biotechnology Limited	Patents in Europe, the USA, New Zealand, Canada, Japan, Russia, Singapore, South Korea, Australia, Mexico and South Africa have been Granted. A patent in Hong Kong has been registered. Applications in India, Brazil, USA (Divisional), Israel and China are under examination.	The invention is directed to chemical scaffolds of the 8-Hydroxyquinoline MPAC class and their utility in the treatment of neurological conditions.
"Neurologically-Active Compounds" Filed: October 3, 2003 Applicant: Prana Biotechnology Limited	Patents in the USA, New Zealand, Canada, Japan, Mexico, India, Australia, South Korea, South Africa and Singapore have been Granted. Applications in China, Europe, the USA (divisional), Brazil, Japan and Israel are under examination. A patent in Hong Kong has been registered.	The invention is directed to alternative MPAC chemical structures and their utility in the treatment of neurological conditions.
"Neurologically- Active Compounds" Filed: April 1, 2005 Applicant: Prana Biotechnology Limited	Patents have been Granted in Singapore, Japan, Mexico, Russia, Australia, the USA, India, New Zealand and South Africa. Applications in Israel, Europe, China, Canada and South Korea are under examination. Examination has been requested in Brazil. A patent in Hong Kong has been registered.	The invention is directed to 'F4' MPAC chemical structures and their utility in the treatment of neurological conditions and includes Parkinson's Disease lead compounds.
"Use of Clioquinol for the treatment of Alzheimer's Disease" Filed: February 13, 1998 Applicant: Prana Biotechnology Limited	A Patent has been Granted in the USA.	This invention is directed to the use of clioquinol for the treatment of Alzheimer's Disease.
"Pharmaceutical compositions of Clioquinol with B12 for therapeutic use" Filed: February 13, 1998 Applicant: Prana Biotechnology Limited.	A patent has been Granted in the USA.	This invention is directed to clioquinol pharmaceutical compositions comprising B12.
"Use of Clioquinol for the treatment of Parkinson's Disease" Filed: February 13, 1998 Applicant: Prana Biotechnology Limited.	A patent has been Granted in the USA.	This invention is directed to the use of clioquinol for the treatment of Parkinson's Disease.
"Method of treatment and prophylaxis and agents useful for same" Filed: April 13, 2007 Applicant: Prana Biotechnology Limited	Patents have been Granted in Singapore and New Zealand. An application has been Accepted in South Africa. Applications are under examination in Australia, Israel, Canada, China, Europe, the USA, South Korea, Japan, India and Brazil. Divisional applications have been filed in Australia, Israel, New Zealand, Canada, China, Europe, the USA, South Korea, Japan, India and Brazil, with patents Granted in EU and New Zealand.	This invention was originally filed to claim the use of MPAC compounds for the treatment of Age related Macular Degeneration. The case has since been divided into two separate applications that each contain composition of matter claims on two different chemical scaffolds.

"A method of prophylaxis or treatment and agents for same"	A patent has been Granted in the USA. Applications are under examination in Australia, Canada, China, Europe and Japan.	This invention is directed to novel MPAC compounds and compounds for treating certain brain cancers.
Filed: June 22, 2007		
Applicant: Prana Biotechnology Limited		
"Compounds for therapy and diagnosis"	A patent has been Granted in New Zealand, USA and Australia. Remaining applications in Canada, Europe and Japan are under examination.	This invention is directed to anti-amyloid (metallocomplexes) compounds for the treatment of Alzheimer's Disease.
Filed: December 5, 2008		
Applicant: Prana Biotechnology Limited		
"Processes for the preparation of 8-Hydroxyquinoline Derivatives"	An Australian provisional application has been filed.	This invention is directed to synthetic routes for 8-Hydroxyquinoline Derivatives.
Filed: 11 December 2008		
Applicant: Prana Biotechnology Limited		
"Quinazolinone compounds"	Applications in Australia, Europe, Japan and the USA are being examined.	This invention is directed to novel MPAC compounds and to selected MPACs used in the treatment of Parkinson's Disease.
Filed: 24 December 2008		
Applicant: Prana Biotechnology Limited		

Patents and License Agreements

On February 8, 2000, we entered into a patent assignment and intellectual property licensing agreement with The Biomolecular Research Institute, or BRI, under which two patent applications were assigned to us. One is an international patent application (PCT application) entitled 'Beta-Amyloid Peptide Inhibitors' which is granted in Australia, Canada and in the United States and in prosecution in Europe and Japan. The invention is directed to compounds which block the metal binding site on Beta-Amyloid. The technologies or products that may arise from this invention include metallo-based compounds as therapeutics or preventative treatments for Alzheimer's disease. The other patent entitled 'Method of Screening for inhibitors of Alzheimer's Disease,' an Australian provisional application that matured into a patent application in the United States, was allowed to lapse in the second half of 2009. In consideration of the assignment of the patents, we are required to pay BRI a royalty of 1.5% on the net invoiced price of products sold utilizing such patents. In addition, we must also pay the lesser of 1.5% of the net invoice price of products sold or 10% of royalties received from any licensee or sub-licensee we appoint to utilize such patents, or a minimum of A$2,000 a year. If the patent rights are assigned before a total of A$20,000 has been paid as royalties, the difference between the royalties paid and A$20,000 must be paid to BRI. To date, we paid a total of $350,000 under the agreement, all of which amount was paid in 2000. On September 10, 2007, we, BRI and the Commonwealth Scientific and Industrial Research Organization, or CSIRO, executed an Assignment and Novation Deed under which BRI assigned to CSIRO all of its rights and obligations under the patent assignment agreement, including entitlement to royalties.

On January 1, 2001, we entered into a license agreement with the General Hospital Corporation, or GHC, at Massachusetts General Hospital, under which we licensed from GHC certain patents. The agreement was subsequently amended on August 8, 2001 and March 15, 2004. Under the agreement, as amended, the license for a particular patent expires at the end of the term of the patent rights under the respective patent. In general, the anticipated patent expiration date is 20 years from the filing date of the respective patent application. Under the agreement, we agreed to pay GHC a total of U.S.$166,590 in monthly installments over a 30 month period beginning January 1, 2001 and U.S.$182,000 in monthly installments over a 30 month period beginning August 1, 2001 for the right to use the results of research under the license agreement. Such obligations have been satisfied by us in full, and we hold the rights under the license. We currently retain a license under the agreement with GHC for the patent 'Neurotoxic Oligomers.' This international patent application (PCT application) was filed on June 28, 2000 and matured into national phase prosecution in Canada, China, Europe, Japan and the United States. Patents have been granted in Europe, Australia and New Zealand to both active vaccines and the use of antibodies as a passive vaccine for Alzheimer's disease. A patent has also been granted in the United States containing claims to an active vaccine and a further divisional patent has been allowed in the United States that contains claims to antibodies as a passive vaccine for Alzheimer's disease. The patent is expected to expire on June 28, 2020. The invention is directed to a novel target for an Alzheimer's disease vaccine. The technologies or products that may arise from this invention include toxic dimerized full length or fragments of beta-amyloid as active vaccines for Alzheimer's disease or antibodies to these beta-amyloid fragments as passive vaccines for Alzheimer's disease. The license provides for potential payments to GHC of an aggregate U.S.$1.5 million, in accordance with the following milestones: (i) U.S.$500,000 upon the submission of a registration dossier in the United States or Europe; and (ii) U.S.$1.0 million upon the first approval of a product arising from the invention. The milestones have not been met to date.

Competition

We believe that we will face competition in differing levels of intensity in all of the areas in which we are conducting research. Our competitors, which are located worldwide, are numerous and include, among others, major pharmaceutical companies, biotechnology firms, universities and other research institutions. These competitors may develop technologies and products that are more effective than any that we are developing, or which would render our technology and products obsolete or non-competitive. Many of these competitors have greater financial, research and screening capabilities, technical resources and manufacturing and marketing capabilities than we do. In addition, many of our competitors have much more experience than we do in pre-clinical testing and human clinical trials of new or improved drugs, as well as in obtaining FDA, TGA and other regulatory approvals.

Regulatory Considerations

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived from those activities will be, subject to regulation by human research ethics committees and institutional research boards, as well as numerous governmental authorities in Australia, principally the TGA, the FDA in the United States, the MHRA in the United Kingdom and the EMEA. Prior to marketing, any therapeutic product developed must undergo rigorous pre-clinical testing and clinical trials, as well as an extensive regulatory approval process mandated by the TGA and, to the extent that any of our pharmaceutical products under development are marketed abroad, by foreign regulatory agencies, including the FDA, EMEA and MHRA.

Clinical trials can take many years to complete and require the expenditure of substantial resources. The length of time varies substantially according to the type, complexity, novelty and intended use of the product candidate. We cannot make any assurances that once clinical trials are completed by us or a collaborative partner, we will be able to submit as scheduled a marketing approval request to the applicable governmental regulatory authority, or that such request and application will be reviewed and cleared by such governmental authority in a timely manner, or at all. Although we intend to make use of fast-track and abbreviated regulatory approval programs when possible and commercially appropriate, we cannot be certain that we will be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical products candidates. Delays in obtaining regulatory approvals could adversely affect the development and commercialization of our pharmaceutical product candidates and could adversely impact our business, financial condition and results of operations.

During the course of clinical trials and toxicology studies, product candidates may exhibit unforeseen and unacceptable drug-related toxicities or side effects. If any unacceptable toxicities or side effects were to occur, we may, or regulatory authorities may require us to, interrupt, limit, delay or abort the development of our potential products. In addition, unacceptable toxicities could ultimately prevent the clearance of our product candidates by human research ethics committees, institutional research boards, the TGA, EMEA, FDA or other regulatory authority for any or all targeted indications. Even after being cleared by a regulatory authority, any of our products may later be shown to be unsafe or not to have its purported effect, thereby preventing widespread use or requiring withdrawal from the market. We cannot make any assurances that PBT2, PBT434 or any other development or product candidate will be safe or effective when administered to patients.

Manufacturing and Raw Materials

Our lead compound, PBT2, was manufactured by the Institute of Drug Technology Australia Limited until early 2008. During late 2008, we transferred our PBT2 drug substance manufacturing process technology to Dr. Reddy's Laboratories Limited, based in Hyderabad, India, to enable future and efficient large scale manufacture of PBT2 to provide drug substance for the currently planned Phase II trials in Alzheimer's patients and Huntington's patients. We also rely on a sole manufacturer, Patheon Inc., to encapsulate PBT2. We intend to continue this approach, subject to ongoing appraisal of our manufacturing needs and financial position.

We cannot make any assurances that we will be able to manufacture sufficient quantities of PBT2 or any other development or product candidate in a cost-effective or timely manner. Any delays in production would delay our pre-clinical and human clinical trials, which could adversely affect our business, financial condition and results of operations. We also cannot make any assurances that we will be able to enter into collaborative or contracting arrangements on acceptable terms with third party manufacturers that will meet our requirements for quality, quantity and timeliness.

We expect that we will be required to design and develop new synthetic pathways for most, if not all, of the products that we currently intend to develop or may develop in the future. We cannot predict the success of such efforts, the purity of the products that may be obtained or the nature of the impurities that may result from such efforts. If we are not able to obtain an acceptable purity for any product candidate or an acceptable impurity profile, pre-clinical and clinical trials would be delayed, which could adversely affect the priority of the development of our product candidates, our business, financial condition and results of operations. We cannot guarantee that it will be possible to scale up new synthetic processes to provide sufficient API for clinical drug trials, which could indefinitely delay the initiation of clinical trials utilizing API. We also cannot guarantee that the API will be suitable for high throughput encapsulation to produce drug product. This may adversely impact the cost of goods or feasibility of market scale manufacture.

C. Organizational Structure

We have two wholly-owned subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Limited, incorporated in the United States and the United Kingdom, respectively, both of which are currently inactive.

D. Property, Plants and Equipment

Our executive offices are located at 369 Royal Parade, Parkville, Victoria 3052, Australia, where we occupy approximately 3,800 square feet. The lease for the facility, which expires on October 31, 2012, has an annual rent of A$135,180.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis includes certain forward-looking statements with respect to the business, financial condition and results of operations of our company. The words "estimate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements within the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements, including those risk factors contained in Item 3.D. of this annual report. You should read the following discussion and analysis in conjunction with our consolidated financial statements and the notes thereto included in this annual report.

A. OPERATING RESULTS

Background

We were incorporated under the laws of the Commonwealth of Australia on November 11, 1997. The principal listing of our ordinary shares and listed options to purchase our ordinary shares is on the ASX. Since September 5, 2002, our ADRs have traded on the NASDAQ Capital Market under the symbol "PRAN."

Our consolidated financial statements appearing in this annual report are prepared in Australian dollars and in accordance with IFRS as issued by IASB. Our consolidated financial statements appearing in this annual report comply with both IFRS as issued by IASB and A-IFRS. In this annual report, all references to "U.S. dollars" or "US$" are to the currency of the United States of America, and all references to "Australian dollars" or "A$" are to the currency of Australia.

All of our revenues are generated in Australian dollars, except for interest earned on foreign currency bank accounts, and the majority of our expenses are incurred in Australian dollars.

Overview

We are a development stage enterprise at an early stage in the development of our pharmaceutical products that are designed to treat the underlying causes of degeneration of the brain and the eye as aging progresses. We have incurred net losses since inception and expect to incur substantial and increasing losses for the next several years as we expand our research and development activities and move our product candidates into later stages of development. All of our product candidates are in early stages of development and we face the risks of failure inherent in developing drugs based on new technologies. The process of carrying out the development of our products to later stages of development may require significant additional research and development expenditures, including pre-clinical testing and clinical trials, as well as for obtaining regulatory approval. To date, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, government grants, licensing and research collaborations and interest income.

Since completing our initial public offering and listing process on the ASX on March 28, 2000, we have concentrated our resources toward the pursuit of our disease targets. In early August 2003, our PBT2 compound was announced as a new lead MPAC molecule for Alzheimer's disease. We have completed two Phase I studies of PBT2 and a Phase IIa clinical trial for PBT2 in patients with Alzheimer's disease. We are currently recruiting for our "IMAGINE" Phase II imaging trial in Alzheimer's disease and recruiting for our "Reach2HD" Phase IIa trial in Huntington's disease. For details regarding clinical trials for our lead compound PBT2, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Lead Compound."

Critical Accounting Policies

We prepare our financial statements in accordance with IFRS as issued by IASB. As such, we are required to make certain estimates, judgments, and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies listed in Note 1 to the consolidated financial statements that management believes are the most critical to aid in fully understanding and evaluating our financial condition and results of operations under IFRS are discussed below.

Share-based payments. Equity-settled share-based payments granted after November 7, 2002 that were unvested as of January 1, 2005 are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model (for options without market conditions) or the Barrier Pricing model (for options with market conditions). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The date used to value share-based payments for non-employees may be different to the grant date used to value employee share-based payments where service conditions apply. The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period for each tranche of equity, based on our estimate of equity that will eventually vest.

Revenue recognition from ordinary activities. We recognize revenue from continuing operations to the extent that it is probable that the economic benefits will flow to us and the revenue from continuing operations can be reliably measured. To date our revenue from continuing operations has consisted of interest income, which is recognized as earned when the amount of revenue can be measured with reliability, it is probable that future economic benefits will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Grants. We recognize a grant when there is reasonable assurance that the grant will be received and all grant conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

Other income recognition. We recognize other income to the extent that it is probable that the economic benefits will flow to us and the other income can be reliably measured. Reimbursements of expenses are recognized as an offset of the expense (see Note 4a to the consolidated financial statements).

Recoverable amount of non-current assets. Each reporting period, our Board of Directors assesses the recoverable amount of all non-current assets to ensure its carrying value does not exceed its recoverable amount. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is revalued down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Significant Costs and Expenses

Research and development expenses, net. Our research and development expenses consist primarily of expenses for contracted research and development activities conducted by third parties on our behalf. Research and development expenses also include costs associated with the acquisition, development of patents and salaries and fees paid to employees and consultants involved in research and development activities.

Corporate personnel expenses. Our personnel expenses consist of directors' fees, salaries and benefits paid to employees and officers and equity-based payments awarded to directors, officers and employees.

Intellectual property expenses. Our intellectual property expenses consist of fees paid to our outside counsel for legal fees associated with patent applications and for the defense of patents.

Auditor and accounting expenses. Our auditor and accounting expenses consist of the fees paid to our auditors for services related to annual reports and interim reports filed or submitted in Australia and the United States and fees paid to other accounting firms in respect of tax and other accounting advice.

Travel expenses. Our travel expenses consist primarily of expenses associated with air travel, accommodation and associated consumables both locally and overseas by directors, employees and consultants.

Public relations and marketing expenses. Our public relations and marketing expenses consist of fees paid to outside consultants for services related to ASX and NASDAQ announcements and presentations.

Depreciation expense. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of three to 20 years.

• Furniture and fittings:	5-33%
• Computer equipment:	33%
• Laboratory equipment:	10-33%
• Leasehold improvements:	33%

Other expenses. Other expenses consist of corporate compliance, insurance, computer and overhead expenses.

Foreign exchange gain (loss). Foreign exchange gain (loss) includes the net unrealized gain or loss on cash balances held in foreign currencies (primarily U.S. dollars, British Pounds and Euros) as well as net realized gains and losses on foreign currency transactions.

Gain (loss) on fair value of financial liabilities. Each reporting period we are required to revalue financial liabilities. We recorded financial liabilities attributable to warrants that were issued to the investors in our private placement in the United States in June 2004 and with respect to options issued in a private placement to investors in February 2011. The warrants which were issued in 2004 expired on June 4, 2009, permitted the investors to purchase an aggregate 3,000,000 ADRs at an exercise price of US$8.00 per ADR. Because the warrants were exercisable in a currency that is not the functional currency of our company, they were required to be classified as a financial liability. These warrants expired without being exercised. The 2011 options, which expire on February 25, 2016, permit the investors to purchase an aggregate 612,397 ordinary shares at an exercise price of A$0.17 per share. When the fair value of the outstanding 2011 options increase or decrease, the difference is recorded as a gain or loss, as applicable, on the fair value of financial liabilities.

Results of Operations

Year ended June 30, 2012 compared to year ended June 30, 2011

Revenue from ordinary activities

Revenue from continuing operations (consisting of interest income only) increased to A$186,664 for the year ended June 30, 2012 from A$156,135 for the year ended June 30, 2011, an increase of A$30,529, or 19.55%. The increase in revenue from continuing operations in the 2012 fiscal year is primarily attributable to interest on an R&D tax refund we received in the current financial year from the Australian Taxation Office, relating to the 2010 financial year. Increase in interest income was offset by lower cash and cash equivalents throughout the year and lower prevailing interest rates.

Other Income

We had other income of A$2,340,851 for the year ended June 30, 2012 relating to eligible research and development activities, on which we are entitled to a 45% refundable tax offset under an Australian Government tax incentive, introduced on July 1, 2011. We had other income of A$6,785 for the year ended June 30, 2011 relating to donations received by the Company from unrelated third parties.

Research and development expenses, net

Our net research and development expenses (including research and development expenses paid to related parties) increased to A$4,228,719 for the year ended June 30, 2012 from A$2,758,381 for the year ended June 30, 2011, an increase of A$1,470,338, or 53.30%. The increase in research and development expenses in the year ended June 30, 2012 is primarily attributable to pre-trial start up activities and the commencement of two clinical trials, the "Reach2HD" Phase IIa trial in Huntington's patients and the IMAGINE" Phase II trial in Alzheimer's Disease patients. We anticipate that in fiscal year 2013, our research and development expenditure will be primarily directed to the conduct of these studies. In addition, we also intend to investigate our lead MPAC candidate compounds for Parkinson's disease and brain cancer models.

Corporate personnel expenses

Corporate ppersonnel expenses decreased to A$1,858,562 for the year ended June 30, 2012 from A$1,965,408 for the year ended June 30, 2011, a decrease of A$106,846, or 5.44%. The decrease in corporate personnel expenses in the 2012 fiscal year is primarily attributable to lower amounts of lump-sum payments made to key management personnel as well as a reduction in the number of employees. The decrease in corporate personnel expenses was offset by an increase in equity-based compensation in the form of options and shares issued to directors, employees and consultants. In the 2012 fiscal year, we expensed A$309,691 in respect of equity-based payments to directors, consultants and employees compared to A$101,464 in the 2011 fiscal year. Corporate ppersonnel expenses in the 2012 and 2011 fiscal years include a portion of the total fair value of options granted to our directors and employees in the previous two fiscal years of A$47,148 and A$41,298, respectively.

Intellectual property expenses

Intellectual property expenses, which include patent portfolio costs and intellectual property related legal costs, decreased to A$261,706 for the year ended June 30, 2012 from A$399,237 for the year ended June 30, 2011, a decrease of A$137,531, or 34.45%. The decrease in intellectual property expenses in the 2012 fiscal year was primarily due to the completion of substantial prosecution of a key international patent application.

Auditor and accounting expenses

Auditor and accounting expenses decreased to A$153,597 for the year ended June 30, 2012 from A$157,436 for the year ended June 30, 2011, a decrease of A$3,839, or 2.44%. The decrease in auditor and accounting expenses in the 2012 fiscal year is primarily attributable to decreased costs for services provided in connection with filings made with the Securities and Exchange Commission.

Travel expenses

Travel expenses decreased to A$91,624 for the year ended June 30, 2012 from A$159,971 for the year ended June 30, 2011, a decrease of A$68,347, or 42.72%. The decrease in travel expenses in the 2012 fiscal year is primarily attributable to a lower amount of overseas travel by executives and consultants for company business meetings.

Public relations and marketing expenses

Public relations and marketing expenses increased to A$124,970 for the year ended June 30, 2012 from A$110,646 for the year ended June 30, 2011, an increase of A$14,324, or 12.95%. Our public relations and marketing expenses consist primarily of costs relating to our U.S.-based investor relations consultants. The increase in public relations and marketing expenses in the 2012 fiscal year is primarily attributable to increased announcements relating to the successful progression of PBT2 into two clinical trials. The increase in public relations and marketing expenses was also attributable to the depreciation of the Australian dollar against the U.S. dollar during the twelve months ended June 30, 2012, which increased the Australian dollar cost of such U.S. dollar denominated expenses.

Depreciation expenses

Depreciation expenses decreased to A$19,621 for the year ended June 30, 2012 from A$31,577 for the year ended June 30, 2011, a decrease of A$11,956, or 37.86%. The decrease in depreciation expenses in the 2012 fiscal year is primarily attributable to a A$21,841 write-off of computer equipment in the 2012 fiscal year. Additional plant and computer equipment in the aggregate amount of A$26,000 was purchased during the 2012 fiscal year.

Other expenses

Other expenses from ordinary activities increased to A$1,107,283 for the year ended June 30, 2012 from A$857,281 for the year ended June 30, 2011, an increase of A$250,002, or 29.16%. The increase in other expenses in the 2012 fiscal year is primarily attributable to an increase in professional taxation fees associated with the lodgement of an R&D tax incentive application with the Australian Government. The increase is also attributable to costs associated with the assembly of an extraordinary shareholder meeting held in the 2012 fiscal year.

Foreign exchange gain (loss)

We recorded a foreign exchange gain of A$45,959 for the year ended June 30, 2012 compared to a foreign exchange loss of A$145,377 for the year ended June 30, 2011. Foreign exchange gain (loss) reflects the impact of changes in foreign currency exchange rates on cash that we hold in U.S. dollars, Great British Pounds and Euros. In the 2012 fiscal year, the Australian dollar depreciated against the U.S. dollar, which had a favorable impact on the Australian dollar value of our cash held in U.S. dollars. In the 2011 fiscal year, the Australian dollar appreciated against the U.S. dollar, which had an adverse impact on the Australian dollar value of our cash held in U.S. dollars. In the two fiscal years ended June 30, 2012, the Australian dollar appreciated against the Euro, which had an adverse impact on the Australian dollar value of our cash held in Euros. In the 2012 fiscal year, we incurred a foreign exchange gain of A$72,059 attributable to the cash balances that we held in U.S. dollars, a foreign exchange gain of A$207 attributable to the cash balances that were held in British Pounds, a foreign exchange loss of A$23,396 attributable to cash balances that were held in Euros and a foreign exchange gain of A$2,911 attributable to foreign currency transactions. In the 2011 fiscal year, we incurred a foreign exchange loss of A$132,230 attributable to the cash balances that we held in U.S. dollars, a foreign exchange loss of A$125 attributable to the cash balances that were held in British Pounds, a foreign exchange loss of A$17,176 attributable to cash balances that were held in Euros and a foreign exchange gain of A$4,154 attributable to foreign currency transactions.

Gain (loss) on fair value of financial liabilities

We recorded a gain on fair value of financial liabilities of A$33,139 for the year ended June 30, 2012 compared to a loss on fair value of financial liabilities of A$8,791 for the year ended June 30, 2011. The gain in 2012 and loss in 2011 are attributable to the change in value of warrants that were issued in connection with an agreement signed with the ADDF. The Company issued warrants to purchase 612,397 of our ordinary shares to the ADDF, representing 30% of the value of the first tranche of a grant of US$350,000 received from the ADDF during the fiscal year. The warrants have an exercise price of A$0.17 and expire on February 25, 2016. The gain and loss on fair value of financial liabilities is also attributable to the changes in the market price of our ADRs and the volatility of the ADR market price.

Year ended June 30, 2011 compared to year ended June 30, 2010

Revenue from ordinary activities

Revenue from continuing operations (consisting of interest income only) decreased to A$156,135 for the year ended June 30, 2011 from A$215,008 for the year ended June 30, 2010, a decrease of A$58,873, or 27.38%. The decrease in revenue from continuing operations in the 2011 fiscal year is primarily attributable to lower cash and cash equivalents throughout the year and lower prevailing interest rates.

Other Income

We had other income of A$6,785 for the year ended June 30, 2011 relating to donations received by the company from unrelated third parties. We did not have other income for the year ended June 30, 2010.

Research and development expenses, net

Our net research and development expenses (including research and development expenses paid to related parties) increased to A$2,758,381 for the year ended June 30, 2011 from A$666,381 for the year ended June 30, 2010, an increase of A$2,092,000, or 313.93%. The increase in research and development expenses in the year ended June 30, 2011 is primarily attributable to substantial expenses for the scale up manufacturing of our PBT2 active pharmaceutical ingredient, or API, and the engagement of a clinical research organization to initiate pre-trial activities for a Phase II trial of PBT2 in Alzheimer's disease. In the year ended June 30, 2010, our research and development expenses were offset by A$2,252,385 cash reimbursement that we received under a research and development contract.

Corporate personnel expenses

Corporate ppersonnel expenses decreased to A$1,965,408 for the year ended June 30, 2011 from A$2,508,845 for the year ended June 30, 2010, a decrease of A$543,437, or 21.66%. The decrease in personnel expenses in the 2011 fiscal year is primarily attributable to decreased equity-based compensation in the form of options and shares issued to directors, employees and consultants. In the 2011 fiscal year, we expensed A$101,464 in respect of equity-based payments to directors, consultants and employees compared to A$730,480 in the 2010 fiscal year. Personnel expenses in the 2011 and 2010 fiscal years include a portion of the total fair value of options granted to our directors and employees in the previous fiscal years of A$41,298 and A$214,951, respectively.

Intellectual property expenses

Intellectual property expenses, which include patent portfolio costs and intellectual property related legal costs, decreased to A$399,237 for the year ended June 30, 2011 from A$431,082 for the year ended June 30, 2010, a decrease of A$31,845, or 7.39%. The decrease in intellectual property expenses in the 2011 fiscal year was primarily due to the completion of substantial prosecution of a key international patent application and reducing the size of the portfolio.

Auditor and accounting expenses

Auditor and accounting expenses decreased to A$157,436 for the year ended June 30, 2011 from A$168,909 for the year ended June 30, 2010, a decrease of A$11,473, or 6.79%. The decrease in auditor and accounting expenses in the 2011 fiscal year is primarily attributable to a decrease in auditor fees resulting from decreased costs associated with preparation for the expected auditor attestation report on our internal control over financial reporting, which requirement does not apply to our company.

Travel expenses

Travel expenses decreased to A$159,971 for the year ended June 30, 2011 from A$234,555 for the year ended June 30, 2010, a decrease of A$74,584, or 31.80%. The decrease in travel expenses in the 2011 fiscal year is primarily attributable to decreased overseas business travel by executives and consultants.

Public relations and marketing expenses

Public relations and marketing expenses decreased to A$110,646 for the year ended June 30, 2011 from A$130,090 for the year ended June 30, 2010, a decrease of A$19,444, or 14.95%. Our public relations and marketing expenses consist primarily of costs relating to our U.S.-based investor relations consultants. The decrease in public relations and marketing expenses in the 2011 fiscal year is primarily attributable to the appreciation of the Australian dollar against the U.S. dollar during the twelve months ended June 30, 2011, which decreased the Australian dollar value of U.S. dollar denominated expenses.

Depreciation expenses

Depreciation expenses decreased to A$31,577 for the year ended June 30, 2011 from A$35,290 for the year ended June 30, 2010, a decrease of A$3,713, or 10.52%. The decrease in depreciation expenses in the 2011 fiscal year is primarily attributable to a A$5,437 write-off of computer equipment in the 2011 fiscal year. Additional plant and computer equipment in the aggregate amount of A$13,961 was purchased during the 2011 fiscal year.

Other expenses

Other expenses from ordinary activities decreased to A$857,281 for the year ended June 30, 2011 from A$940,699 for the year ended June 30, 2010, a decrease of A$83,418, or 8.87%. The decrease in other expenses in the 2011 fiscal year is primarily attributable to a decrease in insurance, legal and office costs.

Foreign exchange gain (loss)

We recorded foreign exchange loss of A$145,377 for the year ended June 30, 2011 compared to a foreign exchange loss of A$6,079 for the year ended June 30, 2010. Foreign exchange gain (loss) reflects the impact of changes in foreign currency exchange rates on cash that we hold in U.S. dollars, Great British Pounds and Euro. In the 2011 and 2010 fiscal years, the Australian dollar appreciated against the U.S. dollar, which had an adverse impact on the Australian dollar value of our cash held in U.S. dollars. In fiscal 2011, we incurred a foreign exchange loss of A$132,230 attributable to the cash balances that we held in U.S. dollars, a foreign exchange loss of A$125 attributable to the cash balances that were held in British Pounds, a foreign exchange loss of A$17,176 attributable to cash balances that were held in Euros and a foreign exchange gain of A$4,154 attributable to foreign currency transactions. In fiscal 2010, we incurred a foreign exchange gain of A$38,584 attributable to the cash balances that we held in U.S. dollars, a foreign exchange loss of A$108 attributable to the cash balances that were held in British Pounds, a foreign exchange loss of A$40,492 attributable to cash balances that were held in Euros and a foreign exchange loss of A$4,063 attributable to foreign currency transactions.

Gain (loss) on fair value of financial liabilities

We recorded a loss on fair value of financial liabilities of A$8,791 for the year ended June 30, 2011, attributable to the warrants that were issued in connection with an agreement signed with the ADDF. We issued warrants to purchase 612,397 of our ordinary shares to the ADDF, representing 30% of the value of the first tranche of a grant of US$350,000 received during the fiscal year. The warrants have an exercise price of A$0.17 and expire on February 25, 2016. The gain and loss on fair value of financial liabilities is attributable to the changes in the market price of our ADRs and the volatility of the ADR market price. We did not record a gain or loss on fair valuation of financial liabilities in the 2010 fiscal year.

Inflation and Seasonality

Management believes inflation has not had a material impact on our company's operations or financial condition and that our operations are not currently subject to seasonal influences.

Conditions in Australia

We are incorporated under the laws of, and our principal offices and research and development facilities are located in, the Commonwealth of Australia. Therefore, we are directly affected by political and economic conditions in Australia.

Recently Issued International Accounting Standards and Pronouncements

Certain new Australian accounting standards and interpretations (and their equivalent IASB standards) have been published that are not mandatory for June 30, 2012 reporting periods. Our assessment of the impact of these new standards and interpretations is described below.

(i) New and amended Accounting Standards and Interpretations issued and effective

There are no IFRS interpretations that are effective for the first time for the financial year beginning on or after June 30, 2012 that would be expected to have a material impact on our Company.

(ii) Accounting Standards issued by not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2012 reporting periods. Our assessment of the impact of these new standards and interpretations is set out below. Initial application of the following Standards and Interpretations will not affect any of the amounts recognized in the financial statements, but may change the disclosures in this report:

- *IFRS 9 Financial Instruments, or IFRS 9, (effective from January 1, 2015)*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard will affect our accounting for the available-for-sale financial assets, since IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss. There will be no impact on our accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and we do not have any such liabilities. The derecognition rules have been transferred from *IAS 139 Financial Instruments: Recognition and Measurement* and have not been changed. We have not yet decided when to adopt IFRS 9.

- *IFRS 10 Consolidated Financial Statements, or IFRS 10, IFRS 12 Disclosure of Interests in Other Entities, or IFRS 12, and IAS 28 Investments in Associates and Joint Ventures, or IAS 28, (effective January 1, 2013)*

IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27Consolidated and Separate Financial Statements,* and *Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent-principal relationships. We do not expect the new standard to have a significant impact on our Company.

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard will not affect any of the amounts recognized in our financial statements, but may impact the type of information disclosed in relation to our investments.

We do not expect to adopt the new standards before their operative date. They would therefore be first applied in our financial statements for the annual reporting period ending June 30, 2014.

- *IFRS 13 Fair Value Measurement, or IFRS 13, (effective January 1, 2013)*

IFRS 13 was released in May 2011. It explains how to measure fair value and aims to enhance fair value disclosures. We do not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognized in our financial statements. However, application of the new standard will impact the type of information disclosed in the annual report and the notes to the financial statements. We do not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective January 1, 2014 and January 1, 2013, respectively)*

In December 2011, the IASB made amendments to the application guidance in *IAS 32 Financial Instruments: Presentation,* to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from January 1, 2014. They are unlikely to affect the accounting for any of our current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from January 1, 2013. We will have to provide a number of additional disclosures in relation to our offsetting arrangements and intend to apply the new rules for the first time in the financial year commencing July 1, 2013.

B. LIQUIDITY AND CAPITAL RESOURCES

We are a development stage company and have had no sales income to date, and as of June 30, 2012 our accumulated deficit totaled A$90,144,081. From inception until our initial public offering in March 2000 we financed our operations primarily through borrowings from two of our then directors, which were repaid from the proceeds of such offering. Since our initial public offering we have financed our operations primarily through sales of equity securities, proceeds from the exercise of options, government grants, licensing and research collaborations and interest earned on investments. During the period from 2001 to 2006, we were awarded government grants in the aggregate amount of A$3.3 million.

In September 2009, we raised A$6.0 million before costs (approximately A$5.7 million net of costs) in a private placement to one of our institutional shareholders in the United States of 30 million ordinary shares (equivalent to three million ADRs) at a price of A$0.20 per share (A$2.0 per ADR). We also agreed to grant the investor, subject to shareholder approval, options to purchase 10 million ordinary shares (equivalent to one million ADRs) at an exercise price of A$0.30 per share (A$3.0 per ADR) that will expire four years after the date of the issuance of the shares in the private placement (September 2013). We also issued to the investor, based on an agreed upon formula, an additional 750,000 ordinary shares pursuant to the approval of our shareholders obtained in November 2009. For additional information, see Item 10.C. "Additional Information - Material Contracts."

In July 2010, we raised A$1.15 million (US$1.0 million) before costs in a private placement of 7.065 million of our ordinary shares (equivalent to 0.7 million ADRs) to Quintiles, at a price of A$0.1624 per ordinary share (US$1.624 per ADR). For additional information, see Item 10.C. "Additional Information - Material Contracts."

On February 21, 2011, the ADDF, awarded us a grant of US$700,000, to be provided in two equal instalments over two years. The ADDF is based in New York and functions on a venture philanthropy model. We issued to ADDF a convertible promissory note in the principal amount of the grant and a five-year warrant to purchase 612,397 ordinary shares of our company at a price per share of A$0.17 (equivalent to US$0.169), being the closing pricing of our ordinary shares on the ASX on the date of our agreement with ADDF. We have also agreed to issue an additional five-year warrant to purchase US$105,000 of ordinary shares of our company at a price per share equal to the closing price of our ordinary shares on the ASX on the date on which we will receive the second instalment of US$350,000. The note will become due and payable on February 25, 2014, unless converted earlier. We may, under certain conditions, elect to issue our ordinary shares to satisfy our repayment obligation at a price per shares equal to 80% of the then prevailing volume weighted average price of our ordinary shares on the ASX during the five trading days prior to the issuance. Under the terms of the convertible note, the ADDF may elect, at its discretion, to convert the promissory note into ordinary shares of our company following the consummation by us of a debt or equity financing to third party investors resulting in gross proceeds to our company of at least US$1.0 million, or upon a sale of our company. Following the completion of the private placement described in the following paragraph, the ADDF is now entitled to convert the note under the same terms as such private placement, or under the same terms as any subsequent financing that we may complete prior to the conversion or repayment of the note. The purpose of the grants is to support a Phase II imaging trial with PBT2 to investigate the effect of PBT2 on the deposition of beta-amyloid in the brains of patients with mild Alzheimer's disease.

On March 28, 2011, we completed a private placement of our securities to institutional investors for aggregate gross proceeds of approximately A$6.12 million (US$6.19 million). Under the terms of the offering, we sold an aggregate of approximately 27,200,000 ordinary shares (equivalent to 2,720,000 ADRs) at a price of A$0.225 per share (A$2.25 per ADR). We also granted to the investors options to purchase up to an aggregate of approximately 6,800,000 ordinary shares (equivalent to 680,000 ADRs) at an exercise price of A$0.225 per share (A$2.25 per ADR). The options are exercisable for a term of four years, and the exercise price is subject to future adjustment for various events, such as stock splits or dividend distributions.

On June 30, 2011, we completed a private placement of 5.69 million of our ordinary shares to institutional investors and Quintiles Limited**,** at a price of A$0.225 per share, for aggregate gross process of approximately A$1.28 million (US$1.4 million). We also granted the investors options to purchase 1.42 million ordinary shares at an exercise price of A$0.225 per share that will expire March 24, 2015.

On July 13, 2011, we entered into an At-The-Market Issuance Sales Agreement with McNicoll, Lewis & Vlak LLC, or MLV, under which we may sell ADSs, each representing ten ordinary shares, from time to time through MLV, as our agent for the offer and sale of the ADSs. Until such time as we qualify as an accelerated filer, as defined by the SEC, the aggregate ordinary shares represented by ADSs which we may sell in any one year period may not exceed one-third of our public float. The ADSs are evidenced by ADRs. We pay MLV a commission equal to 3% of the gross proceeds of the sales price of all ADSs sold through it as sales agent under the sales agreement. The actual total public offering amount, commissions and proceeds to us, if any, are not determinable at this time. As of June 30, 2012, we issued a total amount of 2,204,217 ADSs under this At-The-Market Issuance Sales Agreement for gross proceeds of A$3.79 million (US$3.92 million). For additional information regarding the agreement, see Item 10 "Additional Information - Material Contracts."

