SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of February 2018

PRANA BIOTECHNOLOGY LIMITED
(Name of Registrant)

LEVEL 3, 460 BOURKE STREET, MELBOURNE, VIC 3000, AUSTRALIA
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F __

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes __ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________________

This Form 6-K is not being incorporated by reference into the Registrant's Registration Statements on Form F-3 (File No. 333-220886) and Form S-8 (File No. 333-153669).

PRANA BIOTECHNOLOGY LIMITED
(a development stage enterprise)

The following exhibits are submitted:

99.1	Condensed Consolidated Financial Statements of Prana Biotechnology Limited and Subsidiaries (a development stage enterprise) as of December 31, 2017 and for the Six Months ended December 31, 2017 and December 31, 2016
99.2	Operating and Financial Review and Prospects for the Six Months ended December 31, 2017 and December 31, 2016

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Prana Biotechnology Limited

By: Geoffrey P. Kempler
Chief Executive Officer

Date: February 28, 2018

EXHIBIT 99.1

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PRANA BIOTECHNOLOGY LIMITED AND SUBSIDIARIES (A DEVELOPMENT STAGE ENTERPRISE), OR THE GROUP AS OF DECEMBER 31, 2017 IN AUSTRALIAN DOLLARS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in Australian dollars)
(Unaudited)

	Notes	31 December 2017 A$	30 June 2017 A$
ASSETS			
Current assets			
Cash and cash equivalents		**19,911,187**	**21,734,957**
Trade and other receivables		**1,447,765**	**3,035,573**
Financial assets at fair value through profit or loss		**156,687**	**150,000**
Other current assets		**390,288**	**329,601**
Total current assets		**21,905,927**	**25,250,131**
Non-current assets			
Property, plant and equipment		**25,206**	**30,815**
Total non-current assets		**25,206**	**30,815**
Total assets		**21,931,133**	**25,280,946**
LIABILITIES			
Current liabilities			
Trade and other payables		**1,229,803**	**892,434**
Provisions		**585,152**	**698,038**
Total current liabilities		**1,814,955**	**1,590,472**
Non-current liabilities			
Provisions		**625**	**440**
Total non-current liabilities		**625**	**440**
Total liabilities		**1,815,580**	**1,590,912**
Net assets		**20,115,553**	**23,690,034**
EQUITY			
Contributed equity	8	**143,898,571**	**144,018,006**
Reserves	9	**2,482,873**	**2,320,480**
Accumulated losses		**(126,265,891)**	**(122,648,452)**
Total equity		**20,115,553**	**23,690,034**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(in Australian dollars)
(Unaudited)

	Notes	**31 December 2017 A$**	31 December 2016 A$
Income			
Revenue from ordinary activities	5	**117,168**	72,883
Other income	5	**1,360,238**	1,830,734
Expenses			
Intellectual property expenses		**(104,940)**	(108,402)
General and administration expenses	6	**(1,978,857)**	(2,029,682)
Research and development expenses	6	**(2,286,286)**	(3,832,414)
Other operating expenses		**(113,823)**	(80,983)
Other gains/(losses)	6	**(610,939)**	496,019
Loss for the period		**(3,617,439)**	(3,651,845)
Loss before income tax		**(3,617,439)**	(3,651,845)
Income tax expense		**-**	-
Other comprehensive loss			
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(3,617,439)**	(3,651,845)
		Cents	Cents
Loss per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	4	**0.68**	0.68
Diluted earnings per share	4	**0.68**	0.68

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in Australian dollars)
(Unaudited)

	Notes	**31 December 2017 A$**	31 December 2016 A$
Cash flows from operating activities			
Payments to suppliers and employees		**(4,220,833)**	(5,456,038)
R&D tax refund		**3,022,673**	4,753,646
Interest received		**25,497**	81,439
Net cash (outflow) from operating activities		**(1,172,663)**	(620,953)
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,338)**	(22,159)
Net cash (outflow) from investing activities		**(3,338)**	(22,159)
Cash flows from financing activities			
Transaction costs relating to issue of equity		**(37,835)**	(154,362)
Net cash (outflow) from financing activities		**(37,835)**	(154,362)
Net (decrease) in cash and cash equivalents		**(1,213,836)**	(797,474)
Cash and cash equivalents at the beginning of the financial year		**21,734,957**	28,593,538
Effects of exchange rate changes on cash and cash equivalents		**(609,934)**	545,697
Cash and cash equivalents at end of period		**19,911,187**	28,341,761

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in Australian dollars)

(Unaudited)

	Notes	Contributed equity A$	Attributable to owners of Prana Biotechnology Limited Reserves A$	Accumulated losses A$	Total A$
Balance at 1 July 2016		146,879,214	9,363,181	(124,875,182)	31,367,213
Loss for the period		-	-	(3,651,845)	(3,651,845)
Total comprehensive income for the period		**-**	**-**	**(3,651,845)**	**(3,651,845)**
Transactions with owners in their capacity as owners:					
Transaction costs	8	(154,362)	-	-	(154,362)
Balance at 31 December 2016		**146,724,852**	**9,363,181**	**(128,527,027)**	**27,561,006**
Balance at 1 July 2017		144,018,006	2,320,480	(122,648,452)	23,690,034
Loss for the period		-	-	(3,617,439)	(3,634,039)
Total comprehensive income for the period		**-**	**-**	**(3,617,439)**	**(3,634,039)**
Transactions with owners in their capacity as owners:					
Transaction costs	8	(119,435)	-	-	(119,435)
Employee share schemes - Share based payments		-	162,393	-	162,393
		(119,435)	162,393	-	42,958
Balance at 31 December 2017		**143,898,571**	**2,482,873**	**(126,265,891)**	**20,115,553**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in Australian dollars)

Note 1: Basis of Preparation

This condensed consolidated interim report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This interim financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Prana Biotechnology Limited (the "Company") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. There were no new accounting standards or interpretations adopted by the Company during this reporting period.

Note 2: Significant estimates and assumptions

Estimates and judgements 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 and its two wholly-owned subsidiaries (the "Group") 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 period are discussed below.

(a) Going concern

The Group is a development stage medical biotechnology company and as such expects to be utilising cash until the results of its research activities have become marketable. For the six months ended 31 December 2017, the Group incurred an operating loss of A$3,617,439 and an operating cash outflow of A$1,172,663 compared with an operating loss of A$3,651,845 and an operating cash outflow of A$620,953 for the six months ended 31 December 2016. As at 31 December, 2017 the net assets of the Group stood at A$20,115,553 compared with A$23,690,034 at 30 June 2017 and our cash position decreased to A$19,911,187 from A$21,734,957 at 30 June 2017.

Cash on hand at 31 December 2017 plus projected operating inflows are considered sufficient to meet the Group's forecast cash outflows for at least 12 months from the date of this report. While there is an inherent uncertainty in the Group's cash flow forecast in relation to the proposed expenditure on research and development which may impact the forecast cash position, the Company's directors believe the Group will be able to maintain sufficient cash reserves through a range of options, including:

- The Group continues to pursue the raising of additional funds through alternative funding structures and has a strong history of raising capital. The Group has an existing "at market" (ATM) facility through which it could raise additional funds of up to US$50 million by the sale of American Depositary Receipts ("ADRs"). This facility, established through the filing of a