From inception to June 30, 2012, our capital expenditures have totaled A$553,722 (including A$200,000 of noncash expenditures), consisting of computer equipment, furniture and fixtures, fit-out costs and laboratory equipment that is being used in connection with our research at the University of Melbourne. Capital expenditures for equipment are depreciated on a straight-line basis over the estimated useful lives of three to 20 years, with a net balance at June 30, 2012 of A$48,051. We currently do not have significant capital spending requirements, but we expect to continue to engage in capital spending consistent with anticipated growth in our operations and personnel.

We had A$5,636,469 of cash and cash equivalents at June 30, 2012, compared to A$8,838,245 at June 30, 2011. For the years ended June 30, 2012 and 2011, we incurred an operating loss of A$5.2 million and A$6.4 million, respectively, and an operating cash outflow of A$6.8 million and A$4.6 million, respectively.

We believe that Australian Government tax incentive scheme relating to eligible research and development activities, introduced on July 1, 2011, will provide us with significant benefits in future years. Such eligible R&D activities include but are not limited to:

- Core activities, which are experimental activities whose outcome cannot be known or determined in advance, but can only be determined by applying a systematic progression of work;
- Core activities conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved processes and materials); or
- Supporting activities that are directly related and designed to support the above).

Under the research and development incentive scheme, entities with an aggregated turnover for the income year of less than A$20 million will be entitled to a 45% refundable tax offset. In the year ended June 30, 2012, we recorded A$1,550,000 in other income with respect to funds we will receive in relation to the 2012 financial year under the 2011 research and development incentive scheme.

Commencing October 2011, we entered into research and development agreements that support and service the Phase II clinical trials in Huntington disease and Alzheimer's disease that are currently enrolling patients. The Company has budgeted approximately A$7.5 million expenditure for the Huntington's disease trial and A$0.7 million for the Alzheimer's disease trial, which is otherwise supported by a grant from the ADDF. Of these amounts, approximately A$1 million has been incurred in the period ended June 30, 2012. The agreements can be terminated at any time with 30 days' notice and without penalty. The successful completion of these trials is dependent on the Company raising the necessary additional funding. See "Item 5F Tabular Disclosure of Contractual Obligations" for additional information on our R&D contractual commitments.

On October 1, 2012, we announced that we raised approximately A$6.0 million through a private placement of 32,500,000 ordinary fully paid shares (equivalent to 3.25 million ADRs) at a price of A$0.185 per share. The capital was raised in order to support our two ongoing Phase II clinical trials, the IMAGINE trial and Reach2HD trial.

In the event the we will not be able to raise the required funding for our planned expenditure, we have the ability to further reduce expenses around our current commitments. We retain the ability to curtail other planned, but not committed expenditure, in order to ensure we continue to have adequate funds to pay all liabilities as and when they fall due.

Management remains confident that we will be successful in raising the additional funding required to complete the planned research and development activities and accordingly have prepared the financial statements on a going concern basis.

At this time, our directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the Statement of Financial Position as of June 30, 2012. Therefore, no adjustments have been made to our consolidated financial statements relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should we not continue as a going concern.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year ended June 30,		
	2012	**2011**	**2010**
		(A$)	
Net cash used in operating activities	(6,845,906)	(4,558,147)	(4,708,939)
Net cash used in investing activities	(26,763)	(16,632)	(22,667)
Net cash provided by financing activities	3,622,023	8,335,258	5,655,944
Net increase (decrease) in cash and cash equivalents	(3,250,646)	3,760,479	924,338
Cash and cash equivalents at beginning of period	8,838,245	5,227,298	4,304,977
Exchange rate adjustments on cash held in foreign currencies	48,870	(149,532)	(2,017)
Cash and cash equivalents at end of period	5,636,469	8,838,245	5,227,298

Net cash used in operating activities was A$6,845,906, A$4,558,147 and A$4,708,939 during the years ended June 30, 2012 ,2011 and 2010, respectively. Our payments to suppliers and employees during the years ended June 30, 2012, 2011 and 2010 were A$7,874,010, A$4,714,503 and A$4,923,648, respectively. The A$2,287,759 increase in net cash used in operating activities in the year ended June 30, 2012 compared to the year ended June 30, 2011 reflects the Company's progression into two Phase II clinical trials with PBT2. The A$208,877 decrease from the year ended June 30, 2010 to the year ended June 30, 2011 was not significant and reflects the Company's continued maintenance of its research and development programs. During the years ended June 30, 2012, 2011 and 2010, our payments to suppliers and employees was offset by interest income of A$186,794, A$156,366 and A$214,709, respectively.

Net cash used in investing activities was A$26,763, A$16,632 and A$22,667 during the years ended June 30, 2012, 2011 and 2010, respectively. Cash flows used for investing activities was primarily attributable to payments for the purchase of property and equipment for the years ended June 30, 2012, 2011 and 2010.

Net cash provided by financing activities was A$3,622,023, A$8,335,258 and A$5,655,944 for the years ended June 30, 2012, 2011 and 2010. Cash flows provided by financing activities during the year ended June 30, 2012 is primarily attributable to funds raised under our At-The-Market facility of A$4.57 million (US$4.74 million). Cash flows provided by financing activities during the year ended June 30, 2011 is primarily attributable to a A$6.12 million (US$6.19 million) private placement of our securities to institutional investors in March 2011, as well as private placements of our ordinary shares to Quintiles in July 2010 and June 2011 and grants awarded to us by the ADDF. Cash flows provided by financing activities during the year ended June 30, 2010 are attributable to a private placement of our ordinary shares to an institutional investor in the United States in September 2009.

We realized a foreign exchange gain of A$48,870 for the year ended June 30, 2012 compared to a foreign exchange loss of A$149,532 for the year ended June 30, 2011 and a foreign exchange gain of A$2,017 for the year ended June 30, 2010. In 2012, the Australian dollar depreciated against the U.S. dollar by 4%. In 2011, the Australian dollar appreciated against the U.S. dollar by 20%, while in 2010, the Australian dollar appreciated against the U.S. dollar by 5%.

C. Research and Development, Patents and Licenses

Early in our company's history, our activities were primarily focused on the acquisition and development of patents to enable the research and development of our core technology. In January 2001, we entered into an exclusive license agreement with the General Hospital Corporation to access patented technologies that could be of assistance in the discovery and characterization of lead compounds (see Item 4.B. "Information on the Company - Business Overview - Patents and License Agreements"). To build a cost effective research and development company, in December 2000 we entered into an agreement with the University of Melbourne to conduct on our behalf certain research programs in Alzheimer's disease and other neurological disorders, to undertake basic mechanistic research on our compounds and conduct screens to assess therapeutic utility of our compounds (see Item 10 "Additional Information - Material Contracts"). In recent years, we increased our practice of building valuable research collaborations with institutes based in Australia, the United States, the United Kingdom and other countries to enable us to investigate a variety of therapeutic indications including Huntington's disease, cancers, Parkinson's disease and age-related macular degeneration. These collaborative arrangements ensure that we work with well-respected laboratories with specific expertise in screening and animal modeling of relevance to the particular indication, without incurring ongoing administrative and personnel costs. We maintain in-house patent counsel and research and development project expertise to coordinate these research collaborations.

When a lead compound is identified as suitable for clinical development, we establish a project team to coordinate all pre-clinical and clinical development and manufacturing activities. Typically, we engage a clinical research organization to manage patient recruitment, data management and trial conduct and reporting, as was the case with the development of our lead compound PBT2 through Phase I and Phase II development. All clinical, pre-clinical, clinical development and manufacturing of our compounds is performed in compliance with the appropriate governing authorities and standards (for example, the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use).

Research and development expenses, net amounted to A$4,228,719, A$2,758,381 and A$666,381 during the years ended June 30, 2012, 2011 and 2010, respectively. Costs associated with patent applications and defense of patent applications are classified as intellectual property expenses and amounted to A$261,706, A$399,237 and A$431,082 during the years ended June 30, 2012, 2011 and 2010, respectively.

Our research and development expenses consist primarily of expenses for contracted research and development activities conducted by third parties on our behalf, including personnel, testing facilities and other payments in accordance with our research and clinical agreements. Research and development expenses also include costs associated with the acquisition and development of patents. We do not maintain accounting systems to accurately track research and development costs on an individual project basis because a significant portion of our historic research and development expenses benefited our two major research and development projects, and therefore were not tracked individually by project; rather, we tracked these costs by the type of costs incurred. Such costs are charged to operations as incurred. See Note 4 to the consolidated financial statements. Due to the numerous variables and the uncertain nature of the development of a clinical compound, we are not able to reasonably estimate the nature, timing and costs of the future expenditures necessary to complete our research and development projects, the anticipated completion dates of each project and when material net cash flows from our research and development programs will commence.

D. TREND INFORMATION

We are a development stage company and while we believe that our technology will offer novel therapeutic strategies into an expanding market, it is not possible for us to predict with any degree of accuracy the outcome of our research or commercialization efforts.

E. OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our minimum contractual obligations as of June 30, 2012. The majority of our contracts for research and development programs have a termination notice period of 30 days. In addition, we have the ability to scale down our operations and prioritize our research and development programs in neurology to reduce expenditures as discussed in Item 5B. Liquidity and Capital Resources.

Contractual Obligations	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 Years	more than 5 years
Operating lease obligations	60,900	49,284	11,616	-	-
Purchase obligations*	6,593,567	4,508,762	2,084,805	-	-
Total	6,654,467	4,558,046	2,096,421	-	-

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* Purchase obligations relate solely to our patents and license agreements described under Item 4.B. “Information on the Company - Business Overview - Patents and License Agreements.” and our research and development agreement described under Item 10 “Additional Information - Material Contracts.” Purchase obligations exclude obligations under our employment agreements with Mr. Geoffrey Kempler, our Chief Executive Officer, and Ms. Dianne Angus, our Chief Operating Officer (see Item 6.C. “Operating and Financial Review and Prospects - Compensation”) and our consulting agreement with Professor Ashley Bush (see Item 10. “Additional Information - Material Contracts”). See Note 17 to our consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Our directors and executive officers are as follows:

Name	Age	Position
Geoffrey P. Kempler	57	Chairman of the Board of Directors and Chief Executive Officer
Richard Revelins	50	Chief Financial Officer and Secretary
Dianne Angus	52	Chief Operating Officer
Peter A. Marks(1)	56	Director
Brian D. Meltzer(1)(2)	58	Director
George W. Mihaly(1)(2)	59	Director
Lawrence Gozlan	33	Director

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(1) Member of the Audit Committee

(2) Member of the Remuneration Committee, Share Plan Committee and Nominations Committee

Geoffrey Paul Kempler has served as the Chairman of our Board of Directors since November 1997, between November 1997 and August 2004 he served as our Chief Executive Officer, and in June 2005 he again assumed the position of Chief Executive Officer. Mr. Kempler is one of the founders of our company. Mr. Kempler is a qualified psychologist. Mr. Kempler, who has extensive experience in investment and business development, has been responsible for the implementation of our strategic plan and the commercialization of our technology. Mr. Kempler holds a B.Sc degree in science from Monash University and a Grad. Dip. App. Soc. Psych. degree from Swinburne University.

Richard Revelins has served as our Company Secretary since February 2000 and was appointed Chief Financial Officer of our company in June 2004. Mr. Revelins is an executive director and principal of Peregrine Corporate Limited, an Australian-based investment bank, and Managing Director at Cappello Group Inc., a Santa Monica, Los Angeles based investment bank. Mr. Revelins has held senior positions in international merchant banks and is currently a director of Mining Project Group Limited, which is listed on the ASX as well as of a number of private companies. Mr. Revelins holds a Bachelor of Economics degree from Monash University, Melbourne. Mr. Revelins serves as our Chief Financial Officer on a part-time basis and devotes approximately one to two work days a week to such position.

Dianne Angus has served as our Chief Operating Office since May 2007. Ms. Angus joined our company in August 2002, initially serving as our Vice President of Intellectual Property and Licensing, she was promoted to Senior Vice President of Business Development, Intellectual Property and Research in July 2004 and served in that position until being promoted to her current position in May 2007. From 1992 to 2000, Ms. Angus managed the intellectual property, licensing and biotechnology product development assets of two Australian companies, AMRAD Corporation Limited and Florigene Limited. At Florigene, Ms. Angus was the joint venture alliance manager with Suntory for three years. From June 2000 to August 2002, Ms. Angus was Director of Dianne Angus and Associates Pty. Ltd. providing strategic business development, technology evaluation and intellectual property consulting services to biotechnology companies. Ms. Angus has worked in the commercial biotechnology sector for over 18 years directing product valuation, acquisition and product licensing. During her career, Ms. Angus has managed large and diverse intellectual property portfolios, contract rights and enforcement. Ms. Angus has negotiated and executed many commercial licenses and research and product development agreements with entities ranging from large pharmaceutical companies to numerous global research institutes. Ms. Angus has also undertaken due diligence assessments on several Australian biotechnology companies for investment brokers. Ms. Angus holds a Bachelor of Science (Education) and Bachelor of Science (Honours) degree from the University of Melbourne, a Master's degree in Biotechnology from Monash University, a Graduate Diploma in Intellectual Property Law from Monash University, a Diploma in Intellectual Property Practice from the Institute of Patent and Trademark Attorneys of Australia and is a registered Australian Patent and Trade Mark Attorney.

Peter Marks has served as a director of our company since July 2005. For the period November 21, 2006 to October 20, 2010, Mr. Marks has also served as Executive Chairman of iSonea Ltd, formally KarmelSonix Ltd, a medical devices company listed on the ASX that is focused on developing and commercializing a range of devices in the respiratory and medicine space. Mr. Marks is currently also a director if Peregrine Corporate Limited, an Australian-based investment bank, and Watermark Global Plc, an AIM listed company, which commercializes the treatment and recycling of acid mine drainage water from South African mines. From September 1998 until March 2001, Mr. Marks was employed by KPMG Corporate Finance Ltd (Australia), where he rose to Director and was responsible for heading up the equity capital markets group in Melbourne. From January 1992 until July 1994, Mr. Marks served as Head of the Melbourne Companies Department at the ASX and was founding Director of Momentum Funds Management Pty Ltd, an Australian venture capital firm. From December 1990 until December 1991, Mr. Marks served as Director of Corporate Finance at Burdett Buckeridge & Young Ltd in their Melbourne offices, from August 1988 until November 1990, he held senior corporate finance position at Barings Securities Ltd, and from July 1985 until July 1988, he served as an Associate Director of Mclntosh Securities, now Merrill Lynch Australia. In his roles with these various financial institutions, Mr. Marks was responsible for advising a substantial number of listed and unlisted companies on issues ranging from corporate and company structure, to valuation, business strategies, acquisitions and international opportunities. Mr. Marks holds a Bachelor of Economics degree, a Bachelor of Law degree and Graduate Diploma in Commercial Law from Monash University in Melbourne, Australia, and an MBA degree from the Scottish School of Business at the University of Edinburgh.

Brian Derek Meltzer has served as a director of our company since December 1999. Mr. Meltzer has over 30 years of experience in economics, finance and investment banking. Mr. Meltzer is a director of Momentum Ventures Limited, licensed by the government as an Innovation Investment Fund with venture capital investments including biotechnology. Mr. Meltzer is a non-executive director on the board of directors of a number of private companies. Mr. Meltzer is also a director on the board of the Australian-Israel Chamber of Commerce and is Deputy Chairman of Independence Australia (previously Paraquad). Mr. Meltzer is Chairman of our Audit Committee, Remuneration Committee and Nomination Committee. Mr. Meltzer holds a Bachelor of Commerce degree from the University of Auckland and a Master of Economics degree from Monash University.

Dr. George William Mihaly has served as director of our company since December 1999. Dr. Mihaly also serves as a director of Waide Pty Ltd., a private company. Dr. Mihaly has had an extensive and successful career spanning the research and commercial facets of the pharmaceutical industry. During the period from mid-1994 to early 2000, Dr. Mihaly was the founding executive Chairman and Managing Director of Synermedica Pty Ltd, or Synermedica, one of Australia's leading independent consultant research organizations to the pharmaceutical industry. Synermedica merged with the global consultant research organization Kendle International Inc. in April 2000 and Dr. Mihaly continued as Managing Director of the merged entity in Australia (now called Kendle Pty Ltd) until December 2004. Over the course of the last 35 years in academia and industry, Dr. Mihaly has amassed extensive experience in both the science and logistics of setting up, monitoring, managing and evaluating results from Phase I, II, III and IV clinical trials. Dr. Mihaly holds a B.Pharm. from Monash University, an M.Sc. degree from Sydney University and a Ph.D. degree from Melbourne University, and he is a fellow of the Australian Institute of Company Directors.

Mr. Lawrence Gozlan was appointed as a director of our company on August 8, 2011. Mr. Gozlan, a leading biotechnology investor and advisor, is the Chief Investment Officer and Founder of Scientia Capital, a specialized global investment fund focused exclusively in life sciences. Scientia Capital was founded to provide high level expertise and to manage investments for high net worth individuals, family offices and institutional investors seeking exposure to the biotechnology industry. Mr. Gozlan commenced his position with Scientia Capital in June 2006. Previously, Mr. Gozlan was responsible for the largest biotechnology investment portfolio in Australia as the institutional biotechnology analyst at the Queensland Investment Corporation (QIC), an investment fund with over AU$60 billion worth of assets under management. Mr. Gozlan also worked as the senior biotechnology analyst in the equities team at Foster Stock broking, and gained senior corporate finance experience advising life sciences companies at Deloitte. Mr. Gozlan is an investment advisor to several companies in the biotechnology industry, presented at numerous international healthcare conferences, and has been featured in various published media as an expert on investing in life sciences. He holds a Bachelor of Science with Honors in microbiology and immunology from the University of Melbourne specializing in neurodegenerative diseases.

There are no family relationships among our directors and senior executives.

B. COMPENSATION

The following table sets forth all compensation we paid for the year ended June 30, 2012 with respect to each of our executive officers and directors during the 2012 fiscal year.

	Salaries, fees, commissions, bonuses and other		Pension, retirement and other similar benefits
Geoffrey P. Kempler (1)	A$	416,579	--
Richard Revelins	A$	81,681	--
Dianne Angus (2)	A$	374,850	--
Peter A. Marks	A$	55,000	--
Brian D. Meltzer	A$	90,000	--
George W. Mihaly	A$	75,000	--
Lawrence Gozlan	A$	36,667	--

(1) Mr. Kempler has elected not to accept an A$100,000 incentive bonus to which he is entitled until further notice.
(2) During the 2012 fiscal year, Ms. Angus also received options to purchase 315,637 ordinary shares, which are exercisable for A$0.25 on or before March 20, 2017, as remuneration for her services.

In accordance with the approval of our shareholders at our 2004 annual general meeting of shareholders, the aggregate amount available per annum for the remuneration of our non-executive directors for their services (payable in cash, ordinary shares or options) is A$1,250,000.

Except for the options granted to Ms. Angus, we did not grant options to any of our executive officers or directors. As of June 30, 2012, our directors and executive officers as a group, then consisting of seven persons, held options to purchase an aggregate 2,052,730 of our ordinary shares. Of such options, (i) options to purchase 1,444,837 ordinary shares are exercisable for nil consideration on or before August 7, 2014. Such options may not be exercised until and unless the price of our ordinary shares has achieved and maintained a minimum value of A$0.40 for five consecutive trading days; (ii) options to purchase 292,256 ordinary shares are exercisable for A$0.15 consideration on or before March 31, 2014; and (iii) options to purchase 315,637 ordinary shares are exercisable for A$0.25 consideration on or before March 20, 2017. All such options were granted under our 2004 Employees', Directors' & Consultants' Share and Option Plan. See Item 6.E. "Directors, Senior Management and Employees - Share Ownership – Stock Option Plans."

Agreement with Chief Executive Officer. On September 21, 2007, we entered into an agreement with Mr. Geoffrey Kempler, a director, in connection with his employment as our Chief Executive Officer. Under the agreement, we agreed to pay Mr. Kempler a base salary of A$386,400 per annum (which may be increased at the discretion of our Board of Directors). Mr. Kempler is entitled to a bonus of A$6,000 for holding regular meetings (minimum twice a year) of the full Research and Development Advisory Board. Mr. Kempler is entitled to up to 20 days' vacation a year (vacation days that are not used in any calendar year will be carried over for use in the following year to a maximum carry-over of two years) and reimbursement of reasonable business expenses incurred in the performance of his duties. Mr. Kempler is also entitled to participate in the employee benefits established by our company, as applicable to executives, including, without limitation, a Section 401(k) retirement plan, health, dental, life insurance and short and long term disability plans.

In the event of termination of Mr. Kempler's employment:

- By our company without cause (as defined in the agreement) or by Mr. Kempler with good reason (as defined in the agreement), he will be entitled to: (i) the sum of A$1 million provided we have sufficient capital requirements to fulfill this obligation within 90 days of termination date; (ii) business expenses that have not been reimbursed and accrued and unused vacation days; and (iii) the acceleration of the vesting of any unvested options to purchase ordinary shares which may be purchased during the remainder of the exercise period of such options.

- By our company with cause (as defined in the agreement) or by Mr. Kempler without good reason (as defined in the agreement), he will be entitled to business expenses that have not been reimbursed and accrued and unused vacation days. Mr. Kempler will only be permitted to exercise unvested options to purchase shares that had been granted to him prior to the employment agreement.

- Due to death or disability (as defined in the agreement), we shall pay Mr. Kempler or his estate, as applicable, all accrued base salary, pro-rata bonus, business expenses that have not been reimbursed and accrued, unused vacation days (and in the case of disability, less such amounts under any disability policy maintained by our company). Mr. Kempler or his estate, as applicable, will be entitled to exercise vested options for ordinary shares.

The agreement contains customary confidentiality provisions.

Agreement with Chief Operating Officer. On June 12, 2007, we entered into an amendment to an employment agreement with Ms. Angus in connection with her appointment as our Chief Operating Officer, effective as of May 31, 2007. Under the amended agreement we agreed to pay Ms. Angus a base salary of A$268,125 per year, plus superannuation equivalent to 9.0% of the base salary (or the percentage stipulated by applicable Australian law). Effective May 1, 2010, Ms. Angus received a salary increase of 8% bringing her annual base salary to A$315,637. In addition, under the amended agreement, we granted to Ms. Angus options to purchase an additional 250,000 ordinary shares in recognition of our company's achievements and performance. Such options are exercisable for nil consideration on or before August 7, 2014 and will not be exercisable unless the price of our ordinary shares has achieved and maintained a minimum value of A$0.40 for five consecutive trading days. During the 2012 fiscal year, Ms. Angus also received options to purchase 315,637 ordinary shares, which are exercisable for A$0.25 on or before March 20, 2017, as remuneration for her services. The options were granted under the 2004 ASX Plan (as defined below). If we terminate the employment agreement without cause or if Ms. Angus terminates the employment agreement with good reason (as such terms are defined in the agreement) (i) we will pay to Ms. Angus, within 90 days of such termination, the sums she would have been entitled to receive had she continued to provide services for three months following the termination date; and (ii) any unvested options shall be accelerated and will become fully vested and she will be entitled to exercise her options during the remainder of their term.

C. BOARD PRACTICES

Introduction

Our Board of Directors is elected by and accountable to our shareholders. Our Board of Directors' responsibilities are divided into operating activities, financial and capital markets activities and scientific activities. The Chairman of our Board of Directors, currently Mr. Geoffrey Kempler, is responsible for the management of the Board of Directors and its functions.

Election of Directors

Directors are elected at our annual general meeting of shareholders. Under our Constitution, the term of office of our directors are staggered, such that at every annual general meeting of shareholders one-third, rounded down to the nearest whole number, of the directors, except a Managing Director, must retire from office and may offer himself/herself for re-election. No director, except a Managing Director, shall retain office for a period in excess of three years without submitting for re-election. Under Australian law, directors who have reached the age of 72 must stand for re-election annually. Our Board of Directors has the power to appoint any person to be a director, either to fill a vacancy or as an additional director (provided that the total number of directors does not exceed the maximum allowed by law), and any director so appointed may hold office only until the next annual general meeting when he or she shall be eligible for election. Mr. Kempler is our Managing Director. Dr. Mihaly must retire and may stand for re-election at our 2012 annual general meeting of shareholders. Mr. Brian Meltzer must retire and may stand for re-election at our 2013 annual general meeting of shareholders. Mr. Peter Marks must retire and may stand for re-election at our 2014 annual general meeting of shareholders. Mr. Lawrence Gozlan was appointed by our board of directors as a director on August 8, 2011 and was elected by our shareholders at a general meeting of shareholders on October 7, 2011.

Non-Executive and Independent Directors

Australian law does not require a company to appoint a certain number of independent directors to its board of directors or audit committee. However, under the ASX Best Practice Guide, the ASX recommends, but does not require, that an ASX-listed company have a majority of independent directors on its board of directors and that the audit committee be comprised of independent directors, within the meaning of the rules of the ASX. Our Board of Directors currently has five directors, of which four are non-executive directors within the meaning of the ASX Best Practice Guide, and our audit committee consists of such three non-executive directors. Accordingly, we currently comply with the foregoing recommendations of the ASX Best Practice Guidance.

Under the rules of the NASDAQ Stock Market, a majority of our Board of Directors must qualify as independent directors within the meaning of the rules of the NASDAQ Stock Market, each of whom satisfies the respective "independence" requirements of the NASDAQ Stock Market Rules and the Securities and Exchange Commission. Our Board of Directors has determined that each of Messrs. Peter Marks and Brian Meltzer and Dr. George Mihaly qualifies as an independent director under the requirements of the ASX, the NASDAQ Stock Market and the Securities and Exchange Commission.

Committees of the Board of Directors

Our Board of Directors has established the following committees:

Audit Committee. The NASDAQ Stock Market rules require us to establish an audit committee comprised of at least three members, each of whom is financially literate and satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our Audit Committee assists our Board of Directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent public accountants' qualifications and independence, the performance of our internal audit function and independent public accountants, and such other duties as may be directed by our Board of Directors. The Audit Committee is also required to assess risk management. The audit committee meets at least four times per year.

Our Audit Committee currently consists of three board members, each of whom satisfies the "independence" requirements of the Securities and Exchange Commission, the NASDAQ Stock Market Rules and ASX Rules. Our Audit Committee is currently composed of Messrs. Marks and Meltzer and Dr. Mihaly.

Remuneration Committee. Our Board of Directors has established a Remuneration Committee, which is comprised solely of independent directors, within the meaning of the NASDAQ Stock Market Rules. The Remuneration Committee is responsible for reviewing the salary, incentives and other benefits of our executive officers and to make recommendations on such matters for approval by our Board of Directors. The Remuneration Committee is also responsible for overseeing and advising our Board of Directors with regard to the adoption of policies that govern our compensation programs, including share and ADR option and employee benefit plans. Additionally, the Remuneration Committee administers our share and ADR option plans and any other employee benefit plans through a sub-committee that it established for this purpose (see Share Plan Committee below). Dr. Mihaly and Mr. Meltzer are the current members of the Remuneration Committee, each of whom qualifies as an "independent director" within the meaning of the NASDAQ Stock Market Rules.

Share Plan Committee. Our Remuneration Committee has established a sub-committee, the Share Plan Committee, which administers our share and ADR option plans. Dr. Mihaly and Mr. Meltzer are the current members of the Share Plan Committee, each of whom qualifies as an "independent director" within the meaning of the NASDAQ Stock Market Rules.

Nominations Committee. Our Board of Directors has established a Nominations Committee, which is comprised solely of independent directors, within the meaning of the NASDAQ Stock Market Rules. The Nominations Committee is responsible for identifying and recommending to the Board of Directors director nominees for election at the annual meetings of shareholders, as well as candidates to fill any vacancies on the Board of Directors or as an addition to existing directors. Dr. Mihaly and Mr. Meltzer are the current members of the Nominations Committee, each of whom qualifies as an "independent director" within the meaning of the NASDAQ Stock Market Rules.

Research and Development Advisory Board. Our Research and Development Advisory Board oversees and administers our research activities. Our Research and Development Advisory Board is comprised of a number of the leading scientists in the field of age-related degenerative disorders. The members of our Scientific Advisory Board are as follows:

Dr. Jeffrey Cummings is the Chairman of our Research and Development Advisory Board. Dr. Cummings is the Director of the Cleveland Clinic Lou Ruvo Center for Brain Health and the Andrea and Joseph Hahn Professor of Neurotherapeutics. The Lou Ruvo Center for Brain Health provides clinical care to patients, promotes innovative programs for caregivers, and advances translational research and clinical trials for Alzheimer's disease and related disorders. Dr. Cummings was formerly the director of the UCLA Alzheimer's Disease Center; the Augustus S. Rose Professor of Neurology at UCLA and the Director of the Deane F. Johnson Center for Neurotherapeutics. Dr. Cummings' interests embrace clinical trials and the development of new treatments for neurodegenerative disorders and other neurological diseases. Dr. Cummings has broad interests in dementing disorders, neuropsychiatry, neurotherapeutics and the interface of neuroscience and society.

Professor Jean-Marc Orgogozo, MD, is the Chair of the Department of Clinical Neurosciences and Professor of Neurology at the University of Bordeaux, France. Professor Orgogozo has extensive experience in neuroepidemiology and clinical trials, particularly in stroke and dementia. Professor Orgogozo's early publications on the amyloid vaccines have helped to shape the field of anti-amyloid therapeutics. Professor Orgogozo's main therapeutic research now is on the prodromal phase of Alzheimer's disease.

Dr. Craig Ritchie is the Clinical Research Fellow (Senior), Old Age Psychiatry at Imperial College, London. In 2011 Dr. Ritchie was appointed Co-Director of the London (Northwest) Comprehensive Local Research Network. Dr. Ritchie is heavily involved, both clinically and academically, in psychiatric disorders of late life, in particular Alzheimer's disease, delirium and schizophrenia. Dr. Ritchie's interest in conducting and assimilating evidence from clinical trials is based on his clinical background, having worked with elderly patients with dementia for most of his career.

Professor Colin Masters is the Executive Director of the Mental Health Research Institute (Australia) and an ex-founding director of our company. For more than 30 years, Professor Masters has dedicated his research to the study of the nature of Alzheimer's disease and other neurodegenerative disorders. Professor Masters and his team are internationally renowned for their work on the disease and he is considered the most eminent neuroscientist in Australia. In addition, Professor Masters is regarded as one of the leading worldwide researchers in the study of Alzheimer's disease. In 2006, Professor Masters was awarded the Lifetime Achievement Award in Alzheimer's Disease Research at the 10th International Conference on Alzheimer's Disease (ICAD), the Lennox K. Black International Prize for Excellence in Biomedical Research and the Grand Hamdan International Award for a research breakthrough in the subject of Molecular and Cellular Pathology of Neurological Disorders.

Professor Rudolph Emile Tanzi is the Joseph P. and Rose F. Kennedy Professor of Neurology at Harvard Medical School and Director of Genetics and the Aging Research Unit at MGH. Professor Tanzi co-discovered three of the four known Alzheimer's disease genes and contributed greatly to elucidating the molecular mechanisms by which they cause of Alzheimer's disease. Professor Tanzi's laboratory at MGH is one of the leaders in the field. Professor Tanzi conceived the "Metal Hypothesis of Alzheimer's Disease" with Professor Ashley Bush, and over the past 15 years has helped guide the design and development of our platform technology. In January 2012, Professor Tanzi was appointed our Chief Scientific Advisor.

Dr. Steven D. Targum is our Chief Medical Advisor. Dr. Targum consults widely to the pharmaceutical industry regarding the design and implementation of clinical trials for new psychotropic drugs and the progression of drug development from concept to approval to launch. Dr. Targum is well known for his expertise in clinical trials methodologies. In this capacity, Dr. Targum founded both PharmaStar and Clintara LLC, global rater training and medical education companies focused on central nervous system drug development and international clinical trials. Dr. Targum has been Professor of Psychiatry and Vice-Chairman of the Department of Mental Health Sciences at Hahnemann University School of Medicine in Philadelphia, and most recently a consultant in psychiatry at MGH in Boston.

Directors' Service Contracts

Except for the agreement with Mr. Kempler in connection with his employment as our Chief Executive Officer, as described above, there are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

Indemnification of Directors and Officers

Our Constitution provides that, subject to the Australian Corporations Act, every director, secretary, manager or officer of our company or any person employed by our company as auditor shall be indemnified out of our funds against all liability incurred by such person as a director or officer in defending proceedings, whether civil or criminal, in which judgment is given in the persons favor or in which the person is acquitted in connection with any application under the Australian Corporations Act in which relief is granted to the person by a Court.

Under our Constitution no director, auditor or other officer shall be liable for (i) any acts, receipts, neglect or defaults of any other director or officer for joining in any receipt or other act for conformity; (ii) any loss or expense that may happen to us through the inefficiency or deficiency of title to any property acquired by order of the directors or on our behalf; (iii) the inefficiency or deficiency of any security in or upon which any of our monies shall be invested; (iv) any loss or damage arising from bankruptcy, insolvency or tortuous act of any person with whom any monies, securities or effects shall be deposited; (v) any loss occasioned by any error of judgment, omission, default or oversight on the persons part; or (vi) any other loss damage or misfortune whatsoever which shall happen in relation to those things unless the same shall happen through the persons own negligence, default, breach or duty, breach of trust or dishonesty.

In addition, our Constitution provides that to the extent permitted by law, we may pay, or agree to pay, a premium in respect of a contract insuring a person who is or has been an officer of our company or one of our subsidiaries against a liability:

- incurred by the person in his or her capacity as an officer of our company or a subsidiary of our company provided that the liability does not arise out of a conduct involving a willful breach of duty in relation to our company or a subsidiary of our company; or
- for costs and expenses incurred by that person defending proceedings, whatever their outcome.

We maintain a directors' and officers' liability insurance policy. We have established a policy for the indemnification of our directors and officers against certain liabilities incurred as a director or officer, including costs and expenses associated in successfully defending legal proceedings.

D. EMPLOYEES

At June 30, 2012, we had eight employees. Of such employees, five persons were employed in research and development, two persons in management and administration and one person in operations. All such employees were located in Australia.

At June 30, 2011, we had nine employees. Of such employees, five persons were employed in research and development, two persons in management and administration and two persons in operations. All such employees were located in Australia.

At June 30, 2010, we had 12 employees. Of such employees, eight persons were employed in research and development, two persons in management and administration and two persons in operations. All such employees were located in Australia.

Australian labor laws and regulations are applicable to all of our employees. The laws concern various matters, including severance pay rights at termination, retirement or death, length of work day and work week, minimum wage, overtime payments and insurance for work-related accidents.

E. SHARE OWNERSHIP

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information as of September 30, 2012 regarding the beneficial ownership of our ordinary shares by each of our directors and executive officers and by all of our directors and executive officers as a group:

Name	Number of Ordinary Shares Beneficially Owned (1)	Percentage of Ownership (2)
Geoffrey P. Kempler (3)	17,811,000	5.78%
Richard Revelins (4) 437437	20,308	*
Dianne Angus (5)	2,052,730	*
Peter Marks (6)	43,111	*
Brian D. Meltzer (7)	326,666	*
George W. Mihaly (8)	226,666	*
Lawrence Gozlan	--	--
All directors and executive officers as a group (7 persons)	20,480,481	6.65%

* Less than 1%

1. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of the above table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

2. The percentages shown are based on 308,189,928 ordinary shares issued and outstanding as of September 30, 2012.

3. Of the 17,811,000 outstanding ordinary shares, 30,000 ordinary shares are held of record by Mr. Kempler, 13,965,000 ordinary shares are held by Baywick Pty Ltd., an Australian corporation owned by Mr. Kempler, 756,000 ordinary shares are held by Sadarajak Pty Ltd., an Australian corporation owned by Mr. Kempler, 90,000 ordinary shares are held of record by Crystal Triangle Pty Ltd., an Australian corporation owned by Mr. Kempler and 2,970,000 ordinary shares are held of record by NRB Developments Pty Ltd., an Australian corporation in which Mr. Kempler holds a 50% interest. Mr. Kempler may be deemed to be the beneficial owner of the ordinary shares held of record by Baywick Pty Ltd., Crystal Triangle Pty Ltd. and NRB Developments Pty Ltd.

4. The 20,308 outstanding ordinary shares are held of record by Darontack Pty Ltd., an Australian corporation owned by Mr. Revelins.

5. Includes (i) options to purchase 1,444,837 ordinary shares are exercisable for nil consideration on or before August 7, 2014, which may not be exercised unless the price of our ordinary shares has achieved and maintained a minimum value of A$0.40 for five consecutive trading days; (ii) options to purchase 292,256 ordinary shares are exercisable for A$0.15 consideration on or before March 31, 2014; and (iii) options to purchase 315,637 ordinary shares are exercisable for A$0.25 consideration on or before March 20, 2017.

6. The 43,111 outstanding ordinary shares are held of record by Lampam Pty Ltd, an Australian corporation owned by Mr. Peter Marks.

7. The 326,666 outstanding ordinary shares are held of record by RBC Dexia Pty Ltd., a superannuation fund of Mr. Meltzer.

8. Of the 226,666 outstanding ordinary shares, 166,666 ordinary shares are held of record by Dr. Mihaly, 52,000 ordinary shares are held of record by Waide Pty Ltd., an Australian corporation owned by Dr. Mihaly, and 4,000 ordinary shares are held of record by each of Kieren Mihaly and Warwick Mihaly, Dr. Mihaly's sons. Dr. Mihaly disclaims beneficial ownership of the ordinary shares held by his sons, Kieren Mihaly and Warwick Mihaly.

Stock Option Plans

In November 2004, we adopted the 2004 Employees', Directors' and Consultants' Share and Option Plan, or the 2004 ASX Plan, and the 2004 American Depository Share (ADS) Option Plan, or the 2004 ADS Plan. For the description below, the 2004 ASX Plan and 2004 ADS Plan are referred to together as the 2004 Plans. Under the 2004 ASX Plan we may issue ordinary shares and under the 2004 ADS Plan we may issue ADSs. We were initially authorized to issue under the 2004 Plans up to an aggregate 12,000,000 ordinary shares or ADSs representing 12,000,000 ordinary shares. Pursuant to subsequent shareholder approvals, the most recent of which was in November 2009, we are entitled to issue up to an aggregate 60,000,000 ordinary shares (or ADSs representing 60,000,000 ordinary shares) under the 2004 Plans. Any increase in such maximum number of ordinary shares or ADSs issuable under the 2004 Plans is subject to shareholder approval.

2004 ASX Plan. The purpose of the 2004 ASX Plan is to promote the interest of our company and the interest of the employees, directors and consultants of our company and its subsidiaries. Under the 2004 ASX Plan, we may issue to employees, directors and consultants of our company and its subsidiaries, from time to time, ordinary shares, either by issuance of ordinary shares or under options to purchase ordinary shares granted under the 2004 ASX Plan.

The 2004 ASX Plan is administered by the Share Plan Committee, a sub-committee of the Remuneration Committee. For the purpose of the disclosure below, the term "Remuneration Committee" shall refer to the Remuneration Committee or Share Plan Committee, as applicable. Subject to Board approval where required by applicable law, the Remuneration Committee has the authority, in its sole discretion, to grant options under the 2004 ASX Plan, to interpret the provisions of the 2004 ASX Plan and to prescribe, amend, and rescind rules and regulations relating to the 2004 ASX Plan or any issue or grant thereunder as it may deem necessary or advisable, subject to any other approval if required by applicable law. All decisions made by the Remuneration Committee pursuant to the provisions of the 2004 ASX Plan will be final, conclusive and binding on all persons.

The number of shares issued or options granted, the exercise price and option term or options granted, the vesting schedule and escrow periods of shares issued and options granted, under the 2004 ASX Plan are determined by the Remuneration Committee, in accordance with the provisions of the ASX Plan, and specified in an offer document from our company and accepted by the eligible person, subject to the terms of the 2004 ASX Plan. Options granted under the 2004 ASX Plan will be unlisted and exercisable at an exercise price equal to less than market value of an ordinary share on the ASX at the date of grant, or such other exercise price that the Remuneration Committee determines to be appropriate under the circumstances. The term of an option granted under the 2004 ASX Plan will be determined by the Remuneration Committee; however, no option will be exercisable after the expiration of ten years from the date of its grant. Except as otherwise provided in the 2004 ASX Plan or determined by the Remuneration Committee and set forth in an offer document, the issuance of shares and exercise of options granted under the 2004 ASX Plan will either (i) be subject to an escrow, under which such shares or options cannot be disposed of or exercised, respectively, within six months from the date of issue or grant (or 12 months if issued or granted to a director); or (ii) will vest over a four year period in four equal installments, 25% at the end of each year from the date of grant. Shares issued and options granted under the 2004 ASX Plan may be subject to other performance criteria and hurdles, as determined by the Remuneration Committee.

2004 ADS Plan. The purpose of the 2004 ADS Plan is to promote the interests of our company and non-Australian based employees, officers, consultants, independent contractors and directors. Options granted under the 2004 ADS Plan may be incentive stock options, as provided in Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, or non-qualified stock options. Incentive stock options may only be granted to employees of our company and its subsidiaries (including, without limitation, officers and directors who are also employees of our company and its subsidiaries) and may not be granted to any owner of 10% or more of the total combined voting power of all classes of stock of our company and subsidiaries, or a 10% Holder. To the extent that the aggregate fair market value, determined on the date that an option is granted, of ADSs, with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year exceeds US$100,000, such option shall be treated as a non-qualified stock option.

Under the 2004 ADS Plan, we may grant to employees, officers, consultants, independent contractors and directors of our company or any of its subsidiaries, from time to time, options to purchase ADSs representing our ordinary shares. The number of ADSs with respect to which options may be granted to any employee under the 2004 ADS Plan in any calendar year shall not exceed 500,000 ADSs (representing 5,000,000 of our ordinary shares). ADSs that are forfeited under the terms of the 2004 ADS Plan and ADSs that are the subject to options that expire unexercised or which are otherwise surrendered by an optionee without receiving any payment or other benefit with respect to such option may again become available for new option grants under the 2004 ADS Plan.

The 2004 ADS Plan is administered by our Share Plan Committee. Subject to Board approval where required by applicable law, the Remuneration Committee has authority, in its sole discretion, to grant options under the 2004 ADS Plan, to interpret the provisions of the 2004 ADS Plan and to prescribe, amend, and rescind rules and regulations relating to the 2004 ADS Plan or any options granted thereunder as it may deem necessary or advisable, subject to any other approval if required by applicable law. All decisions made by the Remuneration Committee pursuant to the provisions of the 2004 ADS Plan shall be final, conclusive and binding on all persons.

The type of option (incentive stock option or non-qualified stock option), exercise price, option term and vesting schedule of options granted under the 2004 ADS Plan are determined by the Remuneration Committee, in accordance with the provisions of the ADS Plan, and specified in an option agreement by and between our company and the optionee, subject to the terms of the 2004 ADS Plan. The exercise price per each ADS will be determined by the Remuneration Committee at the time any option is granted, however the exercise price of an incentive stock option will not be less than 100% of the fair market value of such ADS on the date of the grant and the price of an incentive stock option granted to a 10% Holder will not be less than 110% of the fair market value of such ADS on the date of the grant. Options granted under the 2004 ADS Plan will not be exercisable after the expiration of ten years from the date of grant, and in the case of an incentive stock option granted to a 10% Holder, the term of the option will be five years from the date of grant or such shorter term as may be provided in the option agreement. The options will vest over a four year period in four equal installments, 25% at the end of each year from the date of grant, unless otherwise provided by the Remuneration Committee in an option agreement.

Options granted under the 2004 ADS Plan are not assignable or transferable by the grantee, other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the grantee only by the grantee or his guardian or legal representative.

A summary of the status of the 2004 Plans as of June 30, 2012, 2011 and 2010, and changes during the years ended on those dates, is presented below:

	As of June 30,					
	2012		2011		2010	
	Amount	Weighted average exercise price	Amount	Weighted average exercise price	Amount	Weighted average exercise price
Options outstanding at the beginning of the year	7,831,311	$ 0.26	15,855,394	$ 0.26	16,271,183	$ 0.25
Granted	4,158,674	$ 0.25	200,000	--	2,204,609	$ 0.10
Exercised	(341,865)	--	(816,583)	--	(420,398)	--
Expired	--	--	(7,327,500)	$ 0.23	(2,200,000)	--
Forfeited	(1,500,437)	$ 0.25	(80,000)	--	--	--
Options outstanding at the end of the year	10,147,683	$ 0.27	7,831,311	$ 0.26	15,855,394	$ 0.26
Options exercisable at the end of the year	9,126,993	$ 0.27	6,810,621	$ 0.29	12,277,204	$ 0.34
Options that may be granted as of the end of the year	31,819,485		34,897,723		42,850,233	

In addition, as of June 30, 2012, 310,000 ordinary shares have been issued under the ASX Plan that were not issued upon the exercise of options.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth certain information, as of September 30, 2012, regarding the beneficial ownership by all shareholders known to us to own beneficially more than 5% of our ordinary shares.

Name	Number of Ordinary Shares Beneficially Owned (1)	Percentage of Outstanding Ordinary Shares (2)
Geoffrey P. Kempler	17,811,000(3)	5.78%
Jagen Nominees Pty Ltd	15,409,060(4)	5.00%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of the table above are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentages shown are based on 308,189,928 ordinary shares issued and outstanding as of September 30, 2012.

(3) Of the 17,811,000 outstanding ordinary shares, 30,000 ordinary shares are held of record by Mr. Kempler, 13,965,000 ordinary shares are held by Baywick Pty Ltd., an Australian corporation owned by Mr. Kempler, 756,000 ordinary shares are held by Sadarajak Pty Ltd., an Australian corporation owned by Mr. Kempler, 90,000 ordinary shares are held of record by Crystal Triangle Pty Ltd., an Australian corporation owned by Mr. Kempler and 2,970,000 ordinary shares are held of record by NRB Developments Pty Ltd., an Australian corporation in which Mr. Kempler holds a 50% interest. Mr. Kempler may be deemed to be the beneficial owner of the ordinary shares held of record by Baywick Pty Ltd., Crystal Triangle Pty Ltd. and NRB Developments Pty Ltd.

(4) Based upon a Notice of Change of Interest of Substantial Holder filed by Jagen Nominees Pty Ltd with the ASX on June 30, 2011 and other information available to the company. Mr. Boris Liberman is the sole owner of Jagen Nominees Pty Ltd. and may be deemed to hold the voting and investment powers for the ordinary shares held of record by Jagen Nominees Pty Ltd.

Significant Changes in the Ownership of Major Shareholders

Mr. Geoffrey Kempler. As of June 30, 2008 and 2009, Mr. Kempler's beneficially owned 20,055,000 ordinary shares, representing approximately 9.94% and 9.89%, respectively, of our then outstanding shares. On December 1, 2009, Mr. Kempler filed with the ASX a Notice of Change of Interest of Substantial Holder, reflecting ownership of 17,055,000 or 7.29% of our then outstanding shares. On June 30, 2011, Mr. Kempler filed with the ASX a Notice of Change of Interest of Substantial Holder, reflecting ownership of 17,811,000 or 6.20%, of our then outstanding ordinary shares.

BAM Capital. On September 8, 2009, we entered into a private placement agreement with BAM Capital, LLC, or BAM Capital, one of our institutional shareholders in the United States, under which we raised an aggregate A$6.0 million before costs (approximately A$5.7 million net of costs) in a private placement of our ordinary shares to such investor. The private placement was for 30 million ordinary shares (equivalent to three million ADRs) at a price of A$0.20 per share (A$2.0 per ADR). We also agreed to grant the investor, subject to shareholder approval, options to purchase 10 million ordinary shares (equivalent to one million ADRs) at an exercise price of A$0.30 per share (A$3.0 per ADR) that will expire four years after the date of the issuance of the shares in the private placement. Shareholder approval for the issuance of the shares and option grant was obtained in November 2009. We also agreed to issue to the investor up to an additional 3,000,000 ordinary shares, or 300,000 ADRs, if the daily closing price of our ordinary shares on the ASX on any day from the date of the private placement until five days after the date on which the registration statement for the ordinary shares issued in the private placement is declared effective, declines below A$0.19, based on a formula set forth in the agreement. The foregoing condition was met and based on the agreed upon formula, we issued to the investor an additional 750,000 ordinary shares pursuant to the approval of our shareholders obtained in November 2009. On April 23, 2010, BAM Capital filed with the ASX a Notice of Ceasing to be a Substantial Holder. On May 18, 2010, Amendment No. 6 to Schedule 13G was filed by BAM Capital and other reporting persons with the Securities and Exchange Commission indicating that such persons beneficially hold 15,241,193 or 6.25% of our then outstanding ordinary shares, of which 5,241,193 ordinary shares are outstanding and held of record by BAM Partnership and 10,000,000 ordinary shares are subject to options held by BAM SPV. BAM Capital and the other reporting persons filed Amendment No. 7 to their Schedule 13G with the Securities and Exchange Commission indicating that they have ceased to beneficially own 5% or more of our outstanding shares.

Bank of America Corporation. On September 18, 2009, Bank of America Corporation filed a Notice of Initial Substantial Holder with the ASX reflecting ownership of 30,080,000, or 12.29%, of our then outstanding shares. On August 19, 2011, Bank of America Corporation filed with the ASX a Notice of Ceasing to be a Substantial Holder.

Morgan Stanley Australia Securities Limited. On November 16, 2009, Morgan Stanley Australia Securities Limited or Morgan Stanley filed a Schedule 13G with the Securities and Exchange Commission reflecting beneficial ownership of 12,076,175, or 5.2% of our ordinary shares. On February 12, 2010, Morgan Stanley filed Amendment No. 1 to Schedule 13G with the Securities and Exchange Commission reflecting beneficial ownership of 11,802,531, or 5% of our ordinary shares. On March 1, 2010, Morgan Stanley filed with the ASX a Notice of Ceasing to be a Substantial Holder. On February 14, 2011, Morgan Stanley filed Amendment No. 2 to Schedule 13G with the Securities and Exchange Commission indicating that each of them has ceased to beneficially own 5% or more of our outstanding shares.

Major Shareholders Voting Rights

Our major shareholders do not have different voting rights.

Record Holders

As of September 30, 2012, there were 2,740 holders of record of our ordinary shares, of which 22 record holders, holding approximately 0.80% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor are they representative of where such beneficial holders reside, since many of these ordinary shares were held of record by brokers or other nominees. The majority of trading by our U.S. investors is done by means of ADRs that are held of record by National Nominees Ltd., which held 54.35% of our ordinary shares as of such date.

B. RELATED PARTY TRANSACTIONS

None.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

See our consolidated financial statements, including the notes thereto, in Item 18.

Legal Proceedings

We are not involved in any legal proceedings nor are we subject to any threatened litigation that is material to our business or financial condition.

Dividend Distribution Policy

We have never paid cash dividends to our shareholders. We intend to retain future earnings for use in our business and do not anticipate paying cash dividends on our ordinary shares in the foreseeable future. Any future dividend policy will be determined by the Board of Directors and will be based upon various factors, including our results of operations, financial condition, current and anticipated cash needs, future prospects, contractual restrictions and other factors as the Board of Directors may deem relevant.

B. SIGNIFICANT CHANGES

There have been no significant changes in the operation or financial condition of our company since June 30, 2012.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Australian Securities Exchange

Our ordinary shares have traded on the ASX since our initial public offering on March 29, 2000. The following table sets forth, for the periods indicated, the high and low market quotations for our ordinary shares, as quoted on the ASX.

	Per Ordinary Share (A$)	
	High	Low
Fiscal Year Ended June 30,		
2008	0.70	0.23
2009	0.69	0.12
2010 `	0.25	0.12
2011	0.38	0.11
2012	0.22	0.14
Fiscal Year Ended June 30, 2011:		
First Quarter	0.17	0.12
Second Quarter	0.16	0.12
Third Quarter	0.38	0.11
Fourth Quarter	0.26	0.16
Fiscal Year Ended June 30, 2012:		
First Quarter	0.22	0.14
Second Quarter	0.19	0.14
Third Quarter	0.19	0.14
Fourth Quarter	0.18	0.14
Month Ended:		
April 2012	0.17	0.14
May 2012	0.18	0.14
June 2012	0.17	0.14
July 2012	0.16	0.15
August 2012	0.20	0.15
September 2012	0.29	0.17

NASDAQ Capital Market

Since September 5, 2002 our Level II ADRs have traded on the NASDAQ Capital Market under the symbol "PRAN." The following table sets forth, for the periods indicated, the high ask and low bid prices of our Level II ADRs on the NASDAQ Capital Market:

	Per ADR (US$)	
	High	Low
Fiscal Year Ended June 30,		
2008	6.73	2.06
2009	5.70	1.00
2010 `	3.35	1.02
2011	4.50	1.09
2012	2.31	1.40
Fiscal Year Ended June 30, 2011:		
First Quarter	1.38	1.09
Second Quarter	1.68	1.13
Third Quarter	4.50	1.23
Fourth Quarter	2.83	1.70
Fiscal Year Ended June 30, 2012:		
First Quarter	2.31	1.40
Second Quarter	1.78	1.40
Third Quarter	2.03	1.46
Fourth Quarter	1.74	1.41
Month Ended:		
April 2012	1.74	1.47
May 2012	1.65	1.41
June 2012	1.60	1.45
July 2012	1.65	1.50
August 2012	1.87	1.50
September 2012	2.74	1.66

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

The principal listing of our ordinary shares and listed options to purchase ordinary shares is on the ASX. As of April 5, 2002, our ADRs were eligible to trade on the NASDAQ Capital OTC Bulletin Board in the United States and since September 5, 2002, our ADRs have traded on the NASDAQ Capital Market under the symbol "PRAN." We entered into a Deposit Agreement with the Bank of New York under which the Bank of New York, acting as depositary, issues ADRs, each of which evidences an ADS, which in turn represents ten of our ordinary shares.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We were registered on November 11, 1997 as Prana Pty Ltd and on November 26, 1999 we converted to a public company and changed our name to Prana Corporation Ltd. On January 1, 2000, we changed our name to Prana Biotechnology Ltd. Our registration number is ACN 080699065.

Prana's Purposes and Objects

As a public company we have all the rights, powers and privileges of a natural person. Our Constitution does not specify any purposes or objects.

The Powers of the Directors

Under the provisions of our Constitution our directors may exercise all of the powers of our company, other than those that are required by our Constitution or the Corporations Law of Australia to be exercised at a general meeting of shareholders. A director may participate in a meeting and vote on a proposal, arrangement or contract in which he or she is materially interested, so long as the director's interest is declared in accordance with the Corporations Law. The authority of our directors to enter into borrowing arrangements on our behalf is not limited, except in the same manner as any other transaction by us.

Rights Attached to Our Ordinary Shares

The concept of authorized share capital no longer exists in Australia and as a result, our authorized share capital is unlimited. All our outstanding ordinary shares are validly issued, fully paid and non-assessable. The rights attached to our ordinary shares are as follows:

Dividend rights. If our board of directors recommends a dividend, registered holders of our ordinary shares may declare a dividend by ordinary resolution in a general meeting. The dividend, however, cannot exceed the amount recommended by our board of directors. Our board of directors may declare an interim dividend. No dividend may be paid except out of our profits.

Voting rights. Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. Such voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

The quorum required for an ordinary meeting of shareholders consists of at least two shareholders represented in person or by proxy who hold or represent, in the aggregate, at least one third of the voting rights of the issued share capital. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the directors designate in a notice to the shareholders. At the reconvened meeting, the required quorum consists of any two members present in person or by proxy.

An ordinary resolution, such as a resolution for the declaration of dividends, requires approval by the holders of a majority of the voting rights represented at the meeting, in person, by proxy or by written ballot and voting thereon. Under our Constitution, a special resolution, such as amending our Constitution, approving any change in capitalization, winding-up, authorization of a class of shares with special rights, or other changes as specified in our Constitution, requires approval of a special majority, representing the holders of no less than 75% of the voting rights represented at the meeting in person, by proxy or by written ballot, and voting thereon.

Pursuant to our Constitution, our directors are elected at our annual general meeting of shareholders by a vote of the holders of a majority of the voting power represented and voting at such meeting.

Rights in our profits. Our shareholders have the right to share in our profits distributed as a dividend and any other permitted distribution.

Rights in the event of liquidation. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the nominal value of their holdings. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Changing Rights Attached to Shares

According to our Constitution, in order to change the rights attached to any class of shares, unless otherwise provided by the terms of the class, such change must be adopted by a general meeting of the shareholders and by a separate general meeting of the holders of the affected class with a majority of 75% of the voting power participating in such meeting.

Annual and Extraordinary Meetings

Our Board of Directors must convene an annual meeting of shareholders at least once every calendar year, within five months of our last fiscal year-end balance sheet data. Notice of at least 28 days prior to the date of the meeting is required. An extraordinary meeting may be convened by the board of directors, it decides or upon a demand of any directors, or of one or more shareholders holding in the aggregate at least five percent of our issued capital. An extraordinary meeting must be called not more than 21 days after the request is made. The meeting must be held not later than two months after the request is given.

Limitations on the Rights to Own Securities in Our Company

Neither our Constitution nor the laws of the Commonwealth of Australia restrict in any way the ownership or voting of our shares.

Changes in Our Capital

Pursuant to the Listing Rules of the ASX, our directors may in their discretion issue securities equal to not more than 15% of our issued capital within a 12-month period. Issuances of securities in excess of such amount require the approval of our shareholders by an ordinary resolution.

C. Material Contracts

See the patents and license agreements described under Item 4.B. "Information on the Company - Business Overview - Patents and License Agreements."

On December 1, 2000, we entered into a research funding and intellectual property assignment agreement with the University of Melbourne, under which the University of Melbourne agreed to conduct certain research projects on our behalf. Such projects include structure-based drug design involving the design of various metal-based compounds as potential diagnostics and therapeutics, drug screening and development involving the characterization of our compounds *in vitro* and *in vivo* models of neurodegenerative disorders, and cell-based drug discovery involving the screening and assessment of our compounds in cell-based systems to measure toxicity and cellular dysfunction and to develop new screens for our company. In consideration of such services, we agreed to pay the University of Melbourne a sum of A$297,000 (inclusive of goods and services tax) each year for a period of three years. In consideration for the assignment of rights to intellectual property developed by the University of Melbourne during the research period, we agreed to pay to the University of Melbourne royalties equal to 1.5% of the net invoice price of all products incorporating such intellectual property sold by us or on our behalf, or, the lesser of 1.5% of the net invoice price of such products sold by a licensee or assignee and 10% of gross revenues received from licensees or assignees relating to the exploitation of such intellectual property. Following the expiration of this agreement, the parties entered into consecutive agreements on December 1, 2003, December 1, 2006 and December 1, 2009. The recent research funding and intellectual property assignment agreement is deemed to have commenced as of the expiration date of the previous agreement on December 1, 2009 and expires on December 1, 2012. The financial consideration terms under the original agreement remain unchanged by all such consecutive agreements, and under their terms an annual budget is set for each of the three years of each respective agreement. We provided to the University of Melbourne funding in an amount equal to A$529,000 for the year running December 2008 to November 2009 and A$363,500 for the year running December 2009 to November 2010. We provided funding in an amount equal to A$390,000 (exclusive of goods and services tax) for the year running December 2010 to November 2011 and anticipate funding to an equal amount for the year running December 2011 to November 2012.

On January 8, 2004, we entered into a ten year consultancy services agreement with Professor Ashley Bush, effective as of February 1, 2003. The consulting services provided by Professor Ashley Bush include the discussion of current and future developments in the field of therapies based on metal mediated, oxidative stress or toxic gain of function of proteins involved in selected neurodegenerative diseases. Professor Bush's services also include possible participation in research projects, the assignment of intellectual property rights arising from such projects and assisting is with our patent prosecutions. The services are provided for a maximum of 40 days per year of service under the agreement. Under the agreement, we agreed to pay Professor Bush a consulting fee of US$100,000 per year, increasing on the anniversary of the agreement by the U.S. consumer price index, which effective June 1, 2009, was reduced to AU$60,000 per year, increasing on the anniversary of the agreement by the Australian consumer price index. We also agreed, as a bonus package, to issue to Professor Bush 1,650,000 ordinary shares and to grant to him options to purchase 825,000 ordinary shares at an exercise price of A$0.50 per share. The shares and options vest in four equal installments on each of the six months anniversaries following the effective date of the agreement. In addition, subject to the achievement of certain milestones, Professor Bush is entitled to purchase up to 5,000,000 additional ordinary shares at a price per share that is 10% below the mean market price of our ordinary shares during the 30-day period prior to their purchase. Once a milestone has been achieved, up to 250,000 ordinary shares out of the total tranche of ordinary shares to which he becomes entitled may be purchased each six months after such achievement. The first milestone has been achieved (the publication of results of a Phase II trial) and as a result, Professor Bush is now entitled to purchase up to 1,250,000 ordinary shares in accordance with the foregoing terms, of which Professor Bush acquired 250,000 ordinary shares during the 2007 fiscal year. The ordinary shares issued and options granted to Professor Bush under the agreement are subject to certain resale restrictions. During the period of 20 years after the effective date of the agreement, Professor Bush is also entitled to receive royalties equal to 5% of the income that we derive from the exploitation of new intellectual property developed by him or contributed to our company though his services pursuant to the agreement. This agreement was terminated by Professor Bush with 90 days' notice effective January 18, 2012.

On July 28, 2004, we and The General Hospital Corporation of Massachusetts settled all outstanding litigation with P.N. Gerolymatos S.A., or P.N.G., regarding the exploitation rights to certain patents relating to pharmaceutical compositions and uses of clioquinol, or PBT1. Pursuant to the settlement agreement, all patent oppositions in Europe and Australia were withdrawn and the law suits then pending before the U.S. District Court for the District of Columbia and the Court of Athens in Greece were dismissed. Under the settlement agreement, we and P.N.G. agreed to recognize the rights of each other to develop clioquinol in our respective territories. As a result of the settlement agreement, we now hold the rights to selected uses of clioquinol and pharmaceutical compositions in the United States and selected uses of clioquinol in Japan, and P.N.G. holds certain patent rights on the uses of clioquinol for Europe and other territories. Under the settlement agreement, we issued 1,350,000 of our ordinary shares to P.N.G. (which were held in escrow for 12 months), and made a payment of US$150,000 to P.N.G. Such settlement in the total value of A$971,764 was expensed in fiscal year 2004. Under the settlement agreement we also agreed to pay a sales royalty to P.N.G. on sales of PBT1 in the United States and Japan and we are entitled to receive a percentage of P.N.G.'s income on sales of PBT1 in the other territories. In April 2005, we announced our decision not to proceed with the PBT1 study. P.N.G. is also entitled to receive 2% of our worldwide income from PBT2 and any other future clioquinol derivative.

On May 22, 2007, we entered into an agreement with Patheon Inc., or Patheon, to undertake the capsule formulation development and prospective clinical trial manufacturing of PBT2 into capsules to support prospective further development of PBT2 into a Phase IIb study and/or other secondary clinical applications of PBT2. During the 2008 fiscal year, Patheon undertook the development of a capsule formulation suitable for large scale manufacture, as well as the development and validation of analytical methods to release the capsules. During the 2009 fiscal year, Patheon manufactured a feasibility batch of capsules using the newly developed process. During the 2010 and 2011 fiscal years, Patheon manufactured the capsules which are currently being used in the Alzheimer's Phase II trial, "IMAGINE," and the Huntington's Phase IIa trial, "Reach2HD." We paid Patheon US$97,629, US$196,654, US$296,551 and US$238,737 for the fiscal years 2012, 2011, 2010 and 2009, respectively, for services provided under the agreement.

In June 2007, we entered into two GMP drug manufacture and laboratory development agreements with the Institute for Drug Technology Australia Limited, or IDT, to undertake the GMP manufacture of an initial 4kg batch and subsequent large scale manufacture of 30kg of PBT2. IDT is engaged to also undertake process development, quality control release testing and stability testing of the final drug product before its release. Currently IDT is handling the storage and stability testing of the PBT2 API used in the Reach2HD trial. We paid IDT A$20,908, A$16,400 and A$18,635 for the fiscal years 2012, 2011 and 2010, respectively, for services provided under the two agreements.

In December 2008, we entered into a process development and manufacturing agreement with Dr. Reddy's Laboratories Limited, or Dr. Reddy's, to enable the transfer of existing manufacturing methods for PBT2 to Dr. Reddy's to work on improving the route of manufacture, optimization and scale up manufacture of PBT2. The agreement is comprised of a series of independent sub-projects, each of which is subject to our prior authorization to be initiated and funded, at our sole discretion. At this time, most of the work is completed, including the large scale manufacture of approximately 50kg of PBT2 API. Ongoing work includes stabilization of the API and storage of chemical precursors. The term of the agreement is for 90 days post the receipt by us of a written report and/or manufacturing deliverables under the last approved sub-project under the agreement. Early termination is available to either party under specified conditions, including material breach and voluntary termination by either party upon 30 days written notice. We paid Dr. Reddy's US$190,500, US$685,000 and US$175,500 for the fiscal years 2012, 2011 and 2010, respectively, for services provided under the agreement.

On September 8, 2009, we entered into a private placement agreement with BAM Capital LLC, one of our institutional shareholders in the United States, under which raised an aggregate A$6.0 million before costs (approximately A$5.7 million net of costs) in a private placement of our ordinary shares to such investor. Of such amount, A$3.0 million was paid at the closing of the private placement on September 11, 2009 and an additional A$3.0 million was paid on September 29, 2009. The private placement was for 30 million ordinary shares (equivalent to three million ADRs) at a price of A$0.20 per share (A$2.0 per ADR). We also agreed to grant the investor, subject to shareholder approval, options to purchase 10 million ordinary shares (equivalent to one million ADRs) at an exercise price of A$0.30 per share (A$3.0 per ADR) that will expire four years after the date of the issuance of the shares in the private placement. Shareholder approval for the issuance of the shares and option grant was obtained in November 2009. We also agreed to promptly take steps to register the ADRs with respect to the ordinary shares issued for distribution from time to time by the investor, and after January 1, 2010, upon the investor's demand, to file a registration statement covering the shares underlying the options. We also agreed to issue to the investor up to an additional 3,000,000 ordinary shares, or 300,000 ADRs, if the daily closing price of our ordinary shares on the ASX on any day from the date of the private placement until five days after the date on which the registration statement for the ordinary shares issued in the private placement is declared effective, declines below A$0.19, based on a formula set forth in the agreement. The foregoing condition was met, and based on the agreed upon formula, we issued to the investor an additional 750,000 ordinary shares pursuant to the approval of our shareholders obtained in November 2009.

On June 23, 2010, we entered into an agreement with Quintiles in connection with a research and development contract that we had previously entered into with Quintiles. Under the agreement, Quintiles agreed to pay us US$2.0 million, of which US$850,000 was paid up front and the remaining US$1,150,000 was paid in four equal installments on July 9, 2010, October 1, 2010, January 5, 2011, and March 1, 2011. In addition, we agreed to issue to Quintiles 7,064,749 of our ordinary shares at a price per share of A$0.1624 ($US1.62), or an aggregate purchase price of A$1.15 million (US$1.0 million), which issuance was completed on July 1, 2010. Quintiles also agreed that in the event that we consummate a qualified financing (as such term is defined in the agreement) within one year after the date of the agreement, it will purchase from us additional ordinary shares for an aggregate purchase price of US$1.0 million, on the same terms and conditions as the qualified financing. Accordingly, following the completion of the private placement described in the following paragraph, on June 30, 2011, we completed a private placement of 4.08 million ordinary shares to Quintiles, at a price of A$0.225 per share, for aggregate gross process of US$1.0 million (approximately A$915,200).

On March 22, 2011, we entered into a private placement agreement with institutional investors, under which we raised aggregate gross proceeds of approximately A$6.12 million (US$6.19 million). Under the terms of the offering, we sold an aggregate of approximately 27,200,000 ordinary shares (equivalent to 2,720,000 ADRs) at a price of A$0.225 per share (A$2.25 per ADR). We also granted to the investors options to purchase up to an aggregate of approximately 6,800,000 ordinary shares (equivalent to 680,000 ADRs) at an exercise price of A$0.225 per share (A$2.25 per ADR). The options are exercisable for a term of four years, and the exercise price is subject to future adjustment for various events, such as stock splits or dividend distributions. We also agreed to promptly take steps to register the ADRs with respect to the ordinary shares issued in the private placement and the ordinary shares issuable upon exercise of the options for distribution from time to time by the investors.

On July 13, 2011, we entered into an At-The-Market Issuance Sales Agreement with MLV, under which we may sell ADSs, each representing ten ordinary shares, from time to time through MLV, as our agent for the offer and sale of the ADSs. The aggregate offering price for the ordinary shares represented by ADSs may not exceed the aggregate amount that can be sold under the registration statement that we filed on May 17, 2011, which amount, as of the date of this annual report, is US$50 million. The ADSs are evidenced by ADRs. We will pay MLV a commission equal to 3% of the gross proceeds of the sales price of all ADSs sold through it as sales agent under the sales agreement. Because there is no minimum offering amount required as a condition to closing this offering, the actual total public offering amount, commissions and proceeds to us, if any, are not determinable at this time. The offering of our ADSs pursuant to the sales agreement will terminate on the earliest of (1) the sale of all of the ordinary shares subject to the sales agreement, or (2) termination of the sales agreement by us or MLV. We and MLV may terminate the sales agreement at any time in our sole discretion upon five days prior notice. MLV may terminate the sales agreement at any time in certain circumstances, including the occurrence of a material adverse change that, in the sales agent's judgment, may make it impracticable or inadvisable to market or sell our ADSs or a suspension or limitation of trading of our ADSs on The NASDAQ Capital Market.

On October 7, 2011, we entered into a Clinical Trial Agreement with the University of Rochester to perform the Phase IIa "Reach2HD" study in patients with Huntington's disease. The scope of works under the agreement includes study preparation, clinical site selection, study establishment, clinical site monitoring, preparation of operations manuals, database design to capture patient data, administer site payments and conduct investigator meetings, safety reporting and day to day study management. Our budget to perform these activities is approximately US$5,000,000 and is paid in milestones on achievement of their execution, such as opening an IND, receipt of Institutional Review Board approval, initial enrollment, database lock, provisions of results and the clinical study report. In addition, quarterly payments are paid during the enrollment and implementation phases of the trial. Either party may terminate the Agreement on 30 days' notice for breach of the Agreement or Protocol, insolvency, if continuance of the trial posed an unacceptable risk to safety and interests of the patients. We may terminate the Agreement for any reason upon 30 days' notice. We paid the University of Rochester US$894,653 for the fiscal year ended June 30, 2012, for services provided under the agreement and anticipate paying approximately $US2,500,000 in the fiscal 2013 and $US1,500,000 in fiscal 2014.

On June 14, 2012 we entered into a Clinical Research Support Agreement with GHC to undertake analysis of biomarkers from biological samples taken from patients and perform neuroimaging on a subset of patients from the "Reach2HD" clinical trial. The budget to perform these activities is $US303,125. Either party may terminate the Agreement on 30 days' notice for breach of the Agreement. We may terminate the Agreement on 30 days' notice for any reason.

D. EXCHANGE CONTROLS

Australia has largely abolished exchange controls on investment transactions. The Australian dollar is freely convertible into U.S. dollars. In addition, there are currently no specific rules or limitations regarding the export from Australia of profits, dividends, capital, or similar funds belonging to foreign investors, except that certain payments to non-residents must be reported to the Australian Cash Transaction Reports Agency, which monitors such transactions, and amounts on account of potential Australian tax liabilities may be required to be withheld unless a relevant taxation treaty can be shown to apply.

The Foreign Acquisitions and Takeovers Act 1975

Under Australian law, in certain circumstances foreign persons are prohibited from acquiring more than a limited percentage of the shares in an Australian company without notification to or approval from the Australian Treasurer. These limitations are set forth in the Australian Foreign Acquisitions and Takeovers Act, or the Takeovers Act.

Under the Takeovers Act, as currently in effect, any foreign person, together with associates, is prohibited from acquiring 15% or more of the shares in any company having total assets exceeding A$244 million or more. In addition, a foreign person may not acquire shares in a company having total assets of A$244 million or more if, as a result of that acquisition, the total holdings of all foreign persons and their associates will exceed 40% in aggregate without the approval of the Australian Treasurer. However, for "U.S. Investors," a threshold of A$1,062 million applies (except in certain circumstances) to each of the previous acquisitions. A "U.S. Investor" is defined by the Takeovers Act as a U.S. national or a U.S. enterprise.

If the necessary approvals are not obtained, the Treasurer may make an order requiring the acquirer to dispose of the shares it has acquired within a specified period of time. Under the current Australian foreign investment policy, however, it is unlikely that the Treasurer would make such an order where the level of foreign ownership exceeds 40% in the ordinary course of trading, unless the Treasurer finds that the acquisition is contrary to the national interest. The same rule applies if the total holdings of all foreign persons and their associates already exceeds 40% and a foreign person (or its associate) acquires any further shares, including in the course of trading in the secondary market of the ADRs. At present, we do not have total assets of A$244 million.

If the level of foreign ownership exceeds 40% at any time, we would be considered a foreign person under the Takeovers Act. In such event, we would be required to obtain the approval of the Treasurer for our company, together with our associates, to acquire (i) more than 15% of an Australian company or business with assets totaling over A$244 million; or (ii) any direct or indirect ownership interest in Australian residential real estate.

The percentage of foreign ownership in our company would also be included in determining the foreign ownership of any Australian company or business in which it may choose to invest. Since we have no current plans for any such acquisitions and do not own any property, any such approvals required to be obtained by us as a foreign person under the Takeovers Act will not affect our current or future ownership or lease of property in Australia.

Our Constitution does not contain any additional limitations on a non-resident's right to hold or vote our securities.

Australian law requires the transfer of shares in our company to be made in writing. No stamp duty will be payable in Australia on the transfer of ADRs.

E. TAXATION

The following is a discussion of Australian and United States tax consequences material to our shareholders. To the extent that the discussion is based on tax legislation which has not been subject to judicial or administrative interpretation, the views expressed in the discussion might not be accepted by the tax authorities in question or by court. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

Holders of our ADSs should consult their own tax advisors as to the United States, Australian or other tax consequences of the purchase, ownership and disposition of ADSs, including, in particular, the effect of any foreign, state or local taxes.

AUSTRALIAN TAX CONSEQUENCES

In this section we discuss the material Australian tax considerations that apply to non-Australian tax residents with respect to the acquisition, ownership and disposal of the absolute beneficial ownership of ADSs, which are evidenced by ADRs. This discussion is based upon existing Australian tax law as of the date of this annual report, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian income tax law which may be important to particular investors in light of their individual investment circumstances, such as ADSs or shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the purchase, ownership and disposition of the ADSs or shares.

Nature of ADSs for Australian Taxation Purposes

Holders of our ADSs are treated as the owners of the underlying ordinary shares for Australian income tax and capital gains tax purposes. Therefore, dividends paid on the underlying ordinary shares will be treated for Australian tax purposes as if they were paid directly to the owners of ADSs, and the disposal of ADSs will be treated for Australian tax purposes as the disposal of the underlying ordinary shares. In the following analysis we discuss the application of the Australian income tax and capital gains tax rules to non-Australian resident holders of ADSs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be 'franked' to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends that are not franked or are partly franked and are paid to non-Australian resident stockholders are subject to dividend withholding tax, but only to the extent the dividends are not franked.

Unfranked dividends paid to a non-resident stockholder are subject to withholding tax at 30%, unless the stockholder is a resident of a country with which Australia has a double taxation agreement. In accordance with the provisions of the Double Taxation Convention between Australia and the United States, the maximum rate of Australian tax on unfranked dividends to which a resident of the United States is beneficially entitled is 15%, where the U.S. resident holds less than 10% of the voting rights in our company, or 5% where the US resident holds 10% or more of the voting rights in our company. The Double Taxation Convention between Australia and the United States does not apply to limit the tax rate on dividends where the ADSs are effectively connected to a permanent establishment or a fixed base carried on by the owner of the ADSs in Australia through which the stockholder carries on business or provides independent personal services, respectively.

Tax on Sales or other Dispositions of Shares - Capital Gains Tax

Australian capital gains derived by non-Australian residents in respect of the disposal of capital assets that are not taxable Australian property will be disregarded. Non-Australian resident stockholders will not be subject to Australian capital gains tax on the capital gain made on a disposal of our shares, unless they, together with associates, hold 10% or more of our issued capital, tested either at the time of disposal or over any continuous 12 month period in the 24 months prior to disposal, and the value of our shares at the time of disposal are wholly or principally attributable to Australian real property assets.

Australian capital gains tax applies to net capital gains at a taxpayer's marginal tax rate but for certain stockholders a discount of the capital gain may apply if the shares have been held for 12 months or more. For individuals, this discount is 50% for capital gains.

As part of the 2012-2013 Australian Budget, the Australian Government announced that the 50% discount on capital gains will be removed for non-Australian residents on gains accrued after May 8, 2012. However, as at the date of this annual report, this change has not been legislatively enacted.

Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

Tax on Sales or other Dispositions of Shares - Stockholders Holding Shares on Revenue Account

Some non-Australian resident stockholders may hold shares on revenue rather than on capital account, for example, share traders. These stockholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian resident stockholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 29% for non-Australian resident individuals. From July 1, 2012 onwards, the marginal tax rate for non-Australia residents will start at 32.5%. Some relief from the Australian income tax may be available to such non-Australian resident stockholders under the Double Taxation Convention between the United States and Australia, for example, because the stockholder does not have a permanent establishment in Australia.

To the extent an amount would be included in a non-Australian resident stockholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the stockholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a stockholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that stockholder may be subject to tax as an Australian resident. If, however, the stockholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax applicable would be limited by the Double Taxation Convention. Stockholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

A transfer of shares of a company listed on the ASX is not subject to Australian stamp duty except in some circumstances where one person, or associated persons, acquires 90% or more of the shares.

Australian Death Duty

Australia does not have estate or death duties. No capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services tax and does not require a stockholder to register for Australian goods and services tax purposes.

Research and Development Tax Incentives

The Australian Government tax incentive scheme, introduced on July 1, 2011, replaces the former R&D Tax Concession scheme for research and development activities in income years commencing on or after July 1, 2011. Subject to certain exclusions, the new scheme provides benefits for eligible research and development activities (R&D activities). Such eligible R&D activities include but are not limited to:

- Core activities, which are experimental activities whose outcome cannot be known or determined in advance, but can only be determined by applying a systematic progression of work;
- Core activities conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved processes and materials); or
- Supporting activities that are directly related and designed to support (a) and (b).

Under the R&D Tax incentive scheme, entities will be entitled to either (i) a 45% refundable tax offset for eligible companies with an aggregated turnover of less than $20 million per annum; or (ii) a non-refundable 40% tax offset for all other eligible companies. Our turnover is less than $20 million, and will therefore be entitled to claim a 45% refundable tax offset for costs relating to eligible R&D activities during the year.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. federal income tax consequences that generally apply to U.S. Holders (as defined below) who hold ADRs as capital assets. This summary is based on the United States Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, judicial and administrative interpretations thereof, and the bilateral taxation convention between Australia and the United States, or the Tax Treaty, all as in effect on the date hereof and all of which are subject to change either prospectively or retroactively. This summary does not address all tax considerations that may be relevant with respect to an investment in ADRs. This summary does not discuss all the tax consequences that may be relevant to a U.S. Holder in light of such holder's particular circumstances or to U.S. Holders subject to special rules, including broker-dealers, financial institutions, certain insurance companies, investors liable for alternative minimum tax, tax-exempt organizations, regulated investment companies, non-resident aliens of the United States or taxpayers whose functional currency is not the U.S. dollar, persons who hold the ADRs through partnerships or other pass-through entities, persons who acquired their ADRs through the exercise or cancellation of any employee stock options or otherwise as compensation for their services, investors that actually or constructively own 10% or more of our voting shares, and investors holding ADRs as part of a straddle or appreciated financial position or as part of a hedging or conversion transaction.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns ADRs, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns ADRs and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of holding and disposing of ADRs.

This summary does not address the effect of any U.S. federal taxation other than U.S. federal income taxation. In addition, this summary does not include any discussion of state, local or foreign taxation. You are urged to consult your tax advisors regarding the foreign and U.S. federal, state and local tax considerations of an investment in ADRs.

For purposes of this summary, the term "U.S. Holder" means an individual who is a citizen or, for U.S. federal income tax purposes, a resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if (a) a court within the United States is able to exercise primary supervision over administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Taxation of Dividends

For U.S. federal income tax purposes, U.S. Holders of ADRs will be treated as owning the underlying ordinary shares, or ADSs, represented by the ADRs held by them. Subject to the passive foreign investment company rules discussed below, the gross amount of any distributions received with respect to the underlying ordinary shares represented by the ADRs, including the amount of any Australian taxes withheld therefrom, will constitute dividends for U.S. federal income tax purposes, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. You will be required to include this amount of dividends in gross income as ordinary income. Distributions in excess of our earnings and profits will be treated as a non-taxable return of capital to the extent of your tax basis in the ADRs, and any amount in excess of your tax basis will be treated as gain from the sale of ADRs. See "Disposition of ADRs" below for the discussion on the taxation of capital gains. Dividends will not qualify for the dividends-received deduction generally available to corporations under Section 243 of the Code.

Dividends that we pay in Australian dollars, including the amount of any Australian taxes withheld therefrom, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received. A U.S. Holder who receives payment in Australian dollars and converts Australian dollars into U.S. dollars at an exchange rate other than the rate in effect on such day may have a foreign currency exchange gain or loss, which would be treated as ordinary income or loss.

Subject to complex limitations, any Australian withholding tax imposed on such dividends will be a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or, alternatively, for deduction against income in determining such tax liability). The limitations set out in the Code include computational rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. Dividends generally will be treated as foreign-source passive category income or general category income for U.S. foreign tax credit purposes, depending upon the holder's circumstances. A U.S. Holder will be denied a foreign tax credit with respect to Australian income tax withheld from dividends received with respect to the underlying ordinary shares represented by the ADRs to the extent such U.S. Holder has not held the ADRs for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date or to the extent such U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ADRs are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and you should consult with your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to certain limitations, "qualified dividend income" received by a non-corporate U.S. Holder in tax years beginning on or before December 31, 2012 will be subject to tax at a reduced maximum tax rate of 15 percent. Distributions taxable as dividends generally qualify for the 15 percent rate provided that either: (i) the issuer is entitled to benefits under the Tax Treaty or (ii) the shares are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the Tax Treaty and that the ADRs currently are readily tradable on an established securities market in the United States. However, no assurance can be given that the ADRs will remain readily tradable. Furthermore, the reduction does not apply to dividends received from PFICs. The amount of foreign tax credit is limited in the case of foreign qualified dividend income. U.S. Holders of ADRs should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Disposition of ADRs

If you sell or otherwise dispose of ADRs, you will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in the ADRs. Subject to the passive foreign investment company rules discussed below, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if you have held the ADRs for more than one year at the time of the sale or other disposition. In general, any gain that you recognize on the sale or other disposition of ADRs will be U.S.-source for purposes of the foreign tax credit limitation; losses will generally be allocated against U.S. source income. Deduction of capital losses is subject to certain limitations under the Code.

In the case of a cash basis U.S. Holder who receives Australian dollars in connection with the sale or disposition of ADRs, the amount realized will be based on the U.S. dollar value of the A$ received with respect to the ADRs as determined on the settlement date of such exchange. A U.S. Holder who receives payment in Australian dollars and converts A$ into U.S. dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss.

An accrual basis U.S. Holder may elect the same treatment required of cash basis taxpayers with respect to a sale or disposition of ADRs, provided that the election is applied consistently from year to year. Such election may not be changed without the consent of the Internal Revenue Service. In the event that an accrual basis U.S. Holder does not elect to be treated as a cash basis taxpayer (pursuant to the Treasury regulations applicable to foreign currency transactions), such U.S. Holder may have a foreign currency gain or loss for U.S. federal income tax purposes because of differences between the U.S. dollar value of the currency received prevailing on the trade date and the settlement date. Any such currency gain or loss would be treated as ordinary income or loss and would be in addition to gain or loss, if any, recognized by such U.S. Holder on the sale or disposition of such ADRs.

The Health Care Reform and Education Reconciliation Act of 2010 (Pub. Law 111-152) requires certain U.S. Holders who are individuals to pay a 3.8% tax on the lesser of the excess of their modified adjusted gross income over a threshold amount ($250,000 for married persons filing jointly and $200,000 for single taxpayers) or their "net investment income," which generally includes capital gains from the disposition of property, for taxable years beginning after December 31, 2012. This tax is in addition to any capital gains taxes due on such investment income. A similar tax will apply to estates and trusts. U.S. Holders should consult their tax advisors regarding the effect, if any, this law may have on them.

Passive Foreign Investment Companies

There is a substantial risk that we are a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Our treatment as a PFIC could result in a reduction in the after-tax return to the U.S. Holders of our ADRs and may cause a reduction in the value of such securities.

For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset which produces passive income. Passive income generally includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets which produce passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005, and once again qualified as a PFIC during each of the last six fiscal years, under a literal application of the asset test that looks solely to market value. We believe that we will once again qualify as a PFIC for the taxable year ended June 30, 2012.

If we are a PFIC, dividends will not qualify for the reduced maximum tax rate, discussed above, and, unless you timely elect to "mark-to-market" your ADRs, as described below:

- you will be required to allocate income recognized upon receiving certain dividends or gain recognized upon the disposition of ADRs ratably over your holding period for such ADRs,
- the amount allocated to each year during which we are considered a PFIC other than the year of the dividend payment or disposition would be subject to tax at the highest individual or corporate tax rate, as the case may be, in effect for that year and an interest charge would be imposed with respect to the resulting tax liability allocated to each such year,
- the amount allocated to the current taxable year and any taxable year before we became a PFIC will be taxable as ordinary income in the current year, and
- you will be required to file an annual return on Internal Revenue Service Form 8621.

The PFIC provisions discussed above apply to U.S. persons who directly or indirectly hold stock in a PFIC. Both direct and indirect shareholders of PFICs are subject to the rules described above. Generally, a U.S. person is considered an indirect shareholder of a PFIC if it is:

- A direct or indirect owner of a pass-through entity, including a trust or estate, that is a direct or indirect shareholder of a PFIC,
- A shareholder of a PFIC that is a shareholder of another PFIC, or
- A 50%-or-more shareholder of a foreign corporation that is not a PFIC and that directly or indirectly owns stock of a PFIC.

An indirect shareholder may be taxed on a distribution paid to the direct owner of the PFIC and on a disposition of the stock indirectly owned. Indirect shareholders are strongly urged to consult their tax advisors regarding the application of these rules.

If we cease to be a PFIC in a future year, a U.S. Holder may avoid the continued application of the tax treatment described above by electing to be treated as if it sold its ADRs on the last day of the last taxable year in which we were a PFIC. Any gain would be recognized and subject to tax under the rules described above. Loss would not be not recognized. A U.S. Holder's basis in its ADRs would be increased by the amount of gain, if any, recognized on the sale. A U.S. Holder would be required to treat its holding period for its ADRs as beginning on the day following the last day of the last taxable year in which we were a PFIC.

If the ADRs are considered "marketable stock" and if you elect to "mark-to-market" your ADRs, you would not be subject to the rules described above. Instead, you will generally include in income any excess of the fair market value of the ADRs at the close of each tax year over your adjusted basis in the ADRs. If the fair market value of the ADRs had depreciated below your adjusted basis at the close of the tax year, you may generally deduct the excess of the adjusted basis of the ADRs over its fair market value at that time. However, such deductions generally would be limited to the net mark-to-market gains, if any, that you included in income with respect to such ADRs in prior years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ADRs with respect to which the mark-to-market election is made, is treated as ordinary income or loss (except that loss is treated as capital loss to the extent the loss exceeds the net mark-to-market gains, if any, that a U.S. Holder included in income with respect to such ordinary shares in prior years). However, gain or loss from the disposition of ordinary shares (as to which a "mark-to-market" election was made) in a year in which we are no longer a PFIC, will be capital gain or loss. Our ADRs should be considered "marketable stock" if they traded at least 15 days during each calendar quarter of the relevant calendar year in more than de minimis quantities.

A U.S. Holder of ADRs will not be able to avoid the tax consequences described above by electing to treat us as a qualified electing fund, or QEF, because we do not intend to prepare the information that U.S. Holders would need to make a QEF election.

Backup Withholding and Information Reporting

Payments in respect of ADRs may be subject to information reporting to the U.S. Internal Revenue Service and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 28%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories, and demonstrate the fact when so required, or (ii) furnish a correct taxpayer identification number and make any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

Any U.S. holder who holds 10% or more in vote or value of our ordinary shares will be subject to certain additional U.S. information reporting requirements.

Beginning with the 2011 tax year, U.S. individuals that hold certain specified foreign financial assets, including stock in a foreign corporation, with values in excess of certain thresholds are required to file Form 8938 with their U.S. Federal income tax return. Such form requires disclosure of information concerning such foreign assets, including the value of the assets. Failure to file the form when required is subject to penalties. An exemption from reporting applies to foreign assets held through a U.S. financial institution, generally including a non-U.S. branch or subsidiary of a U.S. institution and a U.S. branch of a non-US institution. Investors are encouraged to consult with their own tax advisors regarding the possible application of this disclosure requirement to their investment in ordinary shares.

U.S. Gift and Estate Tax

An individual U.S. Holder of ADRs will be subject to U.S. gift and estate taxes with respect to ADRs in the same manner and to the same extent as with respect to other types of personal property.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the Exchange Act, as applicable to "foreign private issuers" as defined in Rule 3b-4 thereunder. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, transactions in our equity securities by our officers and directors are exempt from reporting and the "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements that have been examined and reported on, with an opinion expressed by, an independent registered public accounting firm, and we submit reports to the Securities and Exchange Commission on Form 6-K containing (among other things) press releases and unaudited financial information for the first six months of each fiscal year. We post our annual report on Form 20-F on our website (www.pranabio.com) promptly following the filing of our annual report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

This annual report and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the Securities and Exchange Commission public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Securities and Exchange Commission's public reference room in Washington, D.C. by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Exchange Act file number for our Securities and Exchange Commission filings is 000-49843.

The Securities and Exchange Commission maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the Securities and Exchange Commission using its EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system.

The documents concerning our company referred to in this annual report may also be inspected at our offices located at Suite 2, 1233 High Street, Armadale, Victoria, Australia, 3143.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We invest our excess cash and cash equivalents in interest-bearing accounts and term deposits with banks in Australia. Our management believes that the financial institutions that hold our investments are financially sound and accordingly, minimal credit risk exists with respect to these investments. Certain of our cash equivalents are subject to interest rate risk. Due to the short duration and conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk. Our major market risk is changes in foreign exchange rates as we had approximately A$4,166,000, A$2,464,000 and A$807,000 in cash held in U.S. dollars and Euro as of June 30, 2012, 2011 and 2010, respectively. A hypothetical 3% adverse movement in end-of-period exchange rates would reduce the cash balance by approximately A$121,344, A$71,769 and A$23,500, respectively.

We do not currently utilize derivative financial instruments or other financial instruments subject to market risk.

We conduct our activities almost exclusively in Australia. We are required to make certain payments in U.S. dollars and other currencies, however such payments are not significant to our operations and we believe an adverse movement in end-of-period exchange rates would not have a material impact on our operating results. In the six months ended June 30, 2012, the Australian dollar depreciated against the U.S. dollar by 4%. In the calendar years 2011 and 2010, the Australian dollar appreciated against the U.S. dollar by 20% and 5% respectively. As of June 30, 2012, payables in U.S. dollars and other currencies were immaterial. A hypothetical 4% adverse movement in the U.S. dollar, 7% adverse movement in the Euro and 16% adverse movement in the Great British Pound exchange rates would increase the cost of these payables by approximately A$3,498.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges Payable by ADR Holders

The table below summarizes the fees and charges that a holder of our ADRs may have to pay, directly or indirectly, to our ADR depositary, The Bank of New York Mellon, or BoNY, pursuant to the Deposit Agreement, which was filed as Exhibit 2.1 to our Registration Statement on Form F-6 filed with the SEC on December 21, 2007, and the types of services and the amount of the fees or charges paid for such services. The disclosure under this heading "Fees and Charges Payable by ADR Holders" is subject to and qualified in its entirety by reference to the full text of the Deposit Agreement. The holder of an ADR may have to pay the following fees and charges to BoNY in connection with ownership of the ADR:

Category	Depositary actions	Associated fee or charge
(a) Depositing or substituting the underlying shares	Issuances against deposits of shares, including deposits and issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or the deposited securities	Up to US$5.00 for each 100 ADSs (or portion thereof) issued or delivered (as the case may be) The depositary may sell (by public or private sale) sufficient securities and property received in respect of share distributions, rights and other distributions prior to such deposit to pay such charge
(b) Receiving or distributing dividends	Cash distributions made pursuant to the deposit agreement	US$0.02 or less per ADS
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	Up to US$5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing, cancelling or reducing an underlying security	Acceptance of ADSs surrendered for withdrawal, cancellation or reduction of deposited securities	Up to US$5.00 for each 100 ADSs (or portion thereof) surrendered, cancelled or reduced (as the case may be) The depositary may sell (by public or private sale) sufficient securities and property received in respect of share distributions, rights and other distributions prior to such deposit to pay such charge
(e) Transferring, combination or split-up of receipts	Transfer, combination and split-up of ADRs	US$1.50 per ADR

(f) Fees and expenses of the depositary	Fees and expenses incurred by the depositary or the depositary's agents on behalf of holders, including in connection with: · compliance with foreign exchange control regulations or any law or regulation relating to foreign investment · stock transfer or other taxes and governmental charges · cable, telex and facsimile transmission and delivery charges · fees for the transfer or registration of deposited securities in connection with the deposit or withdrawal of deposited securities · expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars any other charge payable by the depositary or the depositary's agents in connection with the servicing of the shares or other deposited securities (which charge shall be assessed against holders as of the record date or dates set by the depositary)	Expenses payable at the sole discretion of the depositary by billing ADR holders or by deducting such charges from one or more cash dividends or other cash distributions

Fees and Payments Made by the Depositary to the Company

BoNY, as ADR depositary, has agreed to reimburse certain expenses related to our ADR program and incurred by us in connection with the program. For the year ended June 30, 2012, the ADR depositary reimbursed us, or paid on our behalf to third parties, a total of US$7,737. The ADR depositary also waived US$30,000 of its fees for standard costs associated with the administration of the ADR program.

Fees and Payments Made by the Company to the Depositary

We incurred expenses in relation to services for our annual general meeting and special general meeting of shareholders. For the year ended June 30, 2012, we paid BoNY a total of US$44,480 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation). We also paid BoNY US$44,654.00 in connection with the conversion of ordinary shares into ADRs for issuance under our "At-The-Market" facility. The conversion charge was US$ 0.02 per ADR plus international wire charges.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of the end of the period covered by this Annual Report on Form 20-F. Based upon that evaluation, our management concluded that, as of June 30, 2012, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rule 13a-15 (f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use of disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, our management concluded that as of June 30, 2012, our internal control over financial reporting is effective.

Changes in Internal Control over Financial Reporting

During the year ended June 30, 2012, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Brian Meltzer, an independent director, meets the definition of an audit committee financial expert, as defined by rules of the Securities and Exchange Commission. For a brief listing of Mr. Meltzer's relevant experience, see Item 6.A. "Directors, Senior Management and Employees -- Directors and Senior Management."

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to all senior financial officers of our company, including our chief executive officer, chief financial officer, chief accounting officer or controller, or persons performing similar functions. The code of ethics is publicly available on our website at www.pranabio.com. Written copies are available upon request. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, we will disclose the nature of such amendment or waiver on our website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Public Accountants

The following table sets forth, for each of the years indicated, the fees billed by PricewaterhouseCoopers, which has served as our principal independent registered public accounting firm since November 30, 2006.

	Year Ended June 30,			
Services Rendered	2012		2011	
Audit (1)	A$	145,000	A$	132,000
Audit-Related (2)		-		-
Other (3)		-		85,000
Total	A$	145,000	A$	217,000

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(1) Audit fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.
(2) Audit-related fees relate to services provided in connection with the auditor's review of our internal controls.
(3) Other fees relate to services provided in connection with other public filings for the Securities and Exchange Commission.

Pre-Approval Policies and Procedures

Our Audit Committee has adopted policies and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the audit committee's approval of the scope of the engagement of our independent registered public accounting firm, or on an individual basis. Any proposed services exceeding general pre-approved levels also requires specific pre-approval by our audit committee. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the Securities and Exchange Commission, and also requires the audit committee to consider whether proposed services are compatible with the independence of the registered public accounting firm. All of the fees described above were pre-approved by our Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Issuer Purchase of Equity Securities

Neither we, nor any affiliated purchaser of our company, has purchased any of our securities during the year ended June 30, 2012.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Under NASDAQ Stock Market Rule5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of the NASDAQ Stock Market Rules. A foreign private issuer that elects to follow a home country practice instead of any NASDAQ rule must submit to NASDAQ, in advance, a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. As of the date of this annual report, we have not submitted notice to NASDAQ informing them of that we elect to follow home country practice instead of the NASDAQ rule.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

Our company has elected to furnish financial statements and related information specified in Item 18.

ITEM 18. FINANCIAL STATEMENTS

ITEM 19. EXHIBITS

Index to Exhibits

Exhibit	Description
1.1	Constitution of Registrant (1)
2.1	Deposit Agreement dated March 23, 2001, as amended and restated as of December 21, 2007, among the Registrant, the Bank of New York, as Depositary, and owners and holders from time to time of ADRs issued thereunder, including the Form of American Depositary Receipts (2)
4.1	Agreement for the Assignment of Patents and Intellectual Property Licensing dated February 8, 2000, between Registrant and the Biomolecular Research Institute (3)
4.2	License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation (3)
4.3	Variation Agreement dated August 8, 2001, between the Registrant and The General Hospital Corporation, which amends the License Agreement dated January 1, 2001, between the parties (3)
4.4	Agreement to Provide Accounting, Administration, Corporate Advice and Company Secretarial Services dated February 23, 2000, between the Registrant and Malvern Administrative Services (now The CFO solution) (3)
4.5	Second Amendment to Exclusive License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation dated March 15, 2004 (4)
4.6	Settlement Agreement dated July 28, 2004, among the Registrant, P.N. Gerolymatos S.A, or PNG, Mr. Gerolymatos, GHC, Professor Ashley Bush, Dr. Rudolph Tanzi and Dr. Robert Cherny and the ancillary agreements of even date therewith exhibited thereto, including the Patent Assignment and Settlement Agreement among the Registrant and PNG, Patent Rights Security Agreement among the Registrant and PNG and the Derivatives Agreement among the Registrant and PNG (5)
4.7	Prana Biotechnology Limited, 2004 American Depository Share (ADS) Option Plan (6)
4.8	Prana Biotechnology Limited, 2004 Employees', Directors' and Consultants' Share and Option Plan (7)
4.9	Fourth Research Funding and Intellectual Property Assignment Agreement dated December 1, 2009
4.10	GMP 30kg Manufacture Agreement dated June 6, 2007, between the Registrant and Institute of Drug Technology Australia Limited (8)
4.11	GMP 4kg Manufacture Agreement dated June 6, 2007, between the Registrant and Institute of Drug Technology Australia Limited (9)
4.12	Employment Agreement dated September 21, 2007, among the Registrant and Mr. Kempler (10)
4.13	Letter Agreements effective as of June 12, 2007 between the Registrant and Ms. Dianne Angus (11)
4.14	Assignment and Novation Deed between Commonwealth Scientific Industrial and Research Organization and the Biomolecular Research Institute and the Registrant dated September 10, 2007 (12)
4.15	Agreement dated May 22, 2007, between the Registrant and Patheon Inc. regarding the formulation, development and manufacture of capsules of PBT2 (13)
4.16	Placement Confirmation Letter dated September 8, 2009, between the Registrant and BAM Capital LLC (14)
4.17	Consultancy Services Agreement dated January 8, 2004, between the Registrant and Professor Ashley Bush (15)
4.18	Letter agreement dated November 14, 2007, between the Registrant and Professor Ashley Bush (16)
4.19	Letter agreement dated May 22, 2009, between the Registrant and Professor Ashley Bush (17)
4.20	Process Development and Manufacturing Agreement dated December 26, 2008, between the Registrant and Dr. Reddy's Laboratories Limited, as amended by Amendment No. 1 effective February 3, 2009 and Amendment No. 2 effective March 13, 2009 (18)
4.21	Amendments to Process Development and Manufacturing Agreement dated December 26, 2008 between the Registrant and Dr. Reddy's Laboratories Limited, as amended: Amendment No 3 effective July 6, 2009; Amendment No. 4 effective September 15, 2009; Amendment No. 5 effective November 13, 2009; Amendment No. 6 effective December 22, 2009; Amendment No. 7 effective December 22, 2009; Amendment No. 8 effective May 7, 2010; and Amendment No. 9 effective May 20, 2010 (19)

4.22	Amendments to Process Development and Manufacturing Agreement dated December 26, 2008 between the Registrant and Dr. Reddy's Laboratories Limited, as amended: Amendment No. 10 effective October 21, 2010; Amendment No. 11 effective March 21, 2011 and Amendment No. 12 effective May 18, 2011 (20)
4.23	Amendments to Process Development and Manufacturing Agreement dated December 26, 2008 between the Registrant and Dr. Reddy's Laboratories Limited, as amended: Amendment No. 13 effective February 14, 2012
4.24	Agreement dated June 23, 2010, between the Registrant and Quintiles Limited (21)
4.25	Placement Confirmation Letter dated March 22, 2011, between the Registrant and certain institutional investors (22)
4.26	At-The-Market Issuance Sales Agreement dated July 13, 2011, by and between the Registrant and McNicoll, Lewis & Vlak LLC (23)
4.27	Clinical Trial Agreement between the Registrant and the University of Rochester dated October 7, 2011.
4.28	Clinical Research Support Agreement between the Registrant and the General Hospital Corporation dated June 14, 2012.
8.1	List of Subsidiaries of the Registrant
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of PricewaterhouseCoopers, Registered Public Accounting Firm

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(1) Filed as Exhibit 1.1 to our Annual Report on Form 20-F for the year ended June 30, 2009, and incorporated herein by reference.

(2) Incorporated by reference to the Post-Effective Amendment No. 1 to Form F-6 Registration Statement filed with the Securities and Exchange Commission on December 12, 2007 (File 333-136944).

(3) Incorporated by reference to our Registration Statement on Form 20-F filed with the Securities and Exchange Commission on May 28, 2002 (File No. 000-49843).

(4) Filed as Exhibit 4.6 to our Annual Report on Form 20-F for the year ended June 30, 2004, and incorporated herein by reference.

(5) Filed as Exhibit 4.21 to our Annual Report on Form 20-F for the year ended June 30, 2004, and incorporated herein by reference.

(6) Incorporated by reference to Annexure A to Item 1 of our Report on Form 6-K for the month of November 2004.

(7) Incorporated by reference to Annexure B to Item 1 of our Report on Form 6-K for the month of November 2004.

(8) Filed as Exhibit 4.9 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(9) Filed as Exhibit 4.10 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(10) Filed as Exhibit 4.19 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(11) Filed as Exhibit 4.21 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(12) Filed as Exhibit 4.22 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(13) Filed as Exhibit 4.25 to our Annual Report on Form 20-F for the year ended June 30, 2007, and incorporated herein by reference.

(14) Incorporated by reference to our Report on Form 6-K for the month of September 2009.

(15) Incorporated by reference to Item 1 of our Report on Form 6-K for the month of June 2009.

(16) Incorporated by reference to Item 2 of our Report on Form 6-K for the month of June 2009.

(17) Filed as Exhibit 4.20 to our Annual Report on Form 20-F for the year ended June 30, 2009, and incorporated herein by reference.

(18) Filed as Exhibit 4.21 to our Annual Report on Form 20-F for the year ended June 30, 2009, and incorporated herein by reference.

(19) Filed as Exhibit 4.21 to our Annual Report on Form 20-F for the year ended June 30, 2010, and incorporated herein by reference.

(20) Filed as Exhibit 4.22 to our Annual Report on Form 20-F for the year ended June 30, 2011, and incorporated herein by reference.

(21) Filed as Exhibit 4.22 to our Annual Report on Form 20-F for the year ended June 30, 2010, and incorporated herein by reference.

(22) Incorporated by reference to Item 1 of our Report on Form 6-K for the month of March 2011.

(23) Incorporated by reference to Exhibit 1.1 to our Report on Form 6-K for the month of July 2011.

PRANA BIOTECHNOLOGY LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of Prana Biotechnology Limited

In our opinion, the accompanying consolidated Statements of Financial Position, Statements of Comprehensive Income, Cash Flow Statements, and Statements of Changes in Stockholders' Equity present fairly, in all material respects, the financial position of Prana Biotechnology Limited (the "Company") and its subsidiaries at June 30,2012 and June 30,2011, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These fmancial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these fmancial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers
Melbourne, Australia
October 4, 2012

PRANA BIOTECHNOLOGY LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Australian dollars, except number of shares)

	Notes	June 30, 2012	June 30, 2011
Assets			
Current Assets			
Cash and cash equivalents		5,636,469	8,838,245
Trade and other receivables	6	1,550,836	3,373
Other current assets	7	68,675	90,588
Total Current Assets		7,255,980	8,932,206
Non-Current Assets			
Property and equipment, net of accumulated depreciation of A$385,409 and A$355,788, respectively	8	48,051	40,909
Other non-current assets	7	37,837	37,837
Total Non-Current Assets		85,888	78,746
Total Assets		7,341,868	9,010,952
Liabilities			
Current Liabilities			
Trade and other payables	9	961,954	1,395,827
Other financial liabilities	10	335,903	359,572
Provisions	11	362,795	319,965
Unearned income	13	50,831	-
Total Current Liabilities		1,711,483	2,075,364
Non-Current Liabilities			
Provisions	11	6,938	4,386
Total Non-Current Liabilities		6,938	4,386
Total Liabilities		1,718,421	2,079,750
Net Assets		5,623,447	6,931,202
Equity			
Issued and unissued capital			
2012: 297,980,818 fully paid ordinary shares			
Nil options over fully paid ordinary shares			
2011: 275,286,783 fully paid ordinary shares			
Nil options over fully paid ordinary shares	14	86,134,077	82,340,819
Reserves	15	9,633,451	9,494,995
Accumulated deficit during the development stage	16	(90,144,081)	(84,904,612)
Total Equity		5,623,447	6,931,202

The accompanying notes are an integral part of the consolidated financial statements.

PRANA BIOTECHNOLOGY LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in Australian dollars, except number of shares)

	Notes	Years ended June 30, 2012	2011	2010
Revenues from ordinary activities	3	186,664	156,135	215,008
Other income	3	2,340,851	6,785	-
Research and development expenses, net	4	(4,228,719)	(2,758,381)	(666,381)
Corporate personnel expenses	4	(1,858,562)	(1,965,408)	(2,508,845)
Intellectual property expenses	4	(261,706)	(399,237)	(431,082)
Auditor and accounting expenses	4	(153,597)	(157,436)	(168,909)
Travel expenses	4	(91,624)	(159,971)	(234,555)
Public relations and marketing expenses	4	(124,970)	(110,646)	(130,090)
Depreciation expenses	4	(19,621)	(31,577)	(35,290)
Other expenses	4	(1,107,283)	(857,281)	(940,699)
Foreign exchange gain (loss)	4	45,959	(145,377)	(6,079)
Gain (loss) on fair valuation of financial liabilities	4	33,139	(8,791)	-
Loss before income tax expense		(5,239,469)	(6,431,185)	(4,906,922)
Income tax expense	5	-	-	-
Loss for the year		(5,239,469)	(6,431,185)	(4,906,922)
Other comprehensive income (loss)		-	-	-
Total comprehensive loss for the year	16	(5,239,469)	(6,431,185)	(4,906,922)
Loss per share (basic and diluted - cents per share)	21	(1.82)	(2.60)	(2.16)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		287,765,812	247,578,570	227,527,388

The accompanying notes are an integral part of the consolidated financial statements.

PRANA BIOTECHNOLOGY LIMITED

CONSOLIDATED CASH FLOW STATEMENTS
(in Australian dollars)

	Notes	Years Ended June 30, 2012	2011	2010
Cash Flows from Operating Activities				
Payments to suppliers and employees		(7,874,010)	(4,714,503)	(4,923,648)
Interest received		186,794	156,366	214,709
Grants received		144,345	-	-
R&D tax refund		691,301	-	-
Other		5,664	(10)	-
Net cash flows used in operating activities	17(a)	(6,845,906)	(4,558,147)	(4,708,939)
Cash Flows from Investing Activities				
Payment for rental security deposits		-	(2,673)	-
Payments for purchase of plant and equipment		(26,763)	(13,959)	(22,667)
Net cash flows used in investing activities		(26,763)	(16,632)	(22,667)
Cash Flows from Financing Activities				
Proceeds from exercise of options and issue of securities		3,843,495	8,551,283	6,000,000
Payment of share issue costs		(221,472)	(563,025)	(344,056)
Proceeds from borrowings		-	347,000	-
Net cash flows provided by financing activities		3,622,023	8,335,258	5,655,944
Net increase (decrease) in cash and cash equivalents		(3,250,646)	3,760,479	924,338
Opening cash and cash equivalents brought forward		8,838,245	5,227,298	4,304,977
Exchange rate adjustments on cash and cash equivalents held in foreign currencies		48,870	(149,532)	(2,017)
Closing cash and cash equivalents carried forward	17(b)	5,636,469	8,838,245	5,227,298

The accompanying notes are an integral part of the consolidated financial statements.

PRANA BIOTECHNOLOGY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in Australian dollars, except for number of shares)

	Notes	Number of Shares	Issued and Unissued Capital	Reserves	Accumulated Deficit During Development Stage	Total Equity
Balance, June 30, 2009		202,710,473	70,188,989	7,127,332	(73,566,505)	3,749,816
Transactions with owners in their capacity as owners:						
Issuance of shares in connection with private placement, net of costs	14(b)	30,750,000	4,798,801	-	-	4,798,801
Issuance of options in connection with private placement	14(c)	-	-	857,143	-	857,143
Non-cash issuance of shares to consultants	14(b)	165,000	42,267	-	-	42,267
Non-cash issuance of options to consultants	15(b)	-	-	409,299	-	409,299
Non-cash issuance of options to directors and employees	15(b)	-	-	63,961	-	63,961
Issuance of shares in connection with exercise of options, net of costs	14(b) & 15(b)	420,398	90,107	(90,107)	-	-
Share options – value of employee services	15(b)	-	-	214,951	-	214,951
		31,335,398	4,931,175	1,455,247	-	6,386,422
Net loss	16	-	-	-	(4,906,922)	(4,906,922)
Total comprehensive loss for the year		-	-	-	(4,906,922)	(4,906,922)
Balance, June 30, 2010		234,045,871	75,120,164	8,582,579	(78,473,427)	5,229,316
Transactions with owners in their capacity as owners:						
Issuance of shares in connection with private placement, net of costs	14(b)	39,959,329	6,974,424	-	-	6,974,424
Issuance of options in connection with private placement	14(c)	-	-	1,057,182	-	1,057,182
Non-cash issuance of shares to consultants	14(b)	465,000	56,583	-	-	56,583
Non-cash issuance of options to consultants	15(b)	-	-	5,850	-	5,850
Options forfeited	15(b)	-	-	(2,266)	-	(2,266)
Issuance of shares in connection with exercise of options, net of costs	14(b) & 15(b)	816,583	189,648	(189,648)	-	-
Share options – value of employee services	15(b)	-	-	41,298	-	41,298
		41,240,912	7,220,655	912,416	-	8,133,071
Net loss	16	-	-	-	(6,431,185)	(6,431,185)
Total comprehensive loss for the year		-	-	-	(6,431,185)	(6,431,185)
Balance, June 30, 2011		275,286,783	82,340,819	9,494,995	(84,904,612)	6,931,202
Transactions with owners in their capacity as owners:						
Issuance of shares in connection with At-The-Market facility, net of costs	14(b)	22,042,170	3,622,022	-	-	3,622,022
Non-cash issuance of shares to consultants	14(b)	310,000	50,700	-	-	50,700
Non-cash issuance of options to employees	15(b)	-	-	140,926	-	140,926
Non-cash issuance of options to consultants	15(b)	-	-	145,940	-	145,940
Options lapsed	15(b)	-	-	(75,022)	-	(75,022)
Issuance of shares in connection with exercise of options, net of costs	14(b) & 15(b)	341,865	120,536	(120,536)	-	-
Share options – value of employee services	15(b)	-	-	47,148	-	47,148
		22,694,035	3,793,258	138,456	-	3,931,714
Net loss	16	-	-	-	(5,239,469)	(5,239,469)
Total comprehensive loss for the year		-	-	-	(5,239,469)	(5,239,469)
Balance, June 30, 2012		297,980,818	86,134,077	9,633,451	(90,144,081)	5,623,447

The accompanying notes are an integral part of the consolidated financial statements.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Prana Biotechnology Limited and its controlled subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Limited (referred to collectively as "Prana" or the "Company"), is a development stage enterprise engaged in the research and development of therapeutic drugs designed to treat the underlying cause of degeneration of the brain and the eye as the aging process progresses. Prana Biotechnology Limited, the parent entity, was incorporated on November 11, 1997 in Melbourne, Australia and the UK and U.S. subsidiaries were incorporated in August 2004.

Financial Reporting Framework

The financial report of Prana Biotechnology Limited for the year ended June 30, 2012 was authorized for issue in accordance with a resolution of the Board of Directors on October 4, 2012.

The consolidated financial statements of the Company complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or losses.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended June 30, 2012 and the comparative information presented in these financial statements for the years ended June 30, 2011 and 2010. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of options with market vesting conditions

The Company has granted options that are exercisable into ordinary shares once the listed share price reaches a defined level for a specified number of consecutive trading days. The Company considers the target share price that must be attained in order to exercise the awards to be a market condition. The Company is unable to predict the ultimate success of research and development activities and the corresponding effect on the listed share price. However, the following assumptions have been made when valuing the options in relation to these market conditions:

1) The market condition will be met as the listed share price will reach the defined share price during the life of the option; and
2) Based on the best estimate of the Company, made during the 2010 fiscal year, the share price will reach the defined level:

> A$0.40 at June 30, 2012

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The initial estimate made at the date of grant as regards to the likelihood of achieving the market condition is never adjusted for changes in the probability of the condition being achieved. At each reporting period, the Company assesses the estimated period over which the defined market condition will be achieved.

(b) Critical judgments in applying the entity's accounting policies - use of volatility period in valuing warrant liabilities

Warrants and options exercisable into American Depository Receipts ("ADRs") recorded as financial liabilities under IAS 32 *Financial Instruments: Presentation* (see Note 10) are measured at fair value using a Black-Scholes valuation model. At each reporting date any options and warrants for ADRs are recorded at fair value with the corresponding difference being recorded in the income statement as a gain or loss.

Warrants that were exercisable for ADRs expired without being exercised on June 4, 2009. On June 30, 2011, the Company granted warrants to purchase 612,397 ordinary shares to Alzheimer's Drug Discovery Foundation ("ADDF"). The warrants are exercisable at A$0.17 consideration and expire on February 25, 2016. Options for ADRs remain outstanding.

R&D Tax Incentives

The Australian Government replaced the research and development tax concession with the research and development tax incentive from July 1, 2011. The new provisions provide refundable or non-refundable tax offsets. The research and development tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after July 1, 2011. A 45% refundable tax offset, equivalent to a deduction of 150%, will be available to eligible small companies with an annual aggregate turnover of less than A$20 million. Eligible companies can receive a refundable tax offset of 45% of their research and development spending.

The Company's research and development activities are eligible under this Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which eligible under the incentive scheme. For the period ended June 30, 2012, the Company has recorded an item in other income of A$1.55 million to recognize this amount which relates to this period.

Going Concern Basis

For the year ended June 30, 2012, the Company incurred an operating loss of A$5.2 million (2011: Loss: A$6.4 million) and an operating cash outflow of A$6.8 million (2011: A$4.6 million). As at year end the net assets of the Company stood at A$5.6 million (2011: A$6.9 million) and the cash position has decreased to A$5.6 million from A$8.8 million at June 30, 2011.

Commencing October 2011, the Company entered into research and development agreements that support and service the Phase II clinical trials in Huntington disease and Alzheimer's disease that are currently enrolling patients. The agreements involve contractual obligations of approximately A$7.5 million expenditure for the Huntington's disease trial and A$0.7 million for the Alzheimer's disease trial, which is otherwise supported by a grant from the Alzheimer's Drug Discovery Foundation. Of these amounts, approximately A$1 million has been incurred in the period to June 2012. The agreements can be terminated at any time with 30 days' notice and without penalty. The successful completion of these trials is dependent on the Company raising the necessary additional funding.

In relation to obtaining additional funding, on July 14, 2011, the Company filed a prospectus supplement to sell up to an aggregate 50,000,000 ordinary shares, represented by 5,000,000 American Depository Receipts (ADRs) through an "at-the-market" (ATM) facility and appointed McNicoll, Lewis & Vlak LLC (MLV) as sales agent. At the Company's discretion and instruction, MLV will use commercially reasonable efforts to sell the ADRs at market prices from time to time, including sales made by means of ordinary brokers' transactions on the NASDAQ Capital Market. For the year ended June 30, 2012, the Company sold 2,204,217 of such ADR's for aggregate gross proceeds of approximately A$3.79 million and since the end of the reporting period to the time the financial statements were authorized for issue, the Company sold an additional 1,020,911 of ADR's through the ATM facility for aggregate gross proceeds of approximately A$1.98 million (US$2.07 million). Management expects to raise additional funds through ADR's in the year ahead.

In addition to the above, the Company will continue to seek alternative funding sources.

In the event the Company cannot raise the required funding for its planned expenditure, the Company has the ability to further reduce expenses around its current commitments. The Company retains the ability to curtail other planned, but not committed expenditure, in order to ensure the Company continues to have adequate funds to pay all liabilities as and when they fall due.

Management remains confident that the Company will be successful in raising the additional funding required to complete the planned research and development activities and accordingly have prepared the financial statements on a going concern basis.

Development Stage – Risks and Uncertainties

As a development stage enterprise, the Company's prospects are subject to the risks, expenses and uncertainties frequently encountered by companies which have not yet commercialized any applications of their technology, particularly in new and evolving markets. Prana's operating results may fluctuate significantly in the future as a result of a variety of factors, including capital expenditure and other costs relating to establishing, maintaining and expanding the operations, the number and mix of potential customers, potential pricing of future products by the Company and its competitors, new technology introduced by the Company and its competitors, delays or expense in obtaining necessary equipment, economic and social conditions in the biotechnology industry and general economic conditions.

The Company cannot be certain that it will be able to raise any required funding or capital, on favorable terms or at all, or that it will be able to establish corporate collaborations on acceptable terms, if at all. If the Company is unable to obtain such additional funding or capital, it may be required to reduce the scope of its development plans.

The Company's experience in exploiting its technology is limited and it cannot be certain that its operations will be profitable in the short-term, or at all. If the Company fails in any of its efforts to establish or expand its business, the results of operations, financial condition and liquidity of the Company could be materially adversely affected. The Company cannot be certain that it will be able to sell and deliver its technology or to obtain or retain any permits required in the market in which it operates. Any of these factors could result in the reduction or cessation of the Company's operations.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Company, being Prana Biotechnology Limited and its subsidiaries as defined in Accounting Standard IAS 27: *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealized profits/losses arising within the Company are eliminated in full.

(b) Income Tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized. However, deferred tax assets and liabilities are not recognized if their underlying temporary differences arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognized as an expense or income in the statement of operations, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has significant unused tax losses and as such a significant deferred tax asset; however, the deferred tax asset has not been recognized, as it is not probable that future taxable profit will be available against which the unused losses and unused tax credits can be utilized, given the nature of the Company's business (research and development) and its history of losses.

(c) Property and Equipment

Property and equipment is measured at historical cost less accumulated depreciation and impairment and consists of laboratory equipment, computer equipment, furniture and fittings and leasehold improvements attributable to the Company's premises at Parkville, Victoria, Australia.

Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation
Depreciation is provided on property and equipment. Depreciation is calculated on a straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

The following estimated useful lives, ranging from three to 20 years are used in the calculation of depreciation:

Class of Fixed Asset	Depreciation Rate
Furniture and fittings	5-33%
Computer equipment	33%
Plant and equipment	10-33%
Leasehold improvements	33%

Leasehold improvements are depreciated over the shorter of the lease term and useful life.

The depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each annual reporting period.

(d) Leases

Leases in which a significant proportion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(e) Financial Instruments

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. Trade receivables, loans, and other receivables are recorded at amortized cost less impairment.

Warrants and Options
Under IAS 32, options and warrants issued other than for goods or services that are exercisable in a currency other than the functional currency of the Company and meet the definition of a liability, are recorded as financial liabilities rather than equity. See accounting policy (p) share-based payments for the accounting policy for warrants and options issued as share-based payments for goods or services.

Warrants and options recorded as financial liabilities under IAS 32 are valued at fair value using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. At each reporting date, the options and warrants are revalued to their current fair value, with the difference in fair value recorded in the Statement of Comprehensive Income.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount for the asset (or cash-generating unit) is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognized in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately.

No impairment charges were incurred during the three years ended June 30, 2012.

(g) Intangible Assets - Research and Development

Expenditure during the research phase of a project is recognized as an expense when incurred. Where no internally generated intangible assets can be recognized, development expenditure is recognized as an expense in the period as incurred. Development costs are capitalized if and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets (capitalized development costs) are stated at cost less accumulated amortization and impairment, and are amortized on a straight-line basis over their useful lives over a maximum of five years.

At June 30, 2012 and 2011, Prana had no capitalized research and development costs.

(h) Foreign Currency Transactions and Balances

Functional and Presentation Currency
Items included in the financial statements of each of the Company's entities are measured using Australian dollars, which is the currency of the primary economic environment in which the Company operates (the functional currency).

Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at each reporting date are translated at the exchange rate existing at each reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group companies
The results and financial position of all the Company's entities that have a functional currency difference from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, and
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, the assets and liabilities of the Company's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognized in the foreign currency translation reserve, and recognized in profit or loss on disposal of the foreign operations.

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(j) Provisions

Provisions are recognized when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is made up of interest income which is recognized on a time proportion basis using the effective interest method.

(m) Grants

Grants are recognized when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

(n) Other Income

Other income is recognized to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

(o) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Share-Based Payments

Equity-settled share-based payments granted after November 7, 2002 that were unvested as of January 1, 2005 are measured at fair value. The measurement date is determined for share-based payments issued to directors, employees and consultants as follows:

Directors
The issuance of share-based payments to directors is subject to approval by shareholders as per ASX Listing Rule 10.11. The measurement date for share-based payments issued to directors is the grant date, being the date at which the share-based payments are approved by shareholders.

Employees
The issuance of share-based payments to employees may be subject to shareholder approval per ASX Listing Rule 7.1 which prohibits the issuance of more than 15% of the Company's shares in a 12 month period without shareholder approval. The measurement date for share-based payments issued to employees is the grant date, being the date at which a shared understanding of the terms and conditions of the arrangement is reached. However, if an issuance to an employee is subject to shareholder approval because it exceeds the 15% threshold per ASX Listing Rule 7.1, then the measurement date of these share-based payments is the date at which the share-based payments are approved by shareholders.

Consultants
The issuance of share-based payments to consultants may be subject to shareholder approval per ASX Listing Rule 7.1 which prohibits the issuance of more than 15% of the Company's shares in a 12 month period without shareholder approval. The measurement date for share-based payments issued to consultants who provide services considered to be similar to employees is deemed to be the date at which a shared understanding of the terms and conditions of the arrangement is reached. The measurement date for share-based payments issued to consultants who provide services considered to be differentiated from those provided by employees is deemed to be the date at which the entity obtains the goods or the counterparty renders the service. If a service period applies and the work is continually provided over the service period, and if the share price of the Company does not change significantly during the service period, then the average share price, volatility and risk-free rate over the service period are used in calculating the value of the share-based payments issued. However, if the underlying share price of the Company does change significantly during the service period, then the value of share-based payments are calculated at each individual date that goods and services are provided, using the actual valuation inputs at that date. Shares issued to consultants for services are recorded as non-cash compensation and are recognized at either the fair value of the services rendered, or if this cannot be reasonably estimated, the fair value of the underlying equity instruments issued.

Equity-based compensation benefits are provided to directors, employees and consultants under the 2004 ASX Plan (the "2004 ASX Plan") and the 2004 American Depository Share (ADS) Option Plan (the "2004 ADS Plan"). Information relating to this plan is set out in Note 18.

The fair value of options granted under the 2004 ASX Plan is recognized as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the recipients become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes (for options without market condition) and Barrier Pricing (for options with market conditions) model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

(r) Loss Per Share

Basic loss per share is determined by dividing the net loss after income tax expense by the weighted average number of ordinary shares outstanding during the financial period. For all periods presented, diluted loss per share is equivalent to basic loss per share as the potentially dilutive securities are excluded from the computation of diluted loss per share because the effect is anti-dilutive.

(s) Share Capital

Ordinary share capital is recognized as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the share proceeds received.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment.

(u) Comparative Figures

When required by IFRS, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(v) Parent Information

The financial information for the parent entity, Prana Biotechnology Limited, disclosed in Note 2 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investment in Subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of Prana Biotechnology Limited.

(w) New Accounting Standards And Interpretations

(i) New and amended Accounting Standards and Interpretations issued and effective

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after June 30, 2012 that would be expected to have a material impact on the Company.

(ii) Accounting Standards issued by not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2012 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

Initial application of the following Standards and Interpretations will not affect any of the amounts recognized in the financial report, but may change the disclosures presently made in relation to the Company:

- *IFRS 9 Financial Instruments (effective from January 1, 2015)*

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard will affect the Company's accounting for its available-for-sale financial assets, since IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from *IAS 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Company has not yet decided when to adopt IFRS 9.

- *IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2013)*

IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27 Consolidated and Separate Financial Statements,* and *Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. It is not expected that the new standard will have a significant impact on the Company.

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the Company will not affect any of the amounts recognized in the financial statements, but may impact the type of information disclosed in relation to the Company's investments.

The Company does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending June 30, 2014.

- *IFRS 13 Fair Value Measurement (effective January 1, 2013)*

IFRS 13 was released in May 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Company does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognized in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective January 1, 2014 and January 1, 2013, respectively)*

In December 2011, the IASB made amendments to the application guidance in *IAS 32 Financial Instruments: Presentation,* to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from January 1, 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from January 1, 2013. The Company will have to provide a number of additional disclosures in relation to its offsetting arrangements and intends to apply the new rules for the first time in the financial year commencing July 1, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,		
	2012	2011	2010
2. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS			
Other revenue			
Interest	186,664	156,135	215,008
Total other revenue	186,664	156,135	215,008
Other income			
Donations	5,664	6,785	-
R&D Tax Concession	2,241,673	-	-
Michael J Fox Foundation Grant	93,514	-	-
Total other income	2,340,851	6,785	-
Total revenue	2,527,515	162,920	215,008

		Years Ended June 30,		
	Notes	2012	2011	2010
3. EXPENSES FROM ORDINARY ACTIVITIES				
Research and development	4(a)	4,228,719	2,758,381	666,381
Corporate personnel expenses				
Employee expenses		867,999	1,078,501	1,149,747
Equity based payments to employees		111,474	22,604	107,105
Consultant and director expenses		745,167	678,064	676,118
Equity-based payments to consultants and directors		32,000	51,000	440,686
Defined contribution superannuation expenses		101,922	135,239	135,189
Total corporate personnel expense*		1,858,562	1,965,408	2,508,845
Intellectual property expenses				
Overseas		77,902	74,634	202,002
Local		183,804	324,603	229,080
Total intellectual property expense				
		261,706	399,237	431,082
Depreciation of non-current assets				
Laboratory equipment		5,159	6,557	3,899
Computer equipment		11,751	22,235	26,997
Furniture and fittings		2,711	2,711	2,700
Leasehold improvements		-	74	1,420
Write-off non-current assets		-	-	274
Total depreciation expense		19,621	31,577	35,290
Other expenses				
Corporate compliance		403,981	181,992	284,156
Office expenses		437,427	452,567	433,818
Computer expenses		28,994	21,975	21,167
Insurance		64,046	56,868	61,359
Office rental under operating lease		161,291	140,121	140,199
Interest Expense - ADDF		11,544	3,758	-
Total other expenses		1,107,283	857,281	940,699
Auditor and accounting expenses		153,597	157,436	168,909
Travel expenses		91,624	159,971	234,555
Public relations and marketing expenses		124,970	110,646	130,090
Foreign exchange gain (loss)		(45,959)	145,377	6,079
Gain (loss) on fair valuation of financial liabilities		(33,139)	8,791	-
Total expenses		7,766,984	6,594,105	5,121,930

*Corporate personnel expenses excludes salaries and fees paid to employees and consultants involved in research and development activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,		
(a) Research and development expenses	**2012**	**2011**	**2010**
Personnel expenses related to research and development	712,345	428,890	578,389
Research and development expenses (1)	3,516,374	2,329,491	87,992
Total research and development expenses	4,228,719	2,758,381	666,381(2)

(1) Research and development expenses consist of expenses paid for contracted research and development activities conducted by third parties on behalf of the Company.
(2) For the year ended June 30, 2010, the Company incurred research and development expenses of A$2,918,766. Such expenses were offset by cash that the Company received or is receivable, due to an adjustment under a research and development contract, resulting in the line item of research and development expenses for such period being A$666,381.

	Years Ended June 30,		
	2012	**2011**	**2010**
4. INCOME TAX			
(a) The prima facie tax on net (loss) before tax is reconciled to the income tax is as follows:			
Prima facie tax on net (loss) before income tax at 30% (2012, 2011 & 2010: 30%)	(1,571,841)	(1,929,356)	(1,472,077)
Effect of lower tax rates of tax on overseas income	(286)	(18)	(34)
Add tax effect of:			
(Over)/Under provision of income tax in previous year relating to a correction of estimates (1)	336,146	218,421	(133,538)
Equity issued for nil consideration	92,908	30,439	219,144
Research and development tax concession	(465,112)	(222,358)	(44,027)
Gain on fair value of financial liabilities	9,942	(2,637)	-
Other	2,508	1,355	1,426
Deferred tax asset not recognized	1,595,735	1,904,154	1,429,106
Income tax expense attributable to loss before income tax	-	-	-
(b) Potential deferred tax asset at June 30, 2012, 2011 and 2010 in respect of: tax losses not brought to account is:	33,969,324	32,246,695	30,238,852
Temporary differences	433,178	345,577	(230,014)

(1) This is the result of the difference between the accounting estimate included in the prior year's tax note, as disclosed in the annual report on Form 20-F for the year ended June 30, 2011 and the tax return lodged with the Australian Tax Office after the filing of the Form 20-F for such period.

	Years Ended June 30,	
	2012	**2011**
5. TRADE AND OTHER RECEIVABLES		
R&D tax credit receivable	1,550,836	593
Goods and services tax	-	2,780
	1,550,836	3,373

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,	
	2012	2011
6. OTHER ASSETS		
Current		
Prepayments	67,463	86,723
Other receivables	1,212	3,865
Total	68,675	90,588
Non-current		
Term deposit	37,837	37,837
Total	37,837	37,837

	Notes	Years Ended June 30, 2012	2011
7. PROPERTY AND EQUIPMENT			
Gross carrying amount			
Balance at beginning of year		396,697	382,738
Additions		26,763	13,961
Disposals		-	-
Balance at end of year		423,460	396,697
Accumulated depreciation			
Balance at beginning of year		(355,788)	(324,211)
Disposals		-	-
Depreciation expense	4	(19,621)	(31,577)
Balance at end of year		(385,409)	(355,788)
Net book value at end of year		48,051	40,909

Aggregate depreciation allocated during the year is recognized as an expense and disclosed in Note 4.

	Years Ended June 30,	
	2012	2011
Laboratory equipment, at cost	166,299	166,299
Less accumulated depreciation	(163,457)	(158,298)
Total laboratory equipment	2,842	8,001
Computer equipment, at cost	144,224	117,461
Less accumulated depreciation	(122,746)	(100,995)
Total computer equipment	31,478	16,466
Furniture and fittings, at cost	37,278	37,278
Less accumulated depreciation	(23,547)	(20,836)
Total furniture and fittings	13,731	16,442
Leasehold improvements, at cost	75,659	75,659
Less accumulated depreciation	(75,659)	(75,659)
Total leasehold improvements	-	-
Total	48,051	40,909

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,	
	2012	2011
8. TRADE AND OTHER PAYABLES		
Trade creditors	202,347	311,268
Accrued research and development expenses	375,283	449,067
Accrued intellectual property expenses	13,788	10,550
Accrued corporate personnel expenses (1)	39,440	389,580
Accrued audit and accounting fees	271,725	193,755
Accrued travel expenses	469	75
Accrued marketing expenses	2,775	807
Other accrued expenses	48,888	20,495
Sundry payables	7,239	20,230
Total	961,954	1,395,827

(1) At June 30, 2011, the following amounts were payable to Directors:
Brian Meltzer – A$60,000
George Mihaly – A$50,000
Geoffrey Kempler – A$237,430

	Years Ended June 30,			
	2012	2011	2012	2011
9. FINANCIAL LIABILITIES	No.	No.	A$	A$
Current				
Convertible Promissory Note (a)	-	-	299,012	289,542
Warrants over ordinary shares (b)	612,397	612,397	36,891	70,030
Total			335,903	359,572

(a) Convertible Promissory Note.
In the financial year ended June 30, 2011, the Company entered into an agreement with the ADDF to receive a grant of up to US$700,000, receivable in two installments of US$350,000. As at June 30, 2012, only the first installment has been received. As a condition to receiving the grant and on execution of the agreement, the Company executed a convertible promissory note, which is equal to the amount of the first installment. This convertible promissory note governs the terms of repayment of the grant or its conversion into ordinary shares of the Company. Further, as a condition to receiving the grant, on receipt of each installment, the Company must issue a warrant to ADDF to purchase ordinary shares of the Company.

The convertible promissory note is classified as a financial liability in accordance with IAS 32 and IAS 39 for recognition and measurement.

The terms of the convertible promissory note are as follows:

Interest Payable -	Per annum rate equal to the United States "prime" rate as published by the Wall Street Journal, compounds annually and payable at maturity.
Maturity –	All unpaid principal, together with any unpaid and accrued interest, will be due and payable on the 3rd anniversary of the date of the agreement.
Note holder conversion -	Upon the Company closing an equity financing of at least US$1M, excluding the principle amount of the convertible promissory note, the outstanding principal, together with unpaid and accrued interest, the convertible promissory note holder may elect to convert the total outstanding amounts into units of securities issued in the equity financing at a conversion price equal to the lowest per unit price paid by investors in that financing.
Company conversion –	If, at any time, any unpaid principal, together with any unpaid and accrued interest, would be due and payable and the Company does not have the capacity to repay the total outstanding amounts in cash, the Company may elect to substitute an issue of ordinary shares equal to the total outstanding amount at a 20% discount to a 5 day VWAP.

(b) Warrants over ordinary shares
As per an agreement with the ADDF, the Company issued warrants to purchase 612,397 ordinary shares to the ADDF representing 30% of the value of the first tranche of the US$350,000 grant received during the financial year. The warrants are convertible to ordinary shares on or before February 25, 2016 at an exercise price of A$ 0.17 per warrant.

Under IAS 32 paragraph 11, the warrants associated with this transaction are required to be classified as a financial liability, as opposed to issued capital. On initial recognition the warrants are measured at fair value on the Statement of Financial Position. At each reporting date the financial liability representing the warrants are required to be re-valued to fair value with the movement in the fair value recorded in the Statement of Comprehensive Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Notes	Years Ended June 30, 2012	2011
10. PROVISIONS			
Current			
Annual leave (1)	19	159,557	142,521
Long service leave (1)(2)		203,238	177,444
Total		362,795	319,965
Non-Current			
Long service leave (2)	19	6,938	4,386

A provision has been recognized for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

(1) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

The entire amount is presented as current, since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Years Ended June 30, 2012	2011
Long service leave obligation expected to be settled after 12 months	203,238	177,444

(2) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Years Ended June 30, 2012	2011
Annual leave		
Carrying amount at start of year	142,521	171,789
Charged/(credited) to profit or loss		
-additional provisions recognized	250,733	241,616
-unused amounts reversed	(142,521)	(171,789)
Amounts used during the year	(91,176)	(99,095)
Carrying amount at end of year	159,557	142,521
Long service leave		
Carrying amount at start of year	181,830	155,895
Charged/(credited) to profit or loss		
-additional provisions recognized	210,176	181,830
-unused amounts reversed	(181,830)	(155,895)
Amounts used during the year	-	-
Carrying amount at end of year	210,176	181,830
TOTAL	**369,733**	**324,351**

11. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at the date of this report. The Company is not involved in any legal or arbitration proceedings and, so far as management is aware, no such proceedings are pending or threatened against the Company.

In respect of expenditure commitments, refer to Note 18.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,	
	2012	2011
12. UNEARNED INCOME		
Unearned income: Michael J Fox Foundation Grant	50,831	-
	50,831	-

	Notes	Years Ended June 30,		
		2012	2011	2010
13. ISSUED CAPITAL				
(a) Issued Capital				
297,980,818 (2011: 275,286,783) fully paid ordinary shares	14(b)	83,432,433	79,639,175	72,418,520
Nil (2011: Nil) options for fully paid ordinary shares	14(c)	2,701,644	2,701,644	2,701,644
		86,134,077	82,340,819	75,120,164

(b) Movements in Issued Shares

	June 30,					
	2012		2011		2010	
	No.	A$	No.	A$	No.	A$
Beginning of the year	275,286,783	79,639,175	234,045,871	72,418,520	202,710,473	67,487,345
Movement during the year	22,694,035	3,793,258	41,240,912	7,220,655	31,335,398	4,931,175
End of the year	297,980,818	83,432,433	275,286,783	79,639,175	234,045,871	72,418,520

Details of share issuances are as follows:

Date	Details	Notes	Number	Issue Price	$A
Year ended June 30, 2009			910,233		346,686
July 15, 2009	Exercise of options – employees		2,000	-	460
July 15, 2009	Exercise of options – employees		45,333	-	9,973
July 15, 2009	Exercise of options – consultants		80,000	-	15,200
July 15, 2009	Exercise of options – employees		53,333	-	11,733
September 2, 2009	Exercise of options – employees		54,500	-	11,990
October 8, 2009	Exercise of options – employees		30,000	-	6,600
October 8, 2009	Exercise of options – employees		75,232	-	16,551
November 9, 2009	Shares to investors as part of private placement		30,000,000	0.17	5,017,421
November 27, 2009	Shares to investors as part of private placement		750,000	0.17	125,436
March 2, 2010	Non cash share issue in consideration for services provided by consultants	(i)	165,000	0.15	24,750
March 2, 2010	Exercise of options – consultants		80,000	-	17,600
	Proposed Non cash share issue in consideration for services provided by consultants		-	0.32	17,517
	Security issuance costs				(344,056)
Year ended June 30, 2010			31,335,398		4,931,175
July 1, 2010	Reversal of Proposed Non cash share issue in consideration for services provided by consultants		-	0.32	(17,517)
July 19, 2010	Shares to investors as part of private placement		7,064,749	0.16	1,150,000
September 27, 2010	Non cash share issue in consideration for services provided by consultants	(i)	110,000	0.13	14,300
September 27, 2010	Exercise of options – employees		84,333	-	18,553
October 8, 2010	Exercise of options – employees		112,250	-	24,695
November 4, 2010	Exercise of options – employees		120,000	-	26,400
November 4, 2010	Exercise of options – consultants		500,000	-	120,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

March 4, 2011	Non cash share issue in consideration for services provided by consultants	(i)	55,000	0.16	8,800
April 8, 2011	Shares to investors as part of private placement		27,200,000	0.19	5,245,714
June 30, 2011	Shares to investors as part of private placement		5,694,580	0.20	1,141,735
June 30, 2011	Non cash share issue in consideration for services provided by consultants	(i)	300,000	0.17	51,000
	Security issuance costs				(563,025)
Year ended June 30, 2011			41,240,912		7,220,655
September 15, 2011	Shares to investors as part of at-the-market facility		196,000	0.19	36,827
September 19, 2011	Shares to investors as part of at-the-market facility		4,913,630	0.21	1,031,094
September 20, 2011	Shares to investors as part of at-the-market facility		1,211,970	0.18	223,976
November 17, 2011	Shares to investors as part of at-the-market facility		1,052,000	0.16	169,980
November 23, 2011	Shares to investors as part of at-the-market facility		2,736,530	0.17	461,556
December 22, 2011	Exercise of options – employees		91,865	-	36,746
December 22, 2011	Exercise of options – consultants		250,000	-	83,790
January 9, 2012	Shares to investors as part of at-the-market facility		3,396,190	0.16	536,228
January 10, 2012	Shares to investors as part of at-the-market facility		712,350	0.15	103,893
January 11, 2012	Shares to investors as part of at-the-market facility		703,140	0.15	102,263
January 17, 2012	Shares to investors as part of at-the-market facility		312,070	0.15	45,687
January 30, 2012	Shares to investors as part of at-the-market facility		145,000	0.16	22,570
February 1, 2012	Non cash share issue in consideration for services provided by consultants	(i)	405,150	0.16	65,549
February 1, 2012	Shares to investors as part of at-the-market facility		110,000	0.17	18,700
February 7, 2012	Shares to investors as part of at-the-market facility		745,000	0.16	119,271
February 8, 2012	Shares to investors as part of at-the-market facility		1,250,030	0.17	207,627
February 9, 2012	Shares to investors as part of at-the-market facility		1,228,820	0.18	217,609
February 10, 2012	Shares to investors as part of at-the-market facility		460,110	0.18	83,430
February 16, 2012	Shares to investors as part of at-the-market facility		311,380	0.16	50,168
March 1, 2012	Shares to investors as part of at-the-market facility		183,000	0.16	29,042
March 21, 2012	Shares to investors as part of at-the-market facility		1,000,000	0.16	159,647
March 21, 2012	Non cash share issue in consideration for services provided by consultants	(i)	200,000	0.16	32,000
March 29, 2012	Shares to investors as part of at-the-market facility		265,500	0.17	44,333
May 21, 2012	Shares to investors as part of at-the-market facility		366,020	0.16	59,799
May 25, 2012	Shares to investors as part of at-the-market facility		448,280	0.16	72,945
	Security issuance costs				(221,472)
Year ended June 30, 2012			22,694,035		3,793,258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

13. ISSUED CAPITAL (continued)

(i) Shares issued to consultants for services are recorded as non-cash compensation and are recognized at either the fair value of the services rendered, or if this cannot be reasonably estimated, the fair value of the underlying equity instruments issued. Shares issued to consultants have been valued as outlined below:

March 2, 2010, September 27, 2010, March 4, 2011, June 27, 2011, February 1, 2012 and March 21, 2012

The services provided by these consultants were documented in consultancy agreements which outlined remuneration in the form of an annual fee and share-based compensation in the form of shares. The equity-based compensation is not linked to any particular milestone or element of the services to be provided under the terms of the agreements.

Given the extended period of consultants' involvement and associated milestones, the Company determined there were no comparable service examples against which to benchmark the value of the consultants' services. Additionally, there was no distinction between the portion of the services which gave rise to the cash entitlements and the portion that gave rise to share entitlements. As the Company could not reliably estimate the fair value of the services received, the Company determined that it was appropriate to measure the services at the fair value of the underlying equity instruments issued.

(c) Movements in Options

	June 30,					
	2012		2011		2010	
	Number of Options	A$	Number of Options	A$	Number of Options	A$
Beginning of the year	-	2,701,644	-	2,701,644	14,279,133	2,701,644
Movement during the year	-	-	-	-	(14,279,133)	-
End of the year	-	2,701,644	-	2,701,644	-	2,701,644

Details of option grants are as follows:

Date	Details	Exercise Price	Number	Fair Value	A$
Year ended June 30, 2009		-	-	-	-
November 30, 2009	Options to investors expired unexercised	A$ 0.446	14,279,133	-	-
Year ended June 30, 2010			14,279,133		-

There was no movement in options during the financial years ended June 30, 2012 and 2011.

(d) Terms and Conditions of Issued Capital

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to vote, either in person or by proxy, at a meeting of the Company's shareholders.

Options
Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company's shareholders. Options may be exercised at any time from the date they vest to the date of their expiration. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

(e) Shares Issued after Reporting Date

After reporting date the following equity issues occurred:

Date	Details	Notes	Number	Issue Price A$	A$
August 24, 2012	Shares to investors as part of at-the-market facility		1,364,190	0.17	237,371
August 27, 2012	Shares to investors as part of at-the-market facility		1,656,440	0.17	286,425
August 28, 2012	Shares to investors as part of at-the-market facility		52,000	0.17	8,869
August 29, 2012	Shares to investors as part of at-the-market facility		164,770	0.17	28,153
August 31, 2012	Shares to investors as part of at-the-market facility		347,000	0.17	58,055
September 3, 2012	Shares to investors as part of at-the-market facility		816,330	0.17	137,303
September 4, 2012	Shares to investors as part of at-the-market facility		169,060	0.16	27,680
September 14, 2012	Shares to investors as part of at-the-market facility		1,249,450	0.19	242,382
September 17, 2012	Shares to investors as part of at-the-market facility		2,507,610	0.20	509,679
September 18, 2012	Shares to investors as part of at-the-market facility		354,500	0.20	70,817
September 25, 2012	Shares to investors as part of at-the-market facility		1,196,500	0.25	296,685
September 26, 2012	Shares to investors as part of at-the-market facility		189,210	0.24	45,948
September 27, 2012	Shares to investors as part of at-the-market facility		121,350	0.22	26,951
September 28, 2012	Shares to investors as part of at-the-market facility		20,700	0.22	4,643
			10,209,110		1,980,962

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

14. RESERVES

	Notes	Years Ended June 30, 2012	2011	2010
(a) Share Based Payments				
28,360,328 (2011: 26,043,956) options for fully paid ordinary shares	15(b)	7,664,454	7,525,998	6,613,582
380,000 (2011: 380,000) options for ADRs	15(c)	1,515,434	1,515,434	1,515,434
Nil (2011: Nil) warrants for ADRs	15(d)	453,563	453,563	453,563
		9,633,451	9,494,995	8,582,579

The share-based payment reserve is used to recognize the fair value of options and warrants issued to directors, executives, employees and consultants but not exercised. Amounts are transferred out of the reserve and into issued capital when the options or warrants are exercised.

(b) Movements in Options for Fully Paid Ordinary Shares

	Years Ended June 30, 2012		2011		2010	
	Number of Options	Comp. Expense (A$)	Number of Options	Comp. Expense (A$)	Number of Options	Comp. Expense (A$)
Beginning of the year	26,043,956	7,525,998	26,419,378	6,613,582	13,335,167	5,158,335
Issued during the year	4,158,674	286,866	8,712,645	1,063,032	15,704,609	1,330,403
Expired during the year	-	-	(8,191,484)	-	(2,200,000)	-
Forfeited during the year	(1,500,437)	(75,022)	(80,000)	(2,266)	-	-
Amortization of option expenses	-	47,148	-	41,298	-	214,951
Exercised during the year (Note 14(b))	(341,865)	(120,536)	(816,583)	(189,648)	(420,398)	(90,107)
End of the year	28,360,328	7,664,454	26,043,956	7,525,998	26,419,378	6,613,582

Details of option grants are summarized as follows.

Year ended June 30, 2010:

- On September 2, 2009, the Company granted options to purchase 80,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$nil consideration and expired on October 31, 2010.
- On November 27, 2009, the Company granted options to purchase 10,000,000 ordinary shares to investors as part of a capital raising. The options are exercisable at A$0.30 consideration and expire on September 11, 2013. The fair value of the options is A$0.09.
- On November 27, 2009, the Company granted options to purchase 3,500,000 ordinary shares to consultants in recognition of services rendered to the Company. The options are exercisable at A$0.30 consideration and expired on September 23, 2012.
- On June 8, 2010, the Company granted options to purchase 645,853 ordinary shares to employees under the 2004 ASX Plan (see Note 19) in recognition of future contributions to the growth and success of the Company. The options are exercisable at A$nil consideration and expire on August 7, 2014. The fair value of the options is A$0.14.
- On June 8, 2010, the Company granted options to purchase 60,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$nil consideration and expire on August 7, 2014. The fair value of the options is A$0.14.
- On June 8, 2010, the Company granted options to purchase 418,756 ordinary shares to employees under the 2004 ASX Plan (see Note 19) in recognition of future contributions to the growth and success of the Company. The options are exercisable at A$0.15 consideration and expire on March 31, 2014. The fair value of the options is A$0.13.
- On June 8, 2010, the Company granted options to purchase 1,000,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$0.15 consideration and expire on March 31, 2014. The fair value of the options is A$0.11.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

14. RESERVES (continued)

Year ended June 30, 2011:

- On October 8, 2010, the Company granted options to purchase 200,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$nil consideration and expire on August 7, 2014. The fair value of the options is A$0.12.
- On April 8, 2011, the Company granted options to purchase 6,800,000 ordinary shares to investors as part of a capital raising. The options are exercisable at A$0.225 consideration and expire on March 24, 2015. The fair value of the options is A$0.13.
- On April 8, 2011, the Company granted options to purchase 289,000 ordinary shares to investors as part of a capital raising. The options are exercisable at A$0.225 consideration and expire on March 24, 2015. The fair value of the option is A$0.15.
- On June 30, 2011, the Company granted options to purchase 1,423,645 ordinary shares to investors as part of a capital raising. The options are exercisable at A$0.225 consideration and expire on March 24, 2015. The fair value of the option is A$0.10.

Year ended June 30, 2012:

- On December 19, 2011, the Company granted options to purchase 1,650,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$0.25 consideration and expire on December 19, 2014. The fair value of the options is A$0.05.
- On December 19, 2011, the Company granted options to purchase 850,437 ordinary shares to employees under the 2004 ASX Plan (see Note 19) in recognition of future contributions to the growth and success of the Company. The options are exercisable at A$0.25 consideration and expire on December 19, 2014. The fair value of the options is A$0.05.
- On March 21, 2012, the Company granted options to purchase 650,000 ordinary shares to consultants under the 2004 ASX Plan (see Note 19) in recognition of services rendered to the Company. The options are exercisable at A$0.25 consideration and expire on March 20, 2017. The fair value of the options is A$0.10.
- On March 21, 2012, the Company granted options to purchase 1,008,237 ordinary shares to employees under the 2004 ASX Plan (see Note 19) in recognition of future contributions to the growth and success of the Company. The options are exercisable at A$0.25 consideration and expire on March 20, 2017. The fair value of the options is A$0.10.

(c) Movements in Options for ADRs

	Years Ended June 30,					
	2012		2011		2010	
	Number of Options	Comp. Expense (A$)	Number of Options	Comp. Expense (A$)	Number of Options	Comp. Expense (A$)
Beginning of the year	380,000	1,515,434	380,000	1,515,434	380,000	1,515,434
End of the year	380,000	1,515,434	380,000	1,515,434	380,000	1,515,434

(d) Movement in Warrants for ADRs

	Years Ended June 30,					
	2012		2011		2010	
	Number of Warrants	Comp. Expense (A$)	Number of Warrants	Comp. Expense (A$)	Number of Warrants	Comp. Expense (A$)
Beginning of the year (1)	-	453,563	-	453,563	-	453,563
End of the year	-	453,563	-	453,563	-	453,563

(1) Warrants exercisable at US$8.00 on or before June 4, 2009. These warrants are convertible to ADRs, one ADR represents ten ordinary shares. Warrants expired without being exercised on June 4, 2009.

(e) Terms and Conditions of Reserves

Options and warrants
Option holders and warrant holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company's shareholders. Options and warrants may be exercised at any time from the date they vest to the date of their expiration. Share options are exercisable into ordinary shares on a one for one basis on the date they are exercised. Options granted under the 2004 ADS Plan are exercisable into ADRs, being one option for one ADR, which equals ten ordinary shares, on the date they are exercised.

In Australia, there is not a set number of authorized shares, shares are not reserved for the exercise of options, and shares do not have a par value.

(f) Options and Warrants Issued after Reporting Date

No option issues have occurred after reporting date. There have been no warrants granted after reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,	
	2012	2011
15. ACCUMULATED DEFICIT DURING DEVELOPMENT STAGE		
Balance at beginning of year	(84,904,612)	(78,473,427)
Net loss for the year	(5,239,469)	(6,431,185)
Balance at end of year	(90,144,081)	(84,904,612)

	Years Ended June 30,		
	2012	2011	2010
16. CASH FLOW INFORMATION			
(a) Reconciliation of Net Loss to Net Cash Flows From Operations			
Net loss	(5,239,469)	(6,431,185)	(4,906,922)
Non-cash items			
Depreciation of property and equipment	19,621	31,577	35,290
Non-cash issue of equity in consideration of operating expenses	310,835	144,569	730,478
Loss on disposal of plant and equipment	762	268	-
Foreign exchange (gain) loss	(48,870)	149,532	2,017
(Gain) loss on fair value of financial liabilities	(23,669)	12,548	-
Changes in assets and liabilities			
Decrease (increase) in trade and other receivables	(1,547,463)	(2,548)	(299)
Decrease (increase) in other current assets	21,913	1,389,015	(1,294,170)
(Decrease) increase in trade and other payables	(435,779)	151,410	640,275
(Decrease) increase in other current liabilities	50,831		
Decrease (increase) in provision for employee entitlements	45,382	(3,333)	84,392
Net cash flows used in operating activities	(6,845,906)	(4,558,147)	(4,708,939)
(b) Reconciliation of Cash and Cash Equivalents			
Cash and cash equivalents balance comprises:			
- cash and cash equivalents on hand	5,636,469	8,838,245	5,227,298
Closing cash and cash equivalents balance	5,636,469	8,838,245	5,227,298

(c) Non-Cash Financing and Investing Activities

During the years ended June 30, 2012, 2011 and 2010, the Company issued shares and granted options in connection with non-cash transactions. See Notes 14(b) and 15(b).

17. EXPENDITURE COMMITMENTS

The Company has non-cancelable operating leases contracted for but not capitalized in the financial statements. The Company has commitments under these contracts within one year of A$49,284 and greater than one year but less than three years of A$11,616. The property lease is a non-cancellable lease with a 12 month term, with rent payable monthly in advance. The property lease commenced November 1, 2011 and expires on October 31, 2012. The photocopier lease is a non-cancellable lease with a 48 month term, with rent payable monthly in advance. The photocopier lease commenced April 1, 2012 and expires on March 31, 2016.

Details in relation to commitments under employee service agreements with Directors and Key Management Personnel are outlined in Note 21.

The Company has commitments under research and development contracts within one year of A$4,508,762 and greater than one year but less than three years of A$2,084,805. For the fiscal year ended June 30 2011, commitments under research and development contracts within one year were A$801,663 and greater than one year but less than three years of A$53,398. For the fiscal year ended June 30, 2010, commitments under research and development contracts within one year were A$2,151,895 and greater than one year but less than three years were A$86,335. For the fiscal year ended June 30, 2009, commitments under research and development contracts within one year were A$485,861 and greater than one year but less than three years were A$43,028.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

Majority of the contracts for the Company's research and development programs have termination notice periods of 30 days. In addition, the Company has the ability to scale down its operations and prioritize its research and development programs in neurology to reduce capital expenditure as stated in Note 1.

18. SHARE BASED PAYMENTS

(a) Employee and Consultant Plans

At the Annual General Meeting held on November 17, 2004, the shareholders approved the establishment of employee and consultant plans designed to reward directors, employees and consultants for their contributions to the Company. The plans are to be used as a method of retaining key personnel for the growth and development of the Company. Due to Prana's U.S. presence, a U.S. plan (the 2004 ADS Plan) and an Australian plan (the 2004 ASX Plan) were developed.

At June 30, 2012, equity had been issued to one former Director under the 2004 ADS Plan and five Directors, three key management personnel, 16 employees and 17 consultants under the 2004 ASX Plan. At June 30, 2011, equity had been issued to one former Director under the 2004 ADS Plan and five Directors, three key management personnel, 16 employees and 16 consultants under the 2004 ASX Plan. At June 30, 2010, equity had been issued to one former Director under the 2004 ADS Plan and five Directors, three key management personnel, 16 employees and 16 consultants under the 2004 ASX Plan. At June 30, 2009, equity had been issued to one former Director under the 2004 ADS Plan and five Directors, three key management personnel, 16 employees and 16 consultants under the 2004 ASX Plan.

At the 2004 Annual General Meeting, shareholders authorized the Company to issue in the aggregate up to 12 million ordinary shares under the two plans. This was increased to 22 million ordinary shares at the 2005 Annual General Meeting and further increased to 30 million ordinary shares at the 2007 Annual General Meeting, 45 million ordinary shares at the 2008 Annual General Meeting and 60 million ordinary shares at the 2009 Annual General Meeting. The Share Plan Committee, a sub-committee of the Remuneration Committee administers the two plans and is able to change the terms of the equity issued under them from the default terms.

Under the 2004 ADS Plan, the exercise price must equal or exceed the fair value of the ADS on the date the options are awarded. The option expiration date cannot exceed ten years from the date the options were awarded. The default vesting conditions are 25% per year on the date the options were awarded.

Under the 2004 ASX Plan, the exercise price must be equal or be less than the market value of the ordinary shares on ASX on the date of grant. The option expiration date cannot exceed ten years from the date the options were granted. The default vesting conditions are 25% per year on the date the options were granted.

Information with respect to the number of options granted under the 2004 ASX Plan as follows:

	Years Ended June 30,					
	2012		2011		2010	
	Number of Options	Weighted Average Exercise Price (A$)	Number of Options	Weighted Average Exercise Price (A$)	Number of Options	Weighted Average Exercise Price (A$)
Beginning of the year	4,031,311	0.05	12,055,394	0.16	12,471,183	0.14
Issued during the year	4,158,674	0.25	200,000	Nil	2,204,609	0.10
Exercised during the year	(341,865)	Nil	(816,583)	Nil	(420,398)	Nil
Expired during the year	-	-	(7,327,500)	0.23	(2,200,000)	Nil
Lapsed during the year	(1,500,437)	0.25	-	-	-	-
Forfeited during the year	-	-	(80,000)	Nil	-	-
Outstanding at year end	6,347,683	0.14	4,031,311	0.05	12,055,394	0.16
Exercisable at year end	5,326,993	0.16	3,010,621	0.07	8,477,204	0.23

The range of exercise prices of options outstanding at period end is nil to A$0.25. These options have a weighted average remaining contractual life of 2.77 years. The weighted average fair value of options granted during the period was determined in accordance with Note 1(q) as A$0.07, A$0.12 and A$0.12 for the years ended June 30, 2012, 2011 and 2010, respectively. The weighted average assumptions in calculating fair value were as follows:

- risk-free interest rate of 3.35% for 2012 and 4.63% for 2011;
- no dividends;
- expected volatility of 72% for 2012 and 111% for 2011; and
- expected life of 3.80 years for 2012 and 3.91 years for 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

Risk free interest rate – This is the government bond rate (having a term that most closely resembles the expected life of the option) in effect at the grant date. The Australian government bond rate has been used for options which are exercisable for fully paid ordinary shares and the U.S. government bond rate has been used for options which are exercisable for ADRs.

Dividend yield – Prana has never declared or paid dividends on its ordinary shares and does not anticipate paying any dividends in the foreseeable future.
Expected volatility – Prana estimates expected volatility based on historical volatility over the estimated life of the option and other factors.

19. SHARE BASED PAYMENTS (continued)

Expected life – This is the period of time that the options granted are expected to remain outstanding. This estimate is based primarily on historical trend of option holders to exercise their option near the date of expiry. As a result the expected life is considered to equal the period from grant date to expiry date.

Information with respect to the number of shares issued under the 2004 ASX Plan as follows:

	Years Ended June 30,		
	2012	2011	2010
	Number of Shares	Number of Shares	Number of Shares
Beginning of the year	6,643,466	5,661,883	5,076,485
Issued during the year (1)	651,865	981,583	585,398
End of the financial year	7,295,331	6,643,466	5,661,883

(1) In the years ended June 30, 2012, 2011 and 2010 this includes options to purchase 341,865, 816,583 and 420,398 ordinary shares, respectively granted under the 2004 ASX Plan that were exercised.

Information with respect to the number of options granted under the 2004 ADS Option Plan as follows:

	Years Ended June 30,					
	2012		2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		US$ 5.00		US$ 5.00		US$ 5.00
Beginning of the year	380,000	A$ (4.92)	380,000	A$ (4.72)	380,000	A$ (5.84)
Issued during the year [1]	-	-	-	-	-	-
Outstanding at year end	380,000	US$ 5.00	380,000	US$ 5.00	380,000	US$ 5.00
		A$ (4.92)		A$ (4.72)		A$ (5.84)
		US$ 5.00		US$ 5.00		US$ 5.00
Exercisable at year end [1]	380,000	A$ (4.92)	380,000	A$ (4.72)	380,000	A$ (5.84)

[1] These options are exercisable into ADRs (one option granted under the 2004 ADS Plan is exercisable for one ADR which represents ten ASX shares)

The benefit to executives, employees, director and consultants is recognized in the financial statements over the period in which the services are provided. Refer to Notes 14, 15 and 22 for further information.

Options granted that have not been exercised carry no dividend rights or right to vote.

20. SUBSEQUENT EVENTS

Since the end of the reporting period to the time the financial statements were authorized for issue, the Company sold 1,020,911 of its ADRs for aggregate gross proceeds of approximately A$1.98 million (US$2.07 million) through its "at-the-market" facility.

On October 1, 2012, the Company announced that it raised approximately A$6.0 million through a placement of 32,500,000 ordinary fully paid shares (equivalent to 3.25 million ADRs listed on the NASDAQ Capital Market) at a price of A$0.185 per share. The capital was raised in order to support the Company's two ongoing Phase II clinical trials, the IMAGINE trial and Reach2HD trial.

No other matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,		
	2012	2011	2010
21. LOSS PER SHARE			
Basic and diluted loss per share (cents per share)	(1.82)	(2.60)	(2.16)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share	287,765,812	247,578,570	227,527,388

The options and warrants in place do not have the effect of diluting the loss per share.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) The Directors of Prana during the year:

Geoffrey Kempler	Executive Chairman and Chief Executive Officer
Brian Meltzer	Non-Executive Independent Director
George Mihaly	Non-Executive Independent Director
Peter Marks	Non-Executive Independent Director
Lawrence Gozlan	Non-Executive Independent Director (appointed August 8, 2011)

(b) The Key Management Personnel of the Company during the year:

Dianne Angus	Chief Operating Officer
Richard Revelins	Company Secretary and Chief Financial Officer

(c) Key Management Personnel Remuneration

Remuneration of all key management personnel of the Company is determined by the Board of Directors following recommendation by the Remuneration Committee.

The Company is committed to remunerating senior executives in a manner that is market competitive and consistent with 'best practice' including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the executive's position, experience and performance, and may be satisfied via cash or equity.

Non-executive Directors are remunerated out of the aggregate amount approved by shareholders and at a level that is consistent with industry standards. Non-executive Directors do not receive performance based bonuses and prior shareholder approval is required to participate in any issuance of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

The Company's remuneration policy is not solely based on the Company's performance, but also on industry practice.

The Company's primary focus is research activities with a long term objective of developing and commercializing its research and development results.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues in the research and clinical trials. Shareholder wealth reflects this speculative and volatile market sector. This pattern is indicative of the Company's performance over the past four years.

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators ("KPI's").

The Company uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:

- successful contract negotiations;
- Company share price reaching a targeted rate on the ASX or applicable market over a period of time; or
- achievement of research project milestones within scheduled time and/or budget.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

22. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

2012	Short Term Benefits		Post-Employment	Equity	
Directors' remuneration	Base Fee A$	Bonus A$	Superannuation Contribution A$	Options A$	Total A$
Geoffrey Kempler (1)	388,164	-	28,415	-	416,579
Brian Meltzer	82,569	-	7,431	-	90,000
George Mihaly	75,000	-	-	-	75,000
Peter Marks	55,000	-	-	-	55,000
Lawrence Gozlan (2)	36,667	-	-	-	36,667
	637,400	-	35,846	-	673,246

(1) In accordance with his employment contract, long service leave has been accrued for Mr. Kempler. At June 30, 2012, A$57,254 had been accrued. Out of this sum, no amounts were paid in the financial year ended June 30, 2012.
(2) Mr. Lawrence Gozlan was appointed to the Board of Directors on August 8, 2011.

2011	Short Term Benefits		Post-Employment	Equity	
Directors' remuneration	Base Fee A$	Bonus A$	Superannuation Contribution A$	Options A$	Total A$
Geoffrey Kempler (1)	363,865	-	39,537	-	403,402
Brian Meltzer	82,569	-	7,431	-	90,000
George Mihaly	75,000	-	-	-	75,000
Peter Marks	55,000	-	-	-	55,000
Paul Marks (2)	18,349	-	1651	-	20,000
	594,783	-	48,619	-	643,402

(1) In accordance with his employment contract, long service leave has been accrued for Mr. Kempler. At June 30, 2011, A$39,274 had been accrued. Out of this sum, no amounts were paid in the financial year ended June 30, 2011.
(2) Mr. Paul Marks resigned from the Board of Directors on January 4, 2011.

2010	Short Term Benefits		Post-Employment	Equity	
Directors' remuneration	Base Fee A$	Bonus A$	Superannuation Contribution A$	Options A$	Total A$
Geoffrey Kempler (1) (2)	366,729	-	36,673	92,724	496,126
Brian Meltzer (1)	82,569	-	7,431	27,817	117,817
George Mihaly (1)	75,000	-	-	27,817	102,817
Peter Marks (1)	55,000	-	-	12,328	67,328
Paul Marks	16,820	-	1,514	-	18,334
	596,118	-	45,618	160,686	802,422

(1) This includes equity issued as per the Annual General Meetings held on November 30, 2006, November 30, 2005 and November 30, 2004. As per Australian accounting standards, the options issued to Directors were valued at grant date and are being expensed over the anticipated life of the options. As a result, the value does not reflect the current market price of the Company's shares. Management believes that if the options issued in 2004 and 2006 were valued in today's market, they would have minimal intrinsic value given the market condition attached to the options that the share price must reach A$1.00 for five consecutive trading days.

The option price of options approved at the November 30, 2004 Annual General Meeting was calculated using the Barrier Pricing Model applying the following inputs:

Grant Date: November 17, 2004
Pricing Model: American
Option Type: Call
Barrier Type: Up and In
Strike Price: A$0.00
Spot Price: A$0.56
Barrier: A$1.00
Days to Expiry: 208
Volatility: 70%
Risk-free Interest Rate: 5.05%
Expected Dividends: A$0.00
Option Price: A$0.51

The option price of options approved at the November 30, 2005 Annual General Meeting was calculated using the Barrier Pricing Model applying the following inputs:

Grant Date: November 30, 2005
Pricing Model: American
Option Type: Call
Barrier Type: Up and In
Strike Price: A$0.00
Spot Price: A$0.21
Barrier: A$1.00
Days to Expiry: 1609
Volatility: 110%
Risk-free Interest Rate: 5.35%
Expected Dividends: A$0.00
Option Price: A$0.18

(2) In accordance with his employment contract, long service leave has been accrued for Mr. Kempler. At June 30, 2010, A$27,134 had been accrued. Out of this sum, no amounts were paid in the year ended June 30, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

22. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

2012	Short Term Benefits		Post-Employment	Equity	
Executives' Remuneration	Base Fee A$	Other A$	Superannuation Contribution A$	Options A$	Total A$
Richard Revelins	81,681	-	-	-	81,681
Dianne Angus (1) (2)	315,637	-	28,407	30,806	374,850
	397,318	-	28,407	30,806	456,531

(1) In accordance with her employment contract, long service leave has been accrued for Ms Dianne Angus. At June 30, 2012, A$62,659 had been accrued. Out of this sum, no amounts were paid in the year ended June 30, 2012.
(2) Ms. Angus received unlisted options during the year ended June 30, 2012. The option prices were calculated using the Black-Scholes Model applying the following inputs:

Grant Date: May 21, 2012	Volatility: 84.90%
Exercise Price: A$0.25	Risk-free Interest Rate: 3.87%
Stock Price: A$0.16	Dividend Yield: 0%
Years to Expiry: 5.00	Option Price: A$0.0976

2011	Short Term Benefits		Post-Employment	Equity	
Executives' Remuneration	Base Fee A$	Other A$	Superannuation Contribution A$	Options A$	Total A$
Richard Revelins	80,000	-	-	-	80,000
Dianne Angus (1) (2)	315,637	150,000	41,907	-	507,544
	395,637	150,000	41,907	-	587,544

(1) In accordance with her employment contract, long service leave has been accrued for Ms. Dianne Angus. At June 30, 2011, A$56,334 had been accrued. Out of this sum, no amounts were paid in the year ended June 30, 2011.
(2) During the year ended June 30, 2011, Ms. Angus received a payment of A$150,000 in consideration of reducing her termination payment by nine (9) months.

2010	Short Term Benefits		Post-Employment	Equity	
Executives' Remuneration	Base Fee A$	Bonus A$	Superannuation Contribution A$	Options A$	Total A$
Richard Revelins (1)	80,000	-	-	-	80,000
Dianne Angus (2) (3) (4) (5)	296,153	50,000	31,154	52,662	429,969
	376,153	50,000	31,154	52,662	509,969

(1) This includes equity issued as per the Annual General Meetings held on November 30, 2005 and November 30, 2004. As per Australian accounting standards, the options issued to Directors were valued at grant date and are being expensed over the anticipated life of the options. As a result, the value does not reflect the current market price of the Company's shares. Management believes that if the options issued in 2004 and 2006 were valued in today's market, they would have minimal intrinsic value given the market condition attached to the options that the share price must reach A$1.00 for five consecutive trading days.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

22. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(2) This includes equity issued to Ms. Angus in the 2009 financial year. As per Australian accounting standards the options issued to Ms. Angus were valued at grant date and are being expensed over the anticipated life of the options. See the 2009 remuneration table below for valuations of the options issued to Ms. Angus during the 2009 year.
(3) Ms. Angus received unlisted options during the year ended June 30, 2010. The option prices were calculated using the Black-Scholes Model applying the following inputs:

Grant Date: May 27, 2010	Volatility: 88%
Exercise Price: A$0.15	Risk-free Interest Rate: 4.75%
Stock Price: A$0.15	Dividend Yield: 0%
Years to Expiry: 3.85	Option Price: A$0.10

(4) Ms. Angus received a salary increase during the year ended June 30, 2010 to an annual salary of A$315,637 plus 9% superannuation, from A$292,256 plus 9% superannuation. During the year Ms. Angus received a cash bonus of A$50,000 in accordance with her employment contract in relation to her performance during 2009 and continued commitment to the Company.
(5) In accordance with her employment contract, long service leave has been accrued for Ms. Dianne Angus. At June 30, 2010, A$49,517 had been accrued. Out of this sum, no amounts were paid in the year ended June 30, 2010.

The following Director was under contract during the year ended June 30, 2012:

Directors	Duration	Notice Requirements	Termination
Mr. Geoffrey Kempler	Until termination by either party Signed September 21, 2007	For Good Reason Mr. Kempler may terminate with 30 days notice Or Without Cause the Company may terminate with 90 days notice	● Pay Mr. Kempler within ninety (90) days of the termination date A$1,000,000 provided the Company has sufficient capital ● requirements to fulfill this clause ● Accrued entitlements including all unreimbursed business expenses Accelerate the vesting of any unvested options
		Without Good Reason Mr. Kempler may terminate with 90 days notice Or With Cause the Company may terminate with 30 days notice	● Bonus pro-rate only if termination occurs in 1st year

The following Senior Executives were under contract during the year ended June 30, 2012:

Key Management Personnel	Duration	Notice Requirements	Termination
Ms Dianne Angus	Until termination by either party Signed October 2, 2006 Letter Agreement signed June 12, 2007	For Good Reason Ms Angus may terminate with 30 days notice Or Without Cause the Company may terminate with 120 days notice	● Pay remuneration entitlements three months from the time of termination (less any payout made for the notice period). The Company can elect to pay such sum as cash, equity in the ● Company or as a combination of both cash and equity ● Accrued entitlements including all unreimbursed business expenses Accelerate the vesting of any unvested options
		Without Good Reason Ms Angus may terminate with 120 days notice Or With Cause the Company may terminate without notice	● Permitted to keep and/or exercise options that have vested at the time of termination ● Accrued entitlements including all unreimbursed business expenses

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

	Years Ended June 30,		
	2012	2011	2010
23. AUDITORS' REMUNERATION			
- audit fees: current year	145,000	132,000	140,672
- audit fees: internal control*	-	-	45,000
- audit fees: other public filings in relation to equity filings	-	85,000	26,637
	145,000	217,000	212,309

PricewaterhouseCoopers was appointed as the Company's principal independent registered public accounting firm on November 30, 2006. No non-audit services were provided by PricewaterhouseCoopers during the 2011 and 2010 fiscal years.

* In 2010, work was performed prior to the exemption provided by the Dodd-Frank Act that exempted the Company from having auditor attestation over the effectiveness of internal controls. This same exemption applied for the 2011 year.

24. RELATED PARTY TRANSACTIONS

a. Equity Interests in Subsidiaries
Prana Biotechnology Limited owns 100% of its subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Ltd.

b. Key Management Personnel Remuneration
Details of key management personnel remuneration is disclosed in Note 22 to the financial statements.

c. Key Management Personnel Equity Holdings

Fully Paid Ordinary Shares of the Company	Balance July 1, 2011	Received as Remuneration	Received on Exercise of Options	Net Change Other (1)	Balance June 30, 2012
	No.	No.	No.	No.	No.
Geoffrey Kempler	17,055,000	-	-	756,000	17,811,000
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Lawrence Gozlan (4)	-	-	-	-	-
Richard Revelins	20,308	-	-	-	20,308
Dianne Angus	100,000	-	-	(100,000)	-
	17,771,751	-	-	656,000	18,427,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

Fully Paid Ordinary Shares of the Company	Balance July 1, 2010	Received as Remuneration	Received on Exercise of Options	Net Change Other (1)	Balance June 30, 2011
	No.	No.	No.	No.	No.
Geoffrey Kempler	17,055,000	-	-	-	17,055,000
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Paul Marks (3)	8,589,361	-	-	-	8,589,361
Richard Revelins	20,308	-	-	-	20,308
Dianne Angus	250,000	-	-	(150,000)	100,000
	26,511,112	-	-	(150,000)	26,361,112

Fully Paid Ordinary Shares of the Company	Balance July 1, 2009	Received as Remuneration	Received on Exercise of Options	Net Change Other (1)	Balance June 30, 2010
	No.	No.	No.	No.	No.
Geoffrey Kempler	17,055,000	-	-	-	17,055,000
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Paul Marks (2)	8,589,361	-	-	-	8,589,361
Richard Revelins	20,308	-	-	-	20,308
Dianne Angus	250,000	-	-	-	250,000
	26,511,112	-	-	-	26,511,112

(1) Net change other refers to shares purchased or sold during the financial year.
(2) Balance at date of appointment, January 14, 2010.
(3) Balance at date of retirement, January 4, 2011.
(4) Balance at date of appointment, August 8, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

24. RELATED PARTY TRANSACTIONS (continued)

Share Options of the Company	Balance July 1, 2011 No.	Granted as Remuneration No.	Options Exercised No.	Options Forfeited No.	Options Expired No	Options Vested During 2012 fiscal year	Balance June 30, 2012 No.	Total Vested and Exercisable June 30, 2012 No.	Total Unvested June 30, 2012 No.
Geoffrey Kempler	-	-	-	-	-	-	-	-	-
Brian Meltzer	-	-	-	-	-	-	-	-	-
George Mihaly	-	-	-	-	-	-	-	-	-
Peter Marks	-	-	-	-	-	-	-	-	-
Lawrence Gozlan[3]	-	-	-	-	-	-	-	-	-
Richard Revelins	-	-	-	-	-	-	-	-	-
Dianne Angus	1,737,093	315,637	-	-	-	-	2,052,730	1,857,893	194,837
	1,737,093	315,637	-	-	-	-	2,052,730	1,857,893	194,837

Share Options of the Company	Balance July 1, 2010 No.	Granted as Remuneration No.	Options Exercised No.	Options Forfeited No.	Options Expired No	Options Vested During 2011 fiscal year	Balance June 30, 2011 No.	Total Vested and Exercisable June 30, 2011 No.	Total Unvested June 30, 2011 No.
Geoffrey Kempler	2,000,000	-	-	-	(2,000,000)	-	-	-	-
Brian Meltzer	650,000	-	-	-	(650,000)	-	-	-	-
George Mihaly	650,000	-	-	-	(650,000)	-	-	-	-
Peter Marks	650,000	-	-	-	(650,000)	-	-	-	-
Paul Marks[2]	701,754	-	-	-	(701,754)	-	-	-	-
Richard Revelins	350,000	-	-	-	(350,000)	-	-	-	-
Dianne Angus	1,987,093	-	-	-	(250,000)	-	1,737,093	1,542,256	194,837
	6,988,847	-	-	-	(5,251,754)	-	1,737,093	1,542,256	194,837

Share Options of the Company	Balance July 1, 2009 No.	Granted as Remuneration No.	Options Exercised No.	Options Forfeited No.	Options Expired No	Options Vested During 2010 fiscal year	Balance June 30, 2010 No.	Total Vested and Exercisable June 30, 2010 No.	Total Unvested June 30, 2010 No.
Geoffrey Kempler	3,000,000	-	-	-	(1,000,000)	-	2,000,000	1,000,000	1,000,000
Brian Meltzer	950,000	-	-	-	(300,000)	-	650,000	350,000	300,000
George Mihaly	950,000	-	-	-	(300,000)	-	650,000	350,000	300,000
Peter Marks	950,000	-	-	-	(300,000)	-	650,000	350,000	300,000
Paul Marks[1]	701,754	-	-	-	-	-	701,754	701,754	-
Richard Revelins	650,000	-	-	-	(300,000)	-	350,000	350,000	-
Dianne Angus	1,694,837	292,256	-	-	-	-	1,987,093	1,792,256	194,837
	8,896,591	292,256	-	-	(2,200,000)	-	6,988,847	4,894,010	2,094,837

For further information on equity entitlements under employment contracts, refer to Note 21.
[1] Balance at date of appointment, January 14, 2010.
[2] Balance at date of retirement, January 4, 2011.
[3] Balance at date of appointment, August 8, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

25. SEGMENT INFORMATION

The Company's activities are predominantly within Australia and cover research into Alzheimer's, Huntington's and Parkinson's diseases and other major age-related degenerative disorders.

26. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out under policies approved by the Board of Directors and overseen by the Audit, Risk and Compliance Committee.

(a) Market Risk

(i) Foreign Currency Risk

The Company engages in international purchase transactions and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Australian dollar. The parent entity also has exposure to foreign exchange risk in the currency cash reserves it holds to meet it's foreign currency payments. The Company does not make use of derivative financial instruments to hedge foreign exchange risk.

The following financial assets and liabilities are subject to foreign currency risk, the currency of the original amounts are displayed in brackets, all the amounts in the table below are displayed in A$ at year-end spot rates:

	Consolidated Entity	
	2012	2011
	A$	A$
Cash and cash equivalents ($USD)	3,925,155	2,199,896
Cash and cash equivalents (€EUR)	240,986	264,165
Cash and cash equivalents (£GBP)	523	514
Trade and other payables ($USD)	(20,679)	(124,568)
Trade and other payables (€EUR)	-	-
Trade and other payables (£GBP)	(13,839)	-
Total exposure	4,132,146	2,340,007

The Company has conducted a sensitivity analysis of its exposure to foreign currency risk. The Company is currently exposed to the US dollar (USD), Euro (EUR) and Great British Pound (GBP). The sensitivity analysis below is conducted on a currency by currency basis using the sensitivity analysis variable, which has been based on the average annual movement in the AUD/USD, AUD/EUR and AUD/GBP exchange rates over the past 5 years based on the year-end spot rates. The variables for USD, EUR and GBP being 4%, 7% and 16% respectively. All the amounts in the table below are displayed in A$.

Based on the financial instruments held at June 30, 2012, had the Australian dollar weakened/strengthened by 4% against the US dollar and 7% against the EURO with all other variables held constant, the Company's post-tax profit for the year would have been A$165,937 lower/A$180,825 higher (2011: A$97,104 lower/A$106,358 higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. The Company's exposure to other foreign exchange movements is not material.

26. FINANCIAL INSTRUMENTS (continued)

(ii) Interest Rate Risk

The Company has an exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

The Company's exposure to interest rate risk has not changed since the prior year.

At June 30, 2012, the Company had the following cash accounts:

- A$63,196 in an Australia dollar transaction account at an interest rate of 0.20% as of June, 2012;
- A$1,406,099 in an Australia Business Cash High Interest account at an interest rate of 3.50% as of June 2012;
- US$3,986,260 (A$3,923,676) in U.S. checking accounts at an interest rate of 0% as of June 30, 2012;
- EUR$194,562 (A$240,887) in a EUR checking account at a variable interest rate of 0% as of June 30, 2012;
- A$37,837 in a six month term deposit at a fixed interest rate of 4.00% which matures on 11 August 2012;
- A$200 in petty cash which does not earn any interest;
- GBP$340 (A$523) in petty cash which does not earn any interest;
- SEK$970 (A$136) in petty cash which does not earn any interest;
- INR$9,930 (A$174) in petty cash which does not earn any interest;
- US$1,503 (A$1,479) in petty cash which does not earn any interest; and
- EUR$80 (A$99) in petty cash which does not earn any interest.

The weighted average interest rate is 0.88% for cash and cash equivalents and 1.42% for terms deposits over three months and apart from usual variances in general rates of interest the Company is not exposed to any significant interest rate risk.

At June 30, 2011, the Company had the following cash accounts:

- A$230,617 in Australia dollar checking accounts at variable interest rates ranging from 0% to 2.11% as of June 30, 2011;
- A$126,482 in Australia dollar transaction accounts at variable rates ranging from 0% to 0.85% as of June, 2011;
- A$6,016,019 in an Australia Business Cash High Interest accounts at an interest rate of 4.75% as of June 2011;
- US$2,330,402 (A$2,199,433) in a U.S. checking account at a interest rate of 0% as of June 30, 2011;
- EUR$194,402 (A$264,056) in a EUR checking account at a variable interest rate of 0% as of June 30, 2011;
- A$37,837 in a six month term deposit at a fixed interest rate of 5.90% which matures on 11 October 2011;
- A$200 in petty cash which does not earn any interest;
- GBP$340 (A$514) in petty cash which does not earn any interest;
- SEK$970 (A$145) in petty cash which does not earn any interest;
- INR$9,930 (A$207) in petty cash which does not earn any interest;
- US$491 (A$463) in petty cash which does not earn any interest; and
- EUR$80 (A$109) in petty cash which does not earn any interest.

The weighted average interest rate is 3.30% for cash and cash equivalents and 1.74% for terms deposits over three months and apart from usual variances in general rates of interest the Company is not exposed to any significant interest rate risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

26. FINANCIAL INSTRUMENTS (continued)

Receivables and payables are non-interest bearing.

The Company's exposure to interest rates and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

June 30, 2012	Floating Interest Rate	Fixed Interest Maturing in		Non-Interest bearing	Total	Average Interest Rate
		1 year or less	1-5 years			
Financial Assets						
Cash and cash equivalents	A$ 5,633,858	-	-	A$ 2,611	A$ 5,636,469	0.80%
Trade and other receivables	-	-	-	A$ 1,550,836	A$ 1,550,836	
Other current assets	-	A$ 37,837	-	68,675	A$ 106,512	1.42%
Total Financial Assets	A$ A$5,633,858	A$ 37,837	-	A$ 1,622,122	A$ 7,293,817	
Financial Liabilities						
Payables	-	-	-	A$ 961,954	A$ 961,954	
Other financial liabilities	-	-	299,012	A$ 36,891	A$ 335,903	0.83%
Total Financial Liabilities	-	-	299,012	A$ 998,845	A$ 1,297,857	

June 30, 2011	Floating Interest Rate	Fixed Interest Maturing in		Non-Interest bearing	Total	Average Interest Rate
		1 year or less	1-5 years			
Financial Assets						
Cash and cash equivalents	A$ 8,836,607	-	-	A$ 1,638	A$ 8,838,245	3.30%
Trade and other receivables	-	-	-	A$ 3,373	A$ 3,373	
Other current assets	-	A$ 37,837	-	A$ 90,588	A$ 128,425	1.74%
Total Financial Assets	A$ 8,836,607	A$ 37,837	-	A$ 95,599	A$ 8,970,043	
Financial Liabilities						
Payables	-	-	-	A$ 1,395,827	A$ 1,395,827	
Other financial liabilities	-	-	289,542	A$ 70,030	A$ 359,572	0.63%
Total Financial Liabilities	-	-	289,542	A$ 1,465,857	A$ 1,755,399	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars (unless otherwise noted)

26. FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has no significant concentration of credit risk and it is not the Company's policy to hedge credit risk.

The Company ensures that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counter party.

There has been no significant change in the Company's exposure to credit risk since the previous year. The carrying amount of the Company's financial assets represent the maximum credit exposure.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

	Maturities of Financial Liabilities				
2012	**Less than 6 months**	**6-12 months**	**Greater than 12 months and less than 5 years**	**Total contracted cash flows**	**Carrying amounts**
		Consolidated Entity			
Trade and other payables	961,954	-	-	961,954	961,954
ADDF Convertible Promissory Note	-	-	299,012	299,012	299,012
Total	961,954	-	299,012	1,260,966	1,260,966
2011					
		Consolidated Entity			
Trade and other payables	1,395,827	-	-	1,395,827	1,395,827
ADDF Convertible Promissory Note	-	-	289,542	289,542	289,542
Total	1,395,827	-	289,542	1,685,369	1,685,369

(d) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of equity attributed to equity holders of the Company, comprising contributed equity, reserves and accumulated losses disclosed in Notes 14, 15 and 16. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Company's Management the Board monitors the need to raise additional equity from the equity markets.

(e) Fair Value Estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

27. ADDITIONAL COMPANY INFORMATION

Prana Biotechnology Limited is a listed public company, incorporated and operating in Australia.

Registered Office
Suite 2
1233 High Street
Armadale Vic 3143
Australia

Tel: +61 (03) 9824 8166

Principal Place of Business
Level 2
369 Royal Parade
Parkville Vic 3052
Australia

Tel: +61 (03) 9349 4906

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this report on its behalf.

Prana Biotechnology Limited

By: /s/ Geoffrey P. Kempler
Geoffrey P. Kempler
Chief Executive Officer

Dated: October 4, 2012

Exhibit 4.9

FOURTH RESEARCH FUNDING AND INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

BETWEEN

THE UNIVERSITY OF MELBOURNE (ABN 84 002 705 224)

AND

PRANA BIOTECHNOLOGY LTD (ABN 37 080 699 065)

This Fourth Research Funding and Intellectual Property Assignment Agreement, dated this day of 2010 is made:

BETWEEN

THE UNIVERSITY OF MELBOURNE [ABN 84 002 705 224] of Parkville, Victoria 3010, a body politic and corporate pursuant to the provisions of *The University of Melbourne Act 2009* ("the University").

AND:

PRANA BIOTECHNOLOGY LTD (ABN 37 080 699 065) having its principal office at Level 1, 100 Dorcas Street, South Melbourne, Victoria 3205 ("Prana")

RECITALS:

A. Prana and the University are parties to an undated Research Funding and Intellectual Property Assignment Agreement, entered into on or about 1 December 2000 as amended from time to time, which expired on 1 December 2003 ("The Research Agreement").

B. Prana and the University are also parties to an undated Second Research Funding and Intellectual Property Assignment Agreement entered into on or about 1st October 2004, which expired on 1 December 2006 ('Second Research Agreement') and a Third Research Funding and Intellectual Property Assignment Agreement dated 29 June 2007 which expired on 1 December 2009 ('Third Research Agreement').

C. The Third Research Agreement was also subsequently varied by the parties on two separate occasions via a letter dated 2 May 2008 ("First Variation Letter") and a separate letter dated 23 January 2009 ("Second Variation Letter").

D. Since the expiration of the Third Research Agreement, the parties have continued to conduct Projects and work together in accordance with the terms and conditions of the Third Research Agreement as if it continued to have full force and effect.

E. The Parties now wish to enter into this Fourth Research Funding and intellectual Property Assignment Agreement ('Fourth Research Agreement') which is deemed to have come into effect on and from the date of expiration of the Third Research Agreement.

F. The Parties wish to acknowledge that the University will continue to subcontract part of the Research Project to the Mental Health Research institute of Victoria ("MHRI") pursuant to the contract between the University and MHRI dated 26th February 2004 ("Subcontract"). The term of the Subcontract is effective for the term of The Research Agreement.

G. The Parties further acknowledge that the three projects referred to in the amendment to The Research Agreement by letter dated 7th March 2003 ("7th March 2003 Letter Agreement") have no bearing on the term of this Fourth Research Agreement.

NOW IT IS AGREED:

1. DEFINITIONS & INTERPRETATION.

Unless otherwise specified in this Fourth Research Agreement, all defined terms used in this Fourth Research Agreement shall have the same meaning as given to those terms in The Research Agreement.

'First Variation Letter' means the First Variation Letter signed between the parties to vary the Third Research Agreement dated 2 May 2008.

'Fourth Research Agreement' means this Agreement.

'Further Term' means a period of three years deemed to have commenced on and from the expiration of the Third Research Agreement and expiring on 1 December 2012.

'The Research Agreement' means the undated Research Funding and Intellectual Property Assignment Agreement, entered into on or about 1 December 2000 as amended from time to time, which expired on 1 December 2003.

'Research Projects' has the meaning given to that term in The Research Agreement.

'Second Research Agreement' means the undated Second Research Funding and Intellectual Property Assignment Agreement entered into on or about 1st October 2004 which expired on 1 December 2006.

'Second Variation Letter' means the Second Variation Letter signed between the parties to further vary the Third Research Agreement dated 23 January 2009.

'Third Research Agreement' means the Third Research Funding and Intellectual Property Assignment Agreement entered into between the parties dated 29 June 2007 which expired on 1 December 2009.

2. INCORPORATION OF TERMS AND CONDITIONS OF THE RESEARCH AGREEMENT

The terms and conditions of The Research Agreement and all amendments and variations agreed to between the parties in writing are incorporated into this Fourth Research Agreement and are deemed to have had full force and effect as and from the expiration of The Research Agreement, save and except for any terms and conditions specifically amended, replaced or supplemented by this Fourth Research Agreement.

3. AMENDMENT OF SCHEDULE

The Parties agree that the Schedule to The Research Agreement shall be amended as provided by this Fourth Research Agreement.

4. EFFECTIVE DATE OF THIS AGREEMENT AND EARLY EXPIRATION

This Fourth Research Agreement shall be deemed to have come into effect on and from the date of expiration of the Third Research Agreement and shall remain in effect for a Further Term, unless the parties agree in writing to an earlier expiration date or termination occurs in accordance with clause 19 of The Research Agreement.

SIGNED for and on behalf of **THE UNIVERSITY OF MELBOURNE**)

In the presence of:)

Witness signature
Gue Lynn Tan
Name (printed)

Authorised Officer
Dr David Cookson
Executive Director, Research
The University of Melbourne

SIGNED for and on behalf of **PRANA BIOTECHNOLOGY LTD**

In the presence of:)

Witness signature
Ann Quick
Name (printed)

Authorised Officer
Dianne Angus

SCHEDULE A
Replacement to Part B

4. FUNDING FOR PERIOD 2 DECEMBER 2011 – 1 DECEMBER 2012:

All figures are exclusive of GST:

Research Project Title. **Budget Period.**

	2 December 2011 – 29 February 2012	**1 March 2012 – 31 May 2012**	**1 June 2012 – 31 August 2012**	**1 September 2012 – 1 December 2012**	**Sub-Totals**
Project 1. **'Structure and Neuroprotective behaviour of MPACs'** (Project leader K. Barnham).	**$30,000**	**$30,000**	**$30,000**	**$30,000**	**$120,000**
Project 2. **'Role of Metals in disease and mechanisms underlying age related cognitive impairment'** (Project leader R. Cherny) ***Project is Sub contracted to MHRI and all funds are to be forwarded to MHRI.*	****$67,500**	****$67,500**	****$67,500**	****$67,500**	****$270,000**
Sub-Total	**$97,500**	**$97,500**	**$97,500**	**$97,500**	
TOTAL					**$390,000**

APPENDIX - TO FOURTH RESEARCH AGREEMENT

Project 1 Project Leader A/Prof Kevin Barnham
Title: Structure and neuroprotective behaviour of MPACs

General AIM 1:
Investigate the mechanism (s) by which MPACs protect neurons from amyloidogenic, excitotoxic and oxidative damage. In particular to investigate the pathways by which PBT2 inhibits the toxicity of Aβ oligomers.
Objectives: In the presence of synthetic and cell-derived Aβ oligomers, PBT2 will be applied to cell lines and primary cortical cells.

1. Calcium flux assay - does PBT2 alter the oligomer-mediated influx of calcium which is a characteristic neuronal response to a toxic insult.
2. Glutamate excitotoxicity - does PBT2 prevent the binding of Aβ oligomers to NMDA receptors?
3. Mapping of intracellular pathways: How does PBT2 deliver metals to the protein kinase pathways to achieve beneficial effects? eg Does the complex enter the cell or is the metal released at the plasma membrane? Are the metals transported via the normal metal chaperones or a novel pathway? What are the pharmacodynamics of drug:metal:complex?

Project 2: Project Leader: A/Prof Robert Cherny
Title: **The Role of Metals in disease and age-related cognitive impairment**

General **AIM 1:**
Are the neuroprotective and cognitive benefits of MPACs due to their metal binding/chaperone properties? In particular, is delivery of zinc and copper to depleted neurons the key to the therapeutic effects of PBT2?
Objectives:

1. Behavioural (MWM) biochemical (Neuronal markers) and electrophysiological (LTP) outcomes will be used to assess the effects of PBT2 in a transgenic model of synaptic zinc deficiency (ZnT3 knockout).
2. *In vivo* brain microdialysis will be employed to determine if the Aβ lowering effects of PBT2 are achieved by promoting Aβ clearance in the intact animal. Is this an ionophore dependent activity?
   Readouts/outcomes: Measure MMPs, NEP, IDE, Aβ and metals in dialysate
3. To provide evidence for the role of metal transport in the MoA of PBT2
   ^{14}C PBT2 will be applied to isolated cells and brain slices in the presence of isotopic Cu and Zn to observe the (intra)cellular colocalisation of drug and metals This will complement the studies performed in the Barnham lab
4. Prepare synaptosomes from PBT2 treated tg mice and/or human AD brains to study the putative colocalisation of PBT2 and metals
5. Infuse 14CPBT2 +/- Zn70 into the brains of transgenic mice to examine for localisation of each by autoradiography (EM) and/or tissue extracts as per Opazo et al 2006, Ageing Cell **5**: 69-79

General AIM 2:
MPACs have been shown to restore cognition in memory impaired healthy aged animals. What is the mechanism of action? Does the MoA in aged animals share biochemical pathways with AD and HD transgenic animals?

Objectives:

1 To complete a partially-completed study of PBT2 in aged animals
Readouts/outcomes: Identify neuronal markers and changes in w/t mouse Aβ levels.
If a non-PBT2 zinc ionophore is available the specific role of Zn will also be examined.

2 To establish if the MoA of PBT2 in restoring age related impairment is related to its activity in Alzheimer's disease- specifically with respect to alterations in Aβ toxicity and expression Brain tissue from APP knockout mice will be used for electrophysiology (LTP):

Experiments will include:

Young vs old W/T vs old APP KO
+/- PBT2
+/- mouse Aβ
+/- human Aβ
+/- other Cu/Zn ionophore
+/- strong chelator

Exhibit 4.23

Amendment 1.3 to Agreement dated 26th Dec '08 signed by and between

Dr. Reddy's Laboratories Limited
Bollaram Road, Miyapur,
Hyderabad 500 049
India
(Hereinafter referred to as "Dr. Reddy's")

And

Prana Biotechnology Ltd
Level 2, 369 Royal Parade, Parkville Victoria, 3052
Australia
(Hereinafter referred to as "Prana")

Dr. Reddy's and Prana are collectively referred to as the "PARTIES"

This amendment will include the following additional and amended clauses in the above mentioned Agreement (plus amendments) and will be in effect from 14 February 2012 onwards.

1. Terms to be included
i. The following new clause-12 in Appendix A of the Agreement:

"12. Sub-Project 4A: Qualification of Dr Reddy's Reference Standard in comparison with IDT Reference Standard

a) Dr. Reddy's will analyse the Dr Reddy's Reference Standard (CDDQ5RS1101) and the IDT Reference Standard (DA102301.1) side-by-side using Dr Reddy's methods.
b) This will include:
   i. Description, per Method of Analysis AR&D-GTP-001.
   ii. Identification by FT-IR, Mass, NMR(^{13}C and ^{1}H NMR), Elemental composition by HR-MS, per Method of Analysis AR&D-GTP-003
   iii. Chloride content, per Method of Analysis MF/CDDQ5-002/02
   iv. Identification, Assay and Related substances by HPLC, per Method of Analysis MF/CDDQ5-001/05
   v. Related substances by LC-MS, per Methods of Analysis MF/CDDQ5-004/0/3 and MF/CDDQ5-003/02
   vi. Residue on ignition, per Method of Analysis AR&D-GTP-0010
   vii. Water content by KF, per Method of Analysis AR&D-GTP-005
   viii. Heavy metals, per Method of Analysis AR&D-GTP-0011
   ix. Residual solvents by GC, per Method of Analysis MF/CDDQ5-007/02 (excluding Methanol)
c) Related Substances analysis to be performed in one sequence. Same tests to be performed on same day or in same sequence for reference standards of Dr. Reddy's and IDT.

d) Report containing all raw data and comments on comparability of the two Reference Standards to be provided. This should be an addendum to the existing Reference Standard report titled "Report on PBT2 reference standard preparation (I-CDDQ-10-0318)".

ii. **The following description of new Sub-Project 4A under Sub-Project Pricing in clause 3 of the Agreement**

"Sub-Project 4A: Qualification of Dr Reddy's Reference Standard in comparison with IDT Reference Standard – USD 4,000/-"

iii. **The following description of new Sub-Project payment terms in clause 3 of the Agreement**

"Sub-Project 4A:

- 100% upon sharing the final report to Prana (USD 4,000/-)"

2. Terms to be varied

i. **The current numbering of the following clause heading in Appendix A of the Agreement, as amended in Amendment 10:**

"12. Sub-Project 6: Stability Study (48 months)"

is amended as follows

"13. Sub-Project 6: Stability Study (48 months)"

All other terms and conditions of the original Agreement dated 26th Dec'08 and those included in Amendments 1 to 12 remain unchanged.

In witness whereof, the parties hereto have signed this Agreement

Signed for and on behalf of
Dr. Reddy's Laboratories Limited

Signature
Name: Manoj Mehrotra

Witness Signature
Witness Name: Vikas Tripathi

Signed for and on behalf of
Prana Biotechnology Ltd.

Signature
Name: Dianne Angus

Witness Signature
Witness Name: Elisabeth Gautier

Exhibit 4.27

CLINICAL TRIAL AGREEMENT

THIS Agreement is entered into on October 7,2011 by and between Prana Biotechnology Limited ("Sponsor"), a corporation established under the laws of Australia, with offices located at Level 2, 369 Royal Parade, Parkville VIC 3052, Australia and the University of Rochester ("Institution"), a not-for-profit educational institution established under the laws of New York State, with business offices located at 5th Floor Hylan Building, RC Box 270140, Rochester, NY 14627.

RECITALS
Whereas, Sponsor desires Institution to study the safety and efficacy of PBT2 ("Study Drug") and Institution is willing to perform a clinical study of the Study Drug; and

Whereas, the Study (as defined below) is of mutual interest and benefit to Sponsor and Institution, and will further the Institution's instructional and research objectives in a manner consistent with its status as a not-for-profit tax-exempt educational institution;

Now therefore, in consideration of the promises and mutual covenants herein contained, Sponsor and Institution hereby agree as follows:

1. STATEMENT OF WORK. The Institution shall exercise reasonable efforts to carry out the clinical trial research study set forth in the research protocol developed by Sponsor dated _____, 2011 and entitled "A randomised, double-blind, placebo- controlled study to assess the safety and tolerability, and efficacy of PBT2 in patients with mild to moderate Huntington disease" (the "Study"), which is attached hereto as Attachment A (the "Protocol") and hereby incorporated into this Agreement by reference. An allocation of tasks to be undertaken by the Sponsor and Institution in the conduct of the Study is described in Exhibit A ("the Scope of Work") is attached hereto and is incorporated into this Agreement by reference. The Study shall be conducted under the direction of Elise Kayson as Principal Investigator in accordance with this Agreement.

   In the event of any inconsistency between this Agreement and the Protocol, the terms of this Agreement shall govern. Changes in the Protocol may be made only through prior written agreement between the Sponsor and the Institution.

2. PERIOD OF PERFORMANCE. The Period of Performance under this Agreement shall be from the effective date of this Agreement through the end of the Study, unless extended by amendment of this Agreement or terminated in accordance with Article 14. The Study is deemed completed upon receipt by Institution of final payment. The Study may not begin, and no patient shall be enrolled, until approval of the Study is received from the Institution's Institutional Review Board ("IRB").

3. PAYMENT.

(a) Sponsor shall reimburse the Institution for all direct and indirect costs incurred by Institution in accordance with the budget attached hereto as Attachment B and incorporated herein by reference (the "Budget"). The parties estimate that the payments provided for in the Budget will be sufficient to support the Study, but Institution may submit to Sponsor a revised budget requesting additional funds in the event that costs may reasonably be projected to exceed the Budget. Except as otherwise provided in this Agreement, Sponsor will not be required to make any payment in excess of the Budget without Sponsor's prior written approval.

The parties estimate that the costs set forth in the Budget are adequate to support the Study, but if certain patient care costs are expected to be covered by insurance or another third party payor and such costs are denied, Sponsor agrees to reimburse Institution for the patient care costs not covered by insurance or third party payors.

Regardless of whether it is included in the Budget, the Sponsor understands and agrees that it is responsible for paying the Institution's nonrefundable Institutional Review Board fee, and shall pay such fee within thirty (30) days of the date of invoice except as otherwise provided in the Budget.

(b) Sponsor shall make payments to Institution in accordance with the payment schedule set forth in Attachment B and incorporated herein. Checks shall be made payable to the University of Rochester and sent to:

University of Rochester
Center for Human Experimental Therapeutics
265 Crittenden Blvd
CU 420694
Rochester, NY 14642-0694
ATTN: Patric Donaghue

(c) For purposes of identification, each payment shall include the title of the project and the name of the Principal Investigator.

4. SUPPLIES. Sponsor will provide Institution, at no charge, with a sufficient quantity of the Study Drug to conduct the Study, as well as any other compounds, materials, equipment, and information, which the Protocol or Scope of Work specifies as being provided by the Sponsor, or which Sponsor deems necessary to conduct the Study. All such Study Drug, compounds, materials, and equipment remain the sole property of Sponsor, unless otherwise designated.

5. INVESTIGATOR'S AND SPONSOR'S ASSURANCE.

(a) The Study shall be conducted in accordance with the Study Protocol, Sponsor's written instructions and all laws and regulations applicable to the performance of the Study. In the event that Sponsor's written instructions are inconsistent with the Protocol, the Protocol approved by the IRB shall take precedence.

(b) Any amendments to the Protocol will be upon mutual consent of the parties and be submitted to the Institution's IRB for approval.

(c) Institution, Principal Investigator and Sponsor shall comply with all applicable international standards and federal, state and local laws, regulations and guidelines including, but not limited to, the Federal Food, Drug and Cosmetic Act, as amended (the "Act") and regulations promulgated thereunder and the United States Food and Drug Administration ("FDA") regulations governing the protection of human subjects and regulations governing clinical investigators, the Helsinki Declaration, and all current applicable ICH Harmonised Tripartite Guidelines.

(d) Sponsor acknowledges that the responsibility to comply with and perform the provisions of 21 C.F.R. 312 subpart D and/or 21 C.F.R. 812 Subpart C (Responsibility of Sponsors) rests with the Sponsor as required by FDA.

(e) Institution certifies that neither Institution nor any person employed or engaged by Institution in the conduct of the Study has been debarred pursuant to Sections 306(a) or (b) of the Act and that no debarred person will in the future be employed or engaged by Institution in connection with conduct of the Study. Institution further certifies that it will notify Sponsor immediately in the event of any debarment or threat of debarment of any person employed or engaged by Institution in the conduct of the Study occurring during the period of this Agreement.

(f) In connection with research studies, Institution may collect "Protected Health Information" ("PHI") as defined in 45 C.F.R. Section 164.501 or medical information on a patient as defined under New York State Public Health Law. Institution shall obtain a patient authorization/informed consent from study subjects to allow Institution to disclose the PHI and medical information to Sponsor. Sponsor shall use the PHI or medical information in accordance with the patient authorization/informed consent. If either party de-identifies PHI in accordance with the standards set forth in 45 C.F.R. Section 164.514, either party may use and disclose the de-identified information as permitted by law.

6. PRINCIPAL INVESTIGATOR

(a) The Institution has authorised the Principal Investigator as the person responsible on a day-to-day basis for the conduct of the Study. The Principal Investigator does not have authority on behalf of the Institution to amend this Agreement or the Protocol.

(b) If the Principal Investigator leaves the Institution or otherwise ceases to be available then the Institution must consult with the Sponsor and use reasonable endeavours to nominate as soon as practicable a replacement reasonably acceptable to both Parties.

(c) If the Principal Investigator fails to carry out those obligations specified in this s.6 the Institution will use reasonable efforts to find another Principal Investigator to perform those obligations and rectify and make good any breach. The Institution will ensure that any Personnel who assist in the conduct of the Study are informed of and agree to abide by all terms of this Agreement relevant to the activities they perform.

7. NOTICES. Any notices related to this Agreement or required herein shall be in writing and delivered by first class mail, postage prepaid, or by facsimile to the parties as follows:

INSTITUTION
Gunta J, Liders,
Associate VP for Research Administration
University of Rochester
Office of Research & Project Administration
5th Floor Hylan Bldg.
Rochester, NY 14627
Phone: (585)275-4031
FAX: (585) 275-9492

SPONSOR
Dianne Angus
Chief Operating Officer
Level 2, 369 Royal Parade
Parkville VIC 3052
Australia
Phone: +61 (0)3 93494906
FAX: +61 (0)3 9348 0377

8. INDEPENDENT CONTRACTOR. The Institution is an independent contractor and not an agent, joint venturer, or partner of Sponsor.

9. INDEPENDENT RESEARCH. Nothing in this Agreement shall be construed to limit the freedom of the Principal Investigator and/or Institution, its employees and agents, whether paid under this Agreement or not, to engage in similar inquiries made independently under other grants, contracts or agreements with parties other than Sponsor.

10. CONFIDENTIAL INFORMATION. All information whether disclosed orally or in writing pertaining to the Study and clearly identified as confidential, shall be deemed as confidential ("Confidential Information") and shall not be used by the other party other than for purposes of this Agreement. Each party agrees to treat Confidential Information received from the other party with at least the same degree of care with which it would treat its own Confidential Information of a similar nature and further agrees not to disclose such Confidential Information to a third party without prior written consent of the other party, for a period of seven (7) years following disclosure. The foregoing obligations of non-disclosure do not apply to Confidential Information which:

(a) is in the public domain at the time of disclosure or becomes publicly available through no fault of the recipient;
(b) was known to the other party prior to disclosure;
(c) was received from a third party not under an obligation of confidence to Sponsor;
(d) is developed by the recipient without reference to the Confidential Information; or
(e) is required to be disclosed by law.

In addition, no Confidential Information involving individual patient data or medical records may be disclosed by either party at any time without appropriate patient authorization or consent as required by law.

11. DATA OWNERSHIP and INTELLECTUAL PROPERTY.

(a) Sponsor shall retain ownership of all completed case report forms and data generated as a result of the Study. Institution and the Huntington Study Group shall have the right to maintain a copy of all Study data for educational, auditing, archival, patient care and/or research purposes and to use Study results for publication purposes as outlined in Article 11. All patient medical records being original records of work completed under this Agreement including, laboratory records and reports, scans, films and information pre-existing in Institution's databases shall be and remain Institution's property.

(b) If biological materials will be used or obtained in the performance of the Study, Sponsor agrees to reimburse Institution for the cost of shipping such biological materials to Sponsor. The term "biological materials" shall include the materials derived from subjects enrolled in the Study and used pursuant to the approved Protocol, including, but not limited to, blood, bone marrow, urine, sera and other human tissue or fluids. At no time shall any biological materials be used by Sponsor for any purpose other than as described in the Protocol or transferred to any third party without Institution's prior written consent, Upon completion or termination of the Study, all unused biological materials shall be destroyed as required under any law or regulation or stored as permitted by the Protocol and applicable law and regulation.

(c) Institution understands and acknowledges that the Study Drug that is being provided to Institution for the purpose of conducting this Study is the property of Sponsor and/or that the Study Drug is subject to certain intellectual property rights owned by or licensed to Sponsor. This Agreement shall not be deemed or construed to convey or transfer any rights with respect to the Study Drug or with respect to any of such existing intellectual property rights to Institution except insofar as necessary to permit Institution to conduct the Study which is the subject of this Agreement.

(d) For all purposes herein, "Invention" shall mean any discovery, improvement, concept or idea which arises out of work performed pursuant to the Study and which involve the use of the Sponsor's drug. Inventions shall be the sole and exclusive property of Sponsor. Institution will disclose promptly to Sponsor any and all Inventions, patentable or not, arising out of the work pursuant to the Study and complete any paperwork necessary to vest title in such Invention in the Sponsor.

12. PUBLICATION. Sponsor acknowledges that Institution is dedicated to the generation of new knowledge and information and to its public dissemination. Institution acknowledges that Sponsor is a company dedicated to understanding the basis of neurodegenerative disease and considers publication of clinical and preclinical findings with its therapeutics to be critical to its mission and to the benefit of the community. Therefore, Institution shall have the right to publish material resulting from or related to the Study and the Sponsor and Institution will collaborate on the preparation of any proposed publication or presentation of such material The Institution shall furnish Sponsor with a copy of any proposed written publication or presentation of such material at least thirty (30) days prior to the submission for publication or presentation. Sponsor may review the publication or presentation to see if it contains patentable subject matter or other Sponsor-owned confidential information that needs protection. Institution will, upon written request from Sponsor within the thirty (30) day review period, delay the publication or presentation for a maximum of an additional sixty (60) days to allow Sponsor or Institution to file a patent application or to remove the confidential information. Such Sponsor required modification will not result in withholding any study results from academic publication.

If this is a multicenter Study, Principal Investigator understands that it is the intention of the Sponsor that a multicenter publication will be prepared and published. Principal Investigator understands and agrees not to publish the results of Institution's participation in the Study until after the completion of the Study at all participating sites and the review, analysis and write-up of the Study results. Should a multicenter publication not be prepared for submission within 12 months after the Study is completed (e.g. the data is locked) at all participating sites, Principal Investigator may publish and present the individual Study results as stated in the preceding paragraph. If Sponsor elects to publish the results from Institution's participation, Sponsor agrees to provide Institution with a copy of the proposed publication at least thirty (30) days prior to publication and agrees to acknowledge Institution's participation in the Study as appropriate for peer review publications.

13. SITE ACCESS. Either Sponsor or FDA, as required by FDA regulations, shall have reasonable access to Principal Investigator and other project personnel, project facilities, drug records, subject records, case reports, and other records directly related to this Study, subject to applicable laws and regulations, during regular business hours and with reasonable prior notice. Any audits by Sponsor (other than "for cause" audits) shall require Sponsor to reimburse Institution or any site for the time and effort required for such audits.

If there is an FDA audit or investigation, Institution agrees to provide Sponsor with prompt notice of the audit or investigation and Sponsor may be present during such audit but Sponsor agrees not to alter or interfere with any documentation or practice of Institution. Institution shall be free to respond to any FDA inquiries and will provide Sponsor with a copy of any final response or documentation to the FDA regarding the Study. Sponsor agrees to reimburse Institution for the reasonable costs incurred by Study personnel in responding to an FDA audit or investigation.

14. PUBLICITY. Neither party shall use the name of the other in connection with any products, promotion, or advertising related to this Study without the prior written permission of the other party. The foregoing shall not, however, preclude any legally required disclosure, reports generated in the normal course of business, or acknowledgement of sponsorship as required by an academic organization.

15. TERMINATION.

(a) Either the Sponsor or the Institution may terminate this Agreement with 30 days prior written notice or such shorter time period as is reasonably required in the circumstances for any reason, or if the other party:

(i) is in breach of any obligations under the Agreement or the Protocol (including without just cause to meet a timeframe) and fails to remedy such breach where it is capable of remedy within 30 days of a written notice from the terminating party specifying the breach and requiring its remedy; or

(ii) is declared insolvent or has an administrator or receiver appointed over all or any part of its assets or ceases or threatens to cease to carry on its business.

(b) In addition to clause 15(a), a party may terminate this Agreement immediately by written notice to the other party if it believes on reasonable grounds that:

(i) continuing the Study poses an unacceptable risk to the rights, interests, safety or well-being of Study Subjects; and

(ii) terminating this Agreement is the most appropriate way to respond to that risk.

(c) The Sponsor may terminate this Agreement with 30 days prior written notice to the Institution.

(d) In the event of termination:

(i) the Institution must promptly initiate all appropriate action to close the Study and, subject to any applicable retention requirements imposed by law .

(ii) the Institution must take all appropriate action to close out the Study Site in a timely manner.

(iii) the Sponsor will cooperate with the Institution to ensure that Study Subjects who may be affected by termination receive adequate medical care. This may include the provision of Investigational Product in certain circumstances at the Sponsor's expense.

(ii) The Institution shall be reimbursed for the reasonable costs of bringing this Study to termination incurred prior to termination and for non-cancellable commitments outstanding at that date. The Sponsor shall receive a refund of any amounts paid prior to such termination in excess of amounts earned by the Institution as of the date of termination or notification of the decision to terminate, whichever is later. If a subject discontinues his or her participation or if the Study is discontinued for any reason, the Institution shall be held harmless and Sponsor shall pay Institution on a prorated basis for such subjects or as otherwise set forth in payment schedule. If Sponsor discontinues the Study for any reason, Sponsor shall reimburse Institution and all sites that Institution has subcontracted with, for all expenses incurred up until that time, including all time and effort expended and all non-cancelable commitments even if not included in the payment schedule.

All provisions of this Agreement that by their terms require performance by one or both parties following expiration or termination of tin's Agreement shall survive such expiration or termination. Such provisions shall include, but not be limited to, Articles, 3, 5, 6,7,10,11,12,13,16,17,18,19 and 20.

16. INDEMNIFICATION.

(a) Sponsor shall indemnify, defend and hold harmless the Institution and its agents, representatives, trustees, officers and employees ("Indemnitees") from and against any liability, damages, loss, expense, claims or costs that may be made or instituted against any of them (including the reasonable attorneys' fees and other costs and expenses of defense), by reason of personal injury (including but not limited to death) or property damage which arises out of or is connected with the performance of the Study or use of the Study results or data; provided, however, that Sponsor shall not be liable for any loss or damage resulting from an Indemnitee's (a) failure to adhere to the material terms of the Protocol; (b) breach of any applicable FDA or other government law or regulation; and/or (c) negligent act or omission or intentional misconduct of any of the indemnitee's. Institution agrees to reasonably cooperate in the defense of any such action or claim.

(c) Institution will promptly notify Sponsor of any such claim and will cooperate with Sponsor in the defense of the claim. Sponsor agrees, at its own expense, to provide attorneys reasonably acceptable to Institution to defend against any claim with respect to which Sponsor has agreed to provide indemnification hereunder. The Sponsor agrees not to settle any claim against the Institution with an admission of liability against the Institution without the Institution's prior written consent. This indemnity shall not be deemed excess coverage to any insurance or self-insurance Institution may have covering a claim.

(c) Sponsor agrees to reimburse Institution for the cost of reasonable and customary medical treatment of any illness or injury sustained by a Study subject as a result of injuries or adverse reactions caused by the Study drug or for injuries caused by the administration of the Study drug or adverse reactions directly related to the study or properly performed procedures in accordance with the Protocol, except to the extent that such costs are covered by subject's insurance or other third party coverage. Notwithstanding the foregoing, Sponsor's obligations under this paragraph shall not apply to the extent that any such cost or illness or injury is attributable to (i) the failure of Institution or Principal Investigator or other Institution personnel involved in the Study to adhere to the terms of the Study Protocol or to comply with applicable laws or regulations; (ii) any negligent act or omission or intentional misconduct of Institution, Principal Investigator or other Institution personnel involved in the Study; or (iii) the natural progress of the Study subject's underlying disease.

The provisions of this clause shall survive termination of this Agreement.

17. INSURANCE. (a) Sponsor shall, at its sole cost and expense, procure and maintain comprehensive liability, clinical trial and product liability insurance in amounts not less than $3,000,000 per incident <and $9,000,000 annual aggregate>. Such liability insurance shall include Institution and its trustees, directors, employees and agents as additional insured's with respect to this Agreement. If Sponsor's insurance is written on a claims made basis as opposed to an occurrence basis, Sponsor shall purchase tail coverage and/or a retrospective coverage provision to provide continuation and uninterruption of coverage of all claims. Sponsor's insurance will be primary coverage with respect to its indemnification obligations hereunder and Institution's insurance or self-insurance will be excess and noncontributory. Upon request, Sponsor shall provide Institution with written evidence of such insurance prior to commencement of the Study. Sponsor shall provide Institution with written notice at least fifteen (15) days prior to the cancellation, non-renewal or material change in such insurance; if Sponsor does not obtain replacement insurance providing comparable coverage within such fifteen (15) day period, Institution shall have the right to terminate this Agreement effective at the end of such fifteen (15) day period without notice of any additional waiting periods.

(b) Institution shall maintain Worker's Compensation insurance or other coverage on its employees as required by New York law and will self-insure or maintain insurance covering its liability under this Agreement.

(c) Sponsor and Institution hereby waive any rights of subrogation.

18. COMPLIANCE WITH HIPAA. It is understood and agreed that Institution, as a covered entity under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), may not use or disclose protected health information ("PHI"), as defined in HIPAA and its implementing regulations, for purposes other than treatment, payment, or health care operations without first obtaining authorization from the individual concerned. Institution agrees to obtain authorization from individuals enrolled in the Study which permits disclosure to and use of PHI by Sponsor for purposes of conducting and overseeing the trial. Sponsor agrees that it shall not disclose PHI to any person or entity except as permitted by the HIPAA authorization.

19. COMMUNICATION CONCERNING CERTAIN EVENTS AFFECTING RESEARCH SUBJECTS. Sponsor acknowledges that Institution has a human research protection program that complies with the standards of the Association for the Accreditation of Human Research Protection Programs (AHRPP). In furtherance of Institution's compliance with AHRPP standards, Sponsor agrees:

(a) to promptly notify the Principal Investigator and/or the IRB of any finding or study results indicating (i) any non-compliance with the Protocol or applicable laws that could impact the safety or welfare of participating subjects, (ii) of any serious adverse events that have been reported to the FDA or other governmental agency in relation to the Study at Institution or any other site, (iii) unanticipated problems in the Study at Institution or at any other site that could reasonably relate to risks to participating subjects and could reasonably affect subjects' willingness to continue to participate in the Study or in the IRB's continuing approval of the Study; and

(b) to develop a plan of communication to subjects with the Principal Investigator if and when the circumstances set forth in paragraph (a)(iii) above occur.

20. NO WARRANTIES. THE INSTITUTION MAKES NO WARRANTIES, EXPRESS, OR IMPLIED, CONCERNING ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE RESULTS OF THIS STUDY OR THE OWNERSHIP, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF SUCH RESULTS. The Institution shall not be liable for any indirect, consequential, or other damages suffered by Sponsor or any other entity or individual including, but not limited to, damages arising from loss of data or delay or termination of the Study or from the use of the results of the Study or any invention or product resulting from the Study.

21. NO WAIVER. The waiver of any breach or default hereunder by either party shall not operate or be construed as a waiver of any repetition of such breach or default or of any other breach or default.

22. DISPUTES. Except in the case of an urgent interlocutory injunction if a dispute arises out of or relates to this Agreement, or breach thereof, the parties agree first to try in good faith to settle the dispute by negotiation within 28 days of a party notifying the other party in writing of the dispute. If the dispute is not resolved within the initial 28 days, the dispute will be referred to mediation. If the dispute is not settled at mediation within a further 28 days (or such other period as the parties agree in writing) the parties will be free to pursue their claims before the courts of the state of New York. .

23. ENTIRE AGREEMENT. This Agreement describes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior or contemporaneous agreements, representations or understandings, written or oral. This Agreement controls over any inconsistent agreement between Sponsor and Principal Investigator, and may not be amended, changed or modified except in a writing signed by both parties hereto.

24. ASSIGNMENT. Neither party may assign this Agreement without the prior written consent of the other party; provided, however, that Sponsor may assign this Agreement to a successor in ownership of at least 51% of its assets, provided that such successor expressly assumes, in writing, the obligation to perform in accordance with the terms and conditions of this Agreement. Any attempt by either party to assign this Agreement without such consent shall be void.

25. SEVERABILITY. If any provision of this Agreement shall be or become invalid under any provision of federal, state or local law, or by a court of competent jurisdiction, such invalidity shall have no effect on the validity or enforceability of the remaining provisions of this Agreement, and they shall continue in full force and effect. If such deletion substantially alters the basis of this Agreement, the parties will negotiate in good faith to amend the Agreement to give effect to the original intent of the parties.

26. GOVERNING LAW. This Agreement shall be interpreted in accordance with, and governed by, the laws of the State of New York, without regard to its conflict of laws rules, and irrespective of the domicile or residence of the parties or of the location of any property affected hereby. The venue for any action to interpret or enforce this Agreement shall be in Monroe County, New York.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate by proper persons thereunto duly authorized.

SPONSOR

By: 
Name: Dianne Angus
Title: Chief Operating Officer

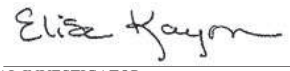
Date: 10/10/2011

UNIVERSITY OF ROCHESTER

By: 
Name: Cheryl K. Williams
Title: Assistant Director. Office of Research and Project Administration

Date: 10/7/2011

Read and Acknowledged:
I have read the foregoing and, while not a party to this Agreement, I understand and agree to comply with the obligations of the Principal Investigator as stated herein.

By: 
PRINCIPAL INVESTIGATOR
Name: Elise Kayson

Date: 07 October 2011

Exhibit 4.28

Clinical Research Support Agreement

Parties

Prana Biotechnology Ltd ACN 080 699 065 of Level 2, 369 Royal Parade, Parkville Victoria 3052 **(Prana)**

The General Hospital Corporation d/b/a Massachusetts General Hospital, 55 Fruit Street, Boston, Massachusetts 02114, United States of America **(MGH)**

Introduction

A. Prana is **a** biotechnology company that undertakes neurological research by exploring the mechanisms of action and potential of its Metal Protein Attenuating Compounds (MPACs) to treat neurodegenerative conditions such as Alzheimer's Disease, Huntington's Disease, and Parkinson's Disease. PBT2 is Prana's lead proprietary MPAC for preclinical and clinical studies in Alzheimer's Disease and Huntington's Disease (HD). Prior studies have shown that PBT2 can rescue the HD phenotype in **a** fragment mouse model, R6/2 of HD and that PBT2 can confer neuroprotective and cognitive benefits.

B. Prana is conducting a Phase IIa clinical study using PBT2-203 entitled "Reach 2HD" in the United Stated of America and Australia (the "Clinical Trial").

C. MGH has agreed to provide services that include (without limitation):

(a) Analysis of biomarkers from biological samples taken from subjects enrolled in the Clinical Trial; and

(b) Undertaking neuroimaging of selected subjects from the Clinical Trial.

D. Prana has agreed to engage MGH to perform the Services (defined below) and MGH has accepted the engagement on the terms and conditions contained in this Agreement.

Agreement

1. Definitions and Interpretation

1.1 Definitions

Clinical Trial has the meaning given in Recital B above.

Confidential Information means information of any kind that is obtained by Receiving Party (as defined below) from Disclosing Party (as defined below), which, is identified as confidential and proprietary at the time of disclosure and includes (without limitation) Prana Confidential Information, when the Disclosing Party is Prana and the Receiving Party is MGH

Prana Confidential Information means current and future products and compounds (including PBT2) and all clinical structures, characterizations, preclinical and clinical data (including investigative brochures and toxicology data), information, papers, materials, records, documents, and data concerning Prana and its research projects including the clinical trial protocol PBT2-203, results, data, plans and strategies, products and compounds, trade secrets, know how, technology, business, operations, commercial and financial dealings that are or have been disclosed to or obtained by MGH on or after the date of this Agreement or is otherwise obtained by MGH in the performance of the Services.

Intellectual Property Rights means any and all intellectual, industrial, and commercial property rights throughout the world including rights and interests in respect of or in connection with designs, inventions (including patents), copyright (including future copyright and rights in the nature of or analogous to copyright), trade marks and service marks, trade names, database rights, Confidential Information, know-how and trade secrets, whether or not now existing and whether or not registered or registrable and includes applications for and any right to apply for the registration of such rights and includes all renewals and extensions.

Key Personnel has the meaning provided in clause 9.1. Steven Hersch, M.D., Ph.D. shall be designated as the principal investigator ("Principal Investigator").

Results means all data and results, inventions, discoveries, information, processes, procedures, methodologies, techniques, concepts, ideas, compounds, materials, items or things created, developed, discovered, modified, improved or adapted by Prana relating to the use of PBT2 or arising from the implementation of protocol PBT2-203 and also means all inventions, discoveries, information, processes, procedures, methodologies, techniques, concepts, ideas, compounds, materials, items or things created, developed, discovered, modified, improved or adapted ("Innovations") by MGH during, or as a direct consequence of, the performance of Services provided to Prana under this Agreement but specifically excluding where such Innovation relates to either:

(a) modifications, improvements or adaptations made to any Biomarker Assay as described in Schedule 2, whilst MGH is providing the Services; or

(b) modifications, improvements or adaptations made to any Imaging Marker or Imaging methodology, whilst MGH is providing the Services.

Services means the scope of work ("SOW") for Prana set out in Schedule 2.

1.2 Interpretation

In this Agreement, headings are for convenience only and do not affect the interpretation of this agreement and, unless the context otherwise requires:

(a) words importing the singular include the plural and vice versa;

(b) words importing a gender include any gender;

(c) other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning;

(d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(e) **"including"** and similar expressions are not words of limitation;

(f) a reference to a party in a document includes that party's successors and permitted assigns;

(g) a reference to a statute, regulation, proclamation, ordinance, or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws varying, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinance and by-laws issued under that statute;

(h) a reference to a document or agreement includes all amendments or supplements to, or replacements or novation of, that document or agreement;

(i) a reference to a month, is a reference to a calendar month; and

(j) no provision of this agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this agreement or that provision.

2. Term and Engagement

2.1 Term

This Agreement will commence on 1 April, 2012 and will continue until 31 March, 2014, unless otherwise terminated in accordance with Clause 13.

2.2 Engagement

Prana engages MGH to provide the Services to Prana and MGH agrees to provide the Services on the terms and conditions contained in this Agreement.

2.3 Status of MGH

Prana and the MGH are independent contracting parties and MGH is not an employee or agent of Prana.

3. Duties and obligations

3.1 Duties and obligations

MGH must:

(a) act in good faith in all dealings with or on behalf of Prana;

(a) comply with all lawful policies and procedures of Prana applicable to this Agreement and the Services to be provided hereunder, as amended from time to time; to the extent such policies and procedures are not in conflict with MGH's policies and procedures and are communicated to MGH;

(b) keep Prana fully informed of all matters concerning the performance of the Services;

(c) provide such reports as may be required by the Chief Operating Officer in relation to the Services performed and any consequent outcomes and results;

(d) properly and carefully produce consistently high levels of accuracy and expertise in performing the Services;

(e) in providing the Services, act in full compliance with all laws including (without limitation) all applicable national, state, and local laws, and in particular in compliance with the applicable standards of Good Laboratory Practice ("GLP") and Good Clinical Practice ("GCP") in the conduct of the Services;

(f) perform the Services and ensure that its employees, servants, agents, subcontractors, or nominees assigned to perform or provide the Services under this Agreement perform the Services with reasonable skill, care, and diligence and in accordance with the professional standards that could be expected of a provider of GLP and GCP research services;

(g) devote such time and attention to the performance of the Services as may be required to fully discharge MGH's obligations under this Agreement in a timely manner;

(h) secure any necessary licenses, certificates, and permits required to perform the Services;

(i) ensure that the Services are performed under the supervision of the relevant Key Personnel;

(j) perform the Services in strict accordance with the SOW as it has been reviewed and approved by the Institution's Institutional Review Board ("IRB"), and any subsequent IRB-approved amendments thereto; and

(k) begin the Services only after IRB approval has been obtained.

3.2 Additional Obligations

In providing the Services performing its obligations under this Agreement, MGH must at all times and must ensure that its employees and agents:

(a) act in accordance with the instructions, guidelines, or procedures specified by Prana to MGH from time to time;

(b) control, coordinate, supervise, direct and complete all activities necessary to complete the Services; and

(c) must work with and provide all reasonable assistance (provided it does not impact the delivery of Services) to any third party engaged by Prana including (without limitation) any third party specified in Schedule 1, to provide services set out in Schedule 1 (if any) to Prana relating to or associated with the Services or other Prana projects and activities relating to or associated with the Services. Where such assistance requires material work effort from the MGH that has not been contemplated within the scope of the Services, the parties will negotiate in good faith an amendment to the scope of the Services in respect of such assistance.

3.3 Material Transfer Agreement

(a) During the course of the Services, Prana will provide MGH with human biological samples ("Human Biological Samples"), which means "any human biological materials," that were collected, or will be collected in accordance with appropriate patient informed consent procedures of Prana or its clinical trial collaborators in effect at the time of collection and approved by the Institutional Review Board ("IRB") or equivalent regulatory entity having jurisdiction, or other materials or information, regardless of route of transfer, which Prana provides for use in the provision of the Service, or to be tested or in relation to which an analytical method is required to be developed and/or validated, as MGH and Prana determine to be necessary for the conduct of the Services. The Human Biological Samples will be provided to MGH de-identified, as defined in § 164.514, Final Standards for Privacy of Individually Identifiable Health Information (the "Privacy Rule") under HIPAA. However, to the extent that the de-identified information nevertheless could be used to identify an individual at a later time, MGH hereby agrees to treat such information as protected health information ("PHI") as defined in § 164.501, Privacy Rule. Upon termination of this Agreement, all unused Human Biological Samples and any information, including Confidential information, provided by Prana shall be promptly returned to Prana at Prana's cost and expense, or, at Prana's option, destroyed with the destruction certified in writing.

(b) MGH: (i) shall use the Human Biological Samples only to perform the Services described in Schedule 2; (ii) shall not chemically, physically, or otherwise modify the Human Biological Samples, except if specifically required by the Services; and (iii) shall handle, store, and ship or dispose of the Human Biological Samples in compliance with all applicable local, state, and federal laws, rule, and regulations including, but not limited to, those governing hazardous substances.

(c) Prana represents and warrants that the Human Biological Samples provided to MGH for use in the provision of the Services

(i) were obtained in material compliance with all applicable laws, regulations, and any generally accepted ethical guidelines regarding the collection, storage, transfer, subsequent use, and disposal of such Human Biological Samples; and

(ii) that, if applicable, informed consent with respect to the Human Biological Sample has been obtained which included statements informing the donor that the Human Biological Sample may be used for research purposes, and that does not exclude the Services to be performed under this Agreement.

4. Remuneration

4.1 Payment

(a) Prana will pay the MGH the fees as set out in Schedule 2.

(b) The MGH will provide invoices each month for the Services.

(c) if GST is imposed on any taxable supply made under or in accordance with this Agreement, then the amount payable for that supply is increased by the amount of the GST.

(d) Prana is not responsible for payment of any annual leave, sick leave, long service leave, superannuation contributions, insurances, workers' compensation or Workcover levies.

(e) Checks shall be made payable to The General Hospital Corporation, Federal Tax ID No.: 04-2697983, shall reference the name of the Principal Investigator, the Protocol number, if any, and the Research Management agreement number #2012A050671, and shall be forwarded to:

Massachusetts General Hospital
Research Finance
c/o Bank of America, N.A.
P.O. Box 414876
Boston, MA 02241-4876
USA

(f) IRB fees. Prana shall pay a non-refundable, non-overhead-bearing fee of Three Thousand Five Hundred Dollars ($3,500) to MGH to cover its IRB's costs for reviewing the initial Services. A non-overhead-bearing fee of One Thousand Dollars ($1,000) will be charged to Prana for continuing annual reviews. MGH shall invoice Prana for the initial fee upon execution of this Agreement and annually for any continuing annual reviews.

5. Expenses

5.1 Expenses

Prana will pay directly for travel expenses for various expenses related to meetings in accordance with this Agreement (such as meetings with regulatory bodies or presenting the Results at various professional meetings). In the event that Prana does not pay for such travel expenses directly, Prana shall provide a budget for and will reimburse MGH for these expenses, such as travel, lodging and/or meal expenses, plus overhead. Consistent with Prana's policies and applicable laws and regulations, Prana may provide meals for the purpose of facilitating the presentations/discussions and exchange of information at these meetings. Any expense claims shall be confirmed by receipts.

6. Confidentiality

It is anticpated that in the performance of the Services, the parties may need to disclose to each other information that is considered confidential. The rights and obligations of the parties with respect to such information are as follows.

6.1 Disclosing Party" shall mean a party that discloses Confidential Information (as defined in herein) under this Agreement. "Receiving Party" shall mean a party that receives Confidential Information under this Agreement.

6.3 Period of Restriction. For a period of seven (7) years after the Effective Date of this Agreement and indefinitely with respect to any individually identifiable health information, institutional billing information and institutional financial information disclosed by MGH to Prana, Receiving Party agrees to use reasonable efforts, no less than the protection given its own confidential information, to use Confidential Information received from Disclosing Party and accepted by Receiving Party only in accordance with this Clause 6.

6.4 Use of Confidential Information. Receiving Party agrees to use or reproduce Disclosing Party's Confidential Information solely for the purposes of performing the Services, obtaining any required review of the Services or their conduct, or ensuring proper medical treatment of any patient or subject. Receiving Party agrees to (a) take all reasonable and necessary precautions to maintain the secrecy and prevent the disclosure of the Confidential Information; (b) make Confidential Information available only to those personnel and agents at Receiving Party and those consultants and vendors who require access to it in the performance of the Services and to inform them of the confidential nature of such information; (c) keep all Confidential Information secret and confidential, except to the extent that Receiving Party is required by law to disclose it; and (d) not disclose any Confidential Information without first obtaining the prior written consent of Disclosing Party.

6.5 Release of Confidential Information. Except as provided herein, Receiving Party agrees to keep all Confidential Information confidential unless Disclosing Party gives specific written consent for release.

6.6 Notice of Unauthorized Disclosure. Receiving Party shall notify, and shall require any recipient to notify, Disclosing Party of any disclosure not authorized hereunder of which it becomes aware. In such situations, Receiving Party shall take and shall require each such recipient to take reasonable steps to prevent any further disclosure or unauthorized use.

6.7 Exclusions. No Receiving Party shall be required to treat any information as Confidential Information under this Agreement in the event:

(a) the information was already in the public domain at the time of its provision to Receiving Party;

(b) the information was independently discovered by Receiving Party after the date of this Agreement without the aid, application or use of the Confidential Information;

(c) it was known to Receiving Party prior to the date of disclosure or becomes known to Receiving Party thereafter from a third party having an apparent bona fide right to disclose the information;

(d) it is disclosed by Receiving Party in accordance with the terms of Disclosing Party's prior written approval; or

(e) Receiving Party is obligated to produce it pursuant to a requirement of applicable law or an order of a court of competent jurisdiction or a facially valid administrative, Congressional, or other subpoena, provided that the Receiving Party, subject to the requirement or order or subpoena (A) promptly notifies Disclosing Party and (B) cooperates reasonably with Disclosing Party's efforts to contest or limit the scope of such disclosure.

6.8 Each party reserves the right, in its sole discretion and without prior notice to any other party, to disclose its own Confidential Information to any third party for any purpose.

6.9 Return of Confidential Information. Prana may at any time by notice in writing to the MGH request the destruction or return of all Confidential Information in the Contractors possession, power or control and the MGH must immediately comply with such request, provided that MGH may retain one (1) copy of Confidential Information in its confidential files to demonstrate compliance with this Agreement.

7. Intellectual Property and Indemnities

7.1 Acknowledgment

The parties acknowledge and agree that:

(a) MGH-owned Intellectual Property Rights in existence at the time of the Effective Date of this Agreement remain the property of the MGH ("MGH Material"). Prana acknowledges that it does not own any Intellectual Property Rights in the MGH Material.

(b) Prana-owned Intellectual Property Rights in existence at the time of the Effective Date of this Agreement remain the property of Prana ("Prana Material"). MGH acknowledges that it does not own any Intellectual Property Rights in the Prana Material.

(c) all Results, as defined above, and all Intellectual Property Rights directly related to the Results will vest in and be solely owned by Prana ("Prana Developed Material").

Each party hereby grants the other a royalty free, irrevocable worldwide, non-exclusive license to use, install, and test their respectively owned Material in the manner necessary to perform their obligations under this Agreement.

7.2 Assignment of Results and Intellectual Property Rights

Should any right, title, or interest in or to the Results or Confidential Information (or any part thereof) and the Intellectual Property Rights in them that are directly related to the performance of the Services be or become owned by MGH (by operation of law or otherwise), then MGH must immediately assign all such right, title, or interest to Prana. If required by Prana, MGH must do all things and execute all documents which Prana determines are reasonably necessary to give effect to this assignment.

7.3 Further Assistance

MGH will give Prana all assistance and advice as reasonably may be required by Prana from time to time, in relation to:

(a) the prosecution of any patents arising from the Results; or

(b) the enforcement or defense of the Results and the Intellectual Property Rights in and to them.

Prana will give MGH all assistance and advice as may be required from time to time in relation to the enforcement or defense of any Intellectual Property Rights created and owned by MGH under this Agreement.

7.4 Intellectual Property Rights Warranty

MGH represents and certifies that to the best of its knowledge and belief all information and materials supplied to Prana for the use in the provision of Services:

(a) do not infringe the Intellectual Property Rights of any person;

(b) do not compromise MGH's ability to provide the Services requested of Prana.

Prana warrants that to the best of its knowledge and belief all information and materials supplied to Prana for the use in the provision of Services do not infringe the Intellectual Property Rights of any person.

7.5 Use of Intellectual Property Rights

MGH is not prevented from using any ideas, concepts, expression, know-how, skills and experience possessed by it before or developed or learned by it during the course of performing its obligations under this Agreement and remembered by its employees, servants, or agents without needing to refer to any written Confidential Information, provided that such use does not infringe any Intellectual Property Rights in the:

(a) Prana Material; or

(b) Prana Developed Material,

or otherwise would or could result in the disclosure of any of Prana's Confidential Information (provided that nothing in the foregoing will prevent MGH from using and disclosing any MGH Material or MGH Developed Material as permitted under this agreement as long as any Confidential Information of Prana that was formerly incorporated in such MGH Material (if any) is removed).

7.6 Indemnities

MGH indemnifies and shall defend and hold harmless, Prana, its affiliates and its and their directors, officers, employees, agents, and subcontractors, and their respective successors, heirs, and assigns ("the Prana Parties") against any actions, suits, claims, demands, proceedings, losses, damages, compensation, sums of money, costs (including solicitor/attorney and client costs), charges and expenses ("the Losses") to the extent such Losses arise from any third party claim, action, lawsuit, or other proceeding which is attributable to any negligent or wilful act or omission or any breach of this Agreement on the part of MGH or any of its agents, employees, representatives or subcontractors except to the extent such Losses are determined to have resulted from:

(a) a failure by the Prana Parties to adhere to the terms of this agreement;

(b) negligence, recklessness, or wilful misconduct on the part of the Prana Parties; or

(c) a breach of any applicable law or regulation by the Prana Parties.

Prana indemnifies and shall defend and hold harmless MGH, its affiliates and its and their directors, officers, medical and professional staff, employees, agents, and subcontractors, and their respective successors, heirs, and assigns ("the MGH Parties") against any actions, suits, claims, demands, proceedings, losses, damages, compensation, sums of money, costs (including reasonable solicitor/attorney and client costs), charges and expenses ("the Losses") incurred by the MGH Parties in respect of or relating to the Services or a Clinical Trial subject under this Agreement except to the extent such Losses are determined to have resulted from:

(a) a failure by the MGH Parties to adhere to the terms of this agreement;

(b) negligence, recklessness, or wilful misconduct on the part of the MGH Parties; or

(c) a breach of any applicable law or regulation by the MGH Parties.

8. Subcontractors

8.1 MGH must not subcontract any of its obligations under this Agreement, including the provision of other Services, without Prana's prior consent, which consent may not be unreasonably withheld. This clause does not prevent MGH from engaging individuals to provide contract labour to it. MGH remains fully responsible for the performance of all work in accordance with this Agreement notwithstanding the engagement of a subcontractor.

9. Key Personnel

9.1 The parties may designate certain MGH personnel (if any) as "Key Personnel" in Schedule 1 to this Agreement.

9.2 MGH will ensure that all Key Personnel are engaged, throughout the term of the Agreement to carry out the Services.

10. Right of Review of Standard Operating Procedures

Upon request of Prana, MGH shall make available its Standard Operating Procedures that comply with Good Laboratory Practice standards ("SOP"), for Prana's review and comment.

11. MGH Audits

Prana in its sole discretion and at its cost and expense (which shall include MGH personnel time and the cost of responding to any findings of such audits) may conduct audits at MGH's premises. Audits will be performed in conjunction with MGH by Prana and/or, at Prana's discretion, by a third party, which shall not be any of MGH's competitors. MGH will receive reasonable advance notice of at least five (5) working days, of any forthcoming audits including information on what will be audited including the minimally necessary portions of Study subject medical records; such audits shall occur during usual business hours, and subject to MGH's policies for the protection of confidential patient information. MGH shall provide feedback to Prana's audit findings or corrective action items not less than the period requested by Prana and failing any period being specified, then thirty (30) working days after the receipt of the audit findings.

12. Privacy

12.1 Obligations for Both Parties

Each party must comply with all relevant privacy Laws in the USA, in relation to providing the Services whether or not the party is an organisation bound by those laws. Each party acknowledges that personal information provided by patients under this Agreement is also Confidential Information and is subject to the confidentiality obligations under clause 6.

12.2 MGH's Privacy Obligations

MGH must:

(a) collect, store, use, disclose or otherwise deal with any personal information provided by patients under this Agreement, as directed by the Prana or its nominee HSG CTCC, except to the extent that compliance with the direction would cause MGH to breach any relevant privacy laws; and

(b) provide all assistance required by Prana to assist Prana in complying with its obligations under any relevant privacy law.

12.3 Prana's Privacy Obligations

Prana agrees to collect, use, store, and disclose individually identifiable health information collected or produced as a result of the Services provided under this Agreement only for the purpose of the Study and related studies (that is, other studies of the Study Drug, alone or in combination with other drugs, or other studies that relate to the medical condition or disease area under investigation in the Study), and for the purpose of complying with applicable law, provided that all such uses are disclosed in the IRB-approved informed consent form. Prana may use information that is not identifiable under any applicable U.S. laws for any research and development purpose. Prana will use all reasonable efforts to protect the privacy and security of individually identifiable health information and will require its business partners to do so also. Prana will not contact any Study subjects, unless permitted by the informed consent form. No other provision in this Agreement shall be construed to override the provisions of this Clause 12.3.

13. Termination

13.1 Termination for breach

Prana may terminate this Agreement at any time by written notice to MGH if MGH:

(a) breaches any material term of this Agreement and is unable to, or does not, remedy the breach within thirty (30) business days (or such longer period as may be allowed by Prana as is reasonable in the particular circumstances) of it being brought to MGH's attention by Prana;

(b) commits any act of dishonesty, fraud, wilful disobedience, misbehaviour, or negligent breach of duty (whether or not connected with the performance of the Services for the Company) which may adversely affect Prana;

(c) breaches any of its obligations to Prana concerning Confidential Information;

(d) engages in misconduct or acts negligently or incompetently in the performance of the Services; or

(e) performs the Services in a manner which, in the reasonable opinion of Prana, is unsatisfactory and inconsistent with the reasonable requirements of Prana.

13.2 Termination by MGH

MGH may terminate this agreement at any time by written notice to Prana, if Prana:

(a) breaches any material term of this agreement which is incapable of remedy;

(b) breaches any material term of this agreement and is unable to, or does not, remedy the breach within ten (10) business days (or such longer period as may be allowed by MGH as is reasonable in the particular circumstances) of it being brought to Prana's attention by MGH.

13.3 Termination for convenience by Prana

Prana may terminate this Agreement at any time by giving at least thirty (30) days written notice to MGH.

13.4 Termination for protection of Study subjects.

Either Party may terminate ths Services and this Agreement immediately upon written notice if necessary to protect the health, welfare or safety of any Study subject.

14. Consequences of Termination

14.1 Consequences of Termination

If this Agreement is terminated for any reason, then:

(a) Prana will pay MGH (if applicable on a pro-rata basis) any Payments and other amounts due to the MGH as at the date of termination;

(b) MGH must immediately return to Prana all property owned or leased by the Prana which is in the possession or control of the MGH, including all written or machine readable material, Confidential Information (subject to Clause 6), equipment, computers, software, credit cards, keys, and vehicles;

(c) If requested by Prana, MGH will provide a report setting out the status of its work under this Agreement.

15. Publicity and use of branding

15.1 Academic Publications

(a) In the case of any proposed publication or presentation ("Publications") by MGH on the Results, Prana must be given at least 60 days prior notice for a request for approval of the Publication. Prana reserves its right to review such Publications and either:

(i) request an appropriate period of delay in publication in order to arrange any necessary intellectual property protection for any part of the Publication; and/or

(ii) request amendments or deletions of certain parts of the Publication for the removal of Confidential Information.

(b) All such Publications will properly acknowledge MGH personnel and Prana personnel directly involved in the Clinical Trial.

15.2 Other Publications

Except as otherwise required by applicable law, regulations, guidelines, and standards or as a requirement of being a publically listed company neither party may:

(a) make any press release, announcement, or other public notification (excluding the publications referred to in clause 15.1 above) in relation to this Agreement or the Services; nor

(b) use or reproduce any trade mark or branding of the other party, use the name of the other party or of any staff member, employee, student, or agent of the other party or any adaptation, acronym or name by which the other party is commonly known, in any advertising, promotional, or sales literature or in any publicity,

without obtaining the prior written consent of such other party or individual whose name is to be used, which consent may be withheld or provided in such other party's discretion.

16. General

16.1 Governing law and jurisdiction

(a) This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Massachusetts. Each Party agrees to submit to the exclusive jurisdiction of the Superior Court for Suffolk County, Massachusetts, and the United States District Court for the District of Massachusetts with respect to any claim, suit, or action in law or equity arising in any way out of this Agreement or the subject matter hereof.

16.2 Assignment

Neither party to this Agreement may assign its obligations hereunder without the prior written consent of the other party.

16.3 Entire Agreement

This Agreement constitutes the entire agreement between the parties in relation to its subject matter and supersedes all prior representations, agreements, statements and understandings, whether verbal or in writing.

16.4 Variation

This Agreement may only be varied or amended by the agreement of the parties in writing.

16.5 Survival of obligations

Clauses 1, 4, 6, 7, 9 and 10.1 will survive the termination of this Agreement.

16.6 Insurance

Prana shall, at its sole cost and expense, procure and maintain policies of clinical trial insurance in amounts not less than Three Million Dollars ($3,000,000) per occurrence and Five Million Dollars ($5,000,000) annual aggregate covering its obligations under this Agreement, including contractual liability coverage for its indemnification obligations under Clause 7.6, if any. Prana shall provide MGH at its request with written evidence of such insurance prior to the commencement of the services to be provided under this Agreement. Prana shall provide MGH with written notice at least thirty (30) days prior to the cancellation, non-renewal, or material change, in such insurance; if Prana does not obtain replacement insurance providing comparable coverage within such thirty (30) day period, MGH shall have the right to terminate this Agreement effective at the end of such thirty (30) day period without notice of any additional waiting periods.

16.7 Severability

Each clause of this Agreement is a distinct and severable clause and if any clause is deemed illegal, void, or unenforceable, the validity, legality, or enforceability of any other clause of this Agreement will not be affected thereby.

16.8 Priority of Terms

In the event of any conflict between the SOW and the provisions of this Agreement, the SOW shall govern with respect to scientific issues, and the provisions of this Agreement shall govern with respect to all other issues.

16.9 Notice

Any written notices, reports, correspondences or other communications required under or pertaining to this Agreement shall be given by prepaid, first class, registered or certified mail or by an express/overnight delivery service provided by a commercial carrier, properly addressed as follows:

If to MGH:

Partners Clinical Research Office
101 Huntington Avenue, 4th Floor
Boston, MA 02199
Attn: Patricia W. Cone, Ph.D., JD

If to Prana:

Prana Biotechnology Limited
Level 2, 369 Royal Parade,
Parkville, Victoria 3052
Australia
Attn: Dianne Angus

Schedule 1 - Agreement Details

Third Parties

ICON Central Laboratories, Inc, a Delaware corporation, located at 123 Smith Street, Farmingdale, New York, 11735 United States of America; ("ICON") and

Huntington Study Group Clinical Trials Coordination Centre ("HSG CTCC").

Services provided from third parties

ICON: Liaising with MGH to deliver biological samples (both tissue and blood) to MGH

HSG CTCC: Prana's CRO who handles data capture, project management, monitoring, and auditing of the Clinical Trial.

Key Personnel

Steven Hersch, MD, Ph.D.

Diana Rosas, MD

Schedule 2 - Description of the Services and Budget

MGH Tasks and Budget – PBT2-203 Reach 2HD Project

The following information describes the essential tasks of the Services, MGH personnel and costs to assist Prana Biotechnology with the Clinical Trial under protocol PBT2-203.

Part A. Biomarkers for Reach2HD

Investigator: Steven Hersch MD, PhD

The Reach2HD trial seeks to determine the safety and tolerability and efficacy of two dose levels of PBT2 in a Stage I or II HD population. Clinical efficacy will be evaluated in terms of cognition, motor function, global outcomes, functional outcomes and behaviour. Pharmacodynamic responses to PBT2 will be assessed in terms of plasma and urinary biomarkers and neuroimaging modalities related to HD. Following review of both animal efficacy and toxicology data, and the results of the previous Phase I and IIa human clinical trials with PBT2, doses of 100 mg and 250 mg once daily were selected for this study. 100 subjects with stage I or II HD will be enrolled at HSG sites in Australia and the USA and treated for 6 months with either placebo or one of the two study doses. Blood and urine samples will be collected from each subject for biomarkers at baseline, week 12, and week 26, according to the schedule of activities. A subset of subjects will receive neuroimaging studies at MGH at approximately the same time points.

1. **Sample management for Huntington Assay:** receipt of samples from central laboratory vendor, accounting to verify sample set and missing samples; confirming quality of samples, setting up and maintaining Freezerworks database for study, logging samples, generating aliquot labels and logs for delivery to Hersch Lab staff, secure freezer space with temperature monitoring and alarms for primary and aliquoted samples (effort, supplies): $24,000

Huntington Assay

Rationale and Background: Huntington's disease (HD) is caused by a dominant genetic defect resulting in the cellular expression of the toxic mutant huntingtin protein ($_{mt}$Htt)$_{mt}$Htt misfolds, oligomerizes and becomes insoluble, forming intracellular aggregates which are a pathologic hallmark of the disease. Most evidence has indicated that toxicity resides in the soluble $_{mt}$Htt protein or its cleavage products, which unleash a slow cascade of pathogenic biology leading to gradual neuronal dysfunction and death (1-11). We (12, 13) have shown that huntingtin coordinates copper (Cu^{2+}) in a redox active manner that promotes the oligomerization of soluble huntingtin by cross-linking specific N-terminus cysteine residues. This cross-linking promotes accumulation of Huntington oligomers and promotes toxicity while its prevention enhances the metabolism of mutant huntingtin, reduces accumulation, and is neuroprotective. We hypothesize that PBT2 could be neuroprotective for HD by preventing huntingtin oligomerization and promoting its clearance which is suggested by the existing preclinical studies in HD transgenic mice.

Together with Weiss et al (14,15) we have described a cell-based multiplex assay able to measure soluble $_{mt}$Htt using time-resolved Forster Resonance Energy Transfer (trFRET) for use in biological and clinical tissues, detecting simultaneously $_{mt}$Htt and its relative ratio to total huntingtin ($_{t}$Htt). In preliminary studies, we have found the assay (Homogeneous trFRET or **HTRF)** to be sensitive and specific for soluble $_{mt}$Htt in tissues and blood from HD mouse models, and in postmortem tissue and blood samples from HD subjects. We further optimized the assay using human brain lysates from healthy controls and HD subjects, validated it and created a Standard Operating Procedure (SOP) that complies with Good Laboratory Practice Standards (GLP). The assay is highly specific, robust and has good technical and biological reproducibility. Using the GLP' SOP we detected a significant increase in the $_{mt/t}$Ht ratio in HD versus control subjects (16). This assay could be an ideal pharmacodynamic measure of $_{mt}$Htt for treatments modulating it, as we expect of PBT2.

Aims. To assess whether the PBT2 systemic therapy affects the levels of $_{mt}$Htt and the $_{mt/t}$Htt ratio, the standard operating procedure (SOP) in compliance with Good Laboratory Practice (GLP) conditions, previously mentioned, will be used.
The results of this study will help:

1. To further investigate the mechanism of action of PBT2 and specifically regarding its effect on soluble $_{mt}$Htt and $_{mt/t}$Htt.
2. If PBT2 affects soluble $_{mt}$Htt levels and $_{mt/t}$Htt ratios:
    - Determine the effective PMT2 dose based on $_{mt}$Htt levels and $_{mt/t}$Htt ratios and its correlation to the clinical outcome.
    - Determine the predictive value of $_{mt}$Htt levels and $_{mt/t}$Htt ratios and its relative added value to other biomarkers evaluated for the disease.

Assay Deployment and Technical Key Implementation Steps:
The following steps will be taken to assess the soluble Htt and $_{mt/t}$Htt levels in the PBT2 treated and Control HD subjects.

1. **Assess technical interference of PBT2 with the HTRF assay.** PBT2 at different concentrations, including the PBT2 concentration expected to be present in the peripheral blood, will be spiked in our quality control sample set (HD and Control brain lysates), and analyzed in the Soluble Huntingtin HTRF assay, to make sure that the presence of the drug alone does not interfere with the assay.
2. **Ensure Samples Quality and Traceability:**
    a. Samples Quality: Since this is a multi-center clinical research trial it is important to ensure that the blood samples collected at the different clinical sites are processed per the agreed upon protocol, such as to ensure the samples quality and comparability, since preliminary studies done by our collaborators identified a decrease in the measurable human Htt in buffy coat from samples not processed per the protocol. In case there are changes to the protocol, recording the details will help in reconciling discrepancies down the line. Also, the samples need to be shipped on dry ice with prior notification and tracking to maintain samples quality.
    b. Samples derived from the subjects enrolled in the study should be transferred with proper Transfer Documentation.

3. **Testing samples from the PBT2 study in soluble mutant Huntingtin semi-quantitative HTRF assay:**
All the buffy coat samples will be tested at 3 two-fold dilutions, starting with a 1:2 dilution of the buffy coats, in parallel to our quality control samples: human HD and Control brain lysates, as described (16). The protein concentration as well as dsDNA content of the buffy coat samples will be evaluated for quality control purposes (16) in the samples.
    a. Some samples, per criteria determined clinically and based on extra samples availability will be initially tested at the baseline time point, to determine the levels of soluble huntingtin in the subjects' population, to assess if additional optimization of the assay's conditions and/or samples preparation is necessary and modify the assay protocol, if needed.
    b. Samples from PBT2 treated subjects will be tested occasionally, as needed, but the samples will be collected in addition to the samples collected for the final longitudinal study determining the impact of the drug on soluble Huntingtin levels in the HTRF assay.
    c. A complete set of samples (longitudinal samples) from each subject (Treated and Controls HD patients) will be tested "BLIND" according to our GLP' SOP (with modifications per 3a-if needed) and as described (16).

4. The data will be analyzed based on accepted criteria (27) by the Biostatisticians to determine the correlation between the results of the semi-quantitative determinations of the soluble Huntingtin levels in the HTRF assay in the context of the clinical outcome and the additional biomarkers that will be tested to establish the relevance of the soluble $_{mt}$Htt biomarker as a prognostic marker for PBT2 therapy for HD patients, as outlined in the Specific Aims.

Part A Budget (Direct costs) and Time Requirements:

Sample Management	$	24,000
Sample preparation from frozen EDTA tubes, including dissection, aliquoting, labeling, database entry (effort and supplies):	$	12,500
Per subject sample cost for assay: $160, inclusive of personnel, supplies, reagents, sample preparations, replicates, QC assays, primary blinded data analysis and transfer to biostatistics. For 100 patients analyzed at 3 time points	$	48,000.
Supervision and analysis: Effort by Dr. Hersch and Dr. Moscovitch-Lopatin to supervise assay, ensure GLP conditions, ongoing optimization of assay conditions, work with study biostatistician on analysis and interpretation	$	18,000

- Part A Direct Costs Total: US$102,500
- Time to completion for transfer of data to biostatistics: 17 weeks for the longitudinal sets and data analysis, from receipt of the last patient sample.

References:

1. A novel gene containing a trinucleotide repeat that is expanded and unstable on Huntington's disease .chromosomes. The Huntington's Disease Collaborative Research Group. Cell, 1993. 72 (6): p. 971-83.
2. Hersch SM, Ferrante RJ. Neuropathology and pathophysiology of Huntington's disease. In: Watts RL, Koller WC, editors. Movement disorders. Neurologic principles and practice.McGraw-Hill; 1997. p. 503-18.
3. Robitaille, Y., I. Lopes-Cendes, M. Becher, G. Rouleau, and A.W. Clark, The neuropathology of CAG repeat diseases: review and update of genetic and molecular features. Brain Pathol, 1997. 7 (3): p. 901-26.
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5. DiFiglia, M., E. Sapp, K.O. Chase, S.W. Davies, G.P. Bates, J.P. Vonsattel, and N. Aronin, Aggregation of huntingtin in neuronal intranuclear inclusions and dystrophic neurites in brain. Science, 1997. 277(5334): p. 1990-3.
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11. Rosas, H.D., D.H. Salat, S.Y. Lee, A.K. Zaleta, V. Pappu, B. Fischl, D. Greve, N. Hevelone, and S.M. Hersch, Cerebral cortex and the clinical expression of Huntington's disease: complexity and heterogeneity. Brain, 2008. 131(Pt 4): p. 1057-68.
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13. Fox J, Connor T, Stiles M, Kama JA, Chopra R, Dorsey K, Lieberman G, DiFiglia M, Cherny RA, Volitakis I, Berezovska O, Bush Al, Hersch S. Cysteine oxidation within N-terminal mutant huntingtin promotes oligomerization and delays clearance of soluble protein. J Biol Chem. 2011 May 20; 286(20): p. 18320-30. Epub 2011 Mar 30.
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Part B. Gene Expression markers for Reach2HD

Gene expression markers predictive of either disease progression or pharmacodynamic response to PBT2 therapy may be used to help assess the beneficial effect of PBT2. We have identified a panel of promising genes in HD blood cells which strongly correlates with disease progression in brain. One of these genes, H2AFY (a histone H2A Variant) has recently been established as a marker of huntingtin disease in both HD patients as well as in HD mouse models and it has also been responsive to neuroprotective therapies (Yu et al, 2011). We have identified additional potential gene markers of progression as well as genes related to metal homeostasis that change in HD brain and blood that are less well developed but potentially revealing.

Methodology:

Minimizing bias from biospecimen collection and processing. We will minimize bias from sample processing by collecting, handling and analyzing specimens of cases and controls in parallel, in a uniform and blinded manner. All blood samples will be collected in PAXgene tubes *(Qiagen, Valencia, CA)* to preserve RNA quality. Phlebotomy and transport will be performed in a standardized manner. In addition, all steps of sample processing will be recorded in detail (e.g. time and clinician performing the phlebotomy, phlebotomy-to-refrigerator interval (< 3 hours), duration of PAXGene tube storage at 4 degrees (< 5 days), RNA quantity (> 7 µg per subject), purity (Abs 260/280 1.8-2.0), and quality parameters (RIN > 7.5)) and statistically examined for influences on the biomarker. It should be noted that rigorous and established quality standards for each step (shown in brackets above) exist in our lab and samples not meeting these standards will be excluded.

RNA isolation and quality control: From each subject 5ml of venous blood will be collected in 2 Paxgene tubes (each receives 2.5 ml of blood) and immediately incubated at room temperature for 24 hours. The tubes will be then frozen for batch shipping when convenient (RNA is stable like this for a couple of years, at least). RNA will be extracted from blood samples collected in PAXgene tubes following the PAXgene procedure including DNase treatment as described previously (Yu et al, 2011). RNA quality will be determined by spectrophotometry and by using the RNA 6000 NanoChip kit on the Agilent 2100 Bioanalyzer (Agilent Technologies, Palo Alto, CA). Only the high quality RNA with RNA integrity Number > 7.5 will be used for further analysis.

Budget:

Supervision and analysis: Effort by Dr. Hersch and Dr. Chopra to supervise assay, ongoing optimization of assay conditions, work with study biostatistician on analysis and interpretation	$	6,000

RNA extractions, RNA QC (600 Paxgene samples, personnel and supplies):	$	39,000

- Part B Direct Costs Total: US$45,000
- Time to completion: RNA extractions, quantification, and quality analyses will be performed on an ongoing basis as samples are received. The RNA database will be updated at MGH on a weekly basis for additional samples and transmitted quarterly to the Reach2HD coordination center. Completion for the entire sample set and transfer of final data base will occur within 3 months from receipt of the last subject sample. The Reach2HD RNA sample set will be stored in the Hersch lab at MGH in a secure, monitored, temperature alarmed, -80 freezer.

Part C. Imaging Markers for Reach2HD

The development of several of neuroimaging markers at MGH has been supported by an MGH program project collaborative with the NINDS. In the Reach 2HD study imaging data will be acquired which will allow us to evaluate several distinct modalities in a group of participants that will be scanned at MGH. With respect to the mechanism of action and in the context of the improvement that was seen on cognitive measures in the AD study, MGH is proposing a comprehensive protocol, that will include anatomical measures (both to collect morphometric data but also to co-register with the other scans to evaluate regional differences), susceptibility weighting (for the iron mapping), diffusion weighted imaging and resting functional imaging. MGH is planning to collect some data using both the 12 channel and our 32 channel coils, one of the few that currently exist, which will provide additional signal. The collection of different modalities during the same session in the same group of subjects is important. It is planned that at least ten to twelve participants will be scanned; it may be possible to either expand this cohort or plan to scan participants from another site(s). MGH has some experience doing this with CREST-E.

Budget (Direct costs) and Time:
The scan costs for one hour of time will come to approximately $1,125 per scan. MGH would scan participants at the start of the study and at the end of their on drug period.

	$	25,000
Data storage and backup;	$	5,000
Supervision and analysis: Effort by Dr. Rosas and Dr. Chen to optimize the current protocols and to do the SWI analysis (including regional cross-sectional/longitudinal) for the Clinical Trial. MGH will also look at the correlation between these measures and blood biomarkers as well as with clinical measures	$	65,000

- Part C Direct Costs Total: US$95,000
- Time to completion.....

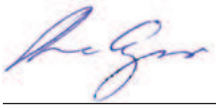
TOTAL BUDGET; US$242,500 Direct Costs and 25% Indirect Costs US$60,625 = US$303,125

EXECUTION

Date: 19 June 2012

Signed on behalf of
Prana Biotechnology Ltd ACN 080 699 065
by its authorised signatory:

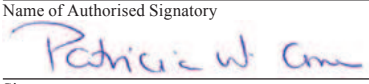
Dianne Angus
Chief Operating Officer



Signature
19 June 2012
Date

Signed on behalf of
The General Hospital Corporation
by its authorised signatory:

Patricia W. Cone, Ph.D., JD
Clinical Research Agreement Associate
Name of Authorised Signatory



Signature
12 June 2012
Date

Read and Acknowledged

Steven Hersch, MD

6/7/12
Date

CRSA: Services Agreement for Reach 2HD Clinical Trial		
Part A. Biomarkers for Reach2HD		
Sample management for Huntington Assay: receipt of samples from central laboratory vendor, accounting to verify sample set and missing samples; confirming quality of samples, setting up and maintaining Freezerworks database for study, logging samples, generating aliquot labels and logs for delivery to Hersch Lab staff, secure freezer space with temperature monitoring and alarms for primary and aliquoted samples (effort, supplies)	$	24,000
Sample preparation from frozen EDTA tubes, including dissection, aliquoting, labeling, database entry (effort and supplies):	$	12,500
Per subject sample cost for assay: $160, inclusive of personnel, supplies, reagents, sample preparations, replicates, QC assays, primary blinded data analysis and transfer to biostatistics. For 100 patients analyzed at 3 time points	$	48,000
Supervision and analysis: Effort by Dr. Hersch and Dr, Moscovitch-Lopatin to supervise assay, ensure GLP conditions, ongoing optimization of assay conditions, work with study biostatistician on analysis and interpretation	$	18,000
Part A Total Direct Cost	$	102,500
25% Overhead	$	25,625
Part A Total Cost	$	128,125
Part B. Gene Expression markers for Reach2HD		
Supervision and analysis: Effort by Dr. Hersch and Dr. Chopra to supervise assay, ongoing optimization of assay conditions, work with study biostatistician on analysis and interpretation	$	6,000
RNA extractions, RNA QC (600 Paxgene samples, personnel and supplies):	$	39,000
Part B Total Direct Cost	$	45,000
25% Overhead	$	11,250
Part B Total Cost	$	56,250
Part C. Imaging Markers for Reach2HD		
The scan costs for one hour of time will come to approximately $1,125 per scan. MGH would scan participants at the start of the study and at the end of their on drug period.	$	25,000
Data storage and backup:	$	5,000
Supervision and analysis: Effort by Dr. Rosas and Dr. Chen to optimize the current protocols and to do the SWI analysis (including regional cross-sectional/longitudinal) for the Clinical Trial. MGH will also look at the correlation between these measures and blood biomarkers as well as with clinical measures,	$	65,000
Part C Total Direct Cost	$	95,000
25% Overhead	$	23,750
Part C Total Cost	$	118,750
Total Direct Cost	**$**	**242,500**
25% Overhead	**$**	**60,625**
Study Total Cost	**$**	**303,125**

One-Time Activities/Start-Up Charges	**Start-Up Costs**	
administration, regulatory, protocol review	$	4,000
Sub-Total One-Time Charges	$	4,000
25% Indirect Rate	$	1,000
Total One-Time Charges w/ IDC	$	5,000

Invoiceable Activities, Inclusive of 25% IDC	**Invoiceable Costs**	
IRB Fee (no IDC applies)	$ 3,500	one-time fee
IRB Annual Review Fee (no IDC applies)	$ 1,000	per year
Per IRB amendment required, administrative	$ 500	per amendment
Per SAE report	$ 150	per report
Monitoring Visits	$ 100	per hour (one visit per patient; up to 8 hours per visit)
Travel, Accomodation, & Out of Pocket Expenses	invoiceable	Prana will reimburse the Contractor. These expense claims shall be confirmed by receipts.

Exhibit 8.1

LIST OF SUBSIDIARIES

We have the following wholly-owned subsidiaries, both of which are currently inactive:

Prana Biotechnology Inc., incorporated in the United States

Prana Biotechnology UK plc, incorporated in the United Kingdom.

Exhibit 12.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

I, Geoffrey P. Kempler, certify that:

1. I have reviewed this annual report on Form 20-F of Prana Biotechnology Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 4, 2012

/s/ Geoffrey P. Kempler *
Geoffrey P. Kempler
Chief Executive Officer

* The originally executed copy of this Certification will be maintained at the Registrant's offices and will be made available for inspection upon request.

Exhibit 12.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

I, Richard Revelins, certify that:

1. I have reviewed this annual report on Form 20-F of Prana Biotechnology Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 4, 2012

/s/ Richard Revelins *
Richard Revelins
Chief Financial Officer

* The originally executed copy of this Certification will be maintained at the Registrant's offices and will be made available for inspection upon request.

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Prana Biotechnology Limited (the "Company") on Form 20-F for the period ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Geoffrey P. Kempler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

October 4, 2012

/s/ Geoffrey P. Kempler *
Geoffrey P. Kempler
Chief Executive Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

Exhibit 13.2

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Prana Biotechnology Limited (the "Company") on Form 20-F for the period ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Revelins, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Richard Revelins *
Richard Revelins
Chief Financial Officer

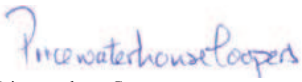
October 4, 2012

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (File No. 333-173375 and 333-174278) and on Form S-8 (File No. 333-153669) of Prana Biotechnology Limited (the "Company") of our report dated October 4, 2012, relating to the Company's consolidated financial statements, which appears in this Form 20-F.



PricewaterhouseCoopers
Melbourne, Victoria, Australia
4 October, 2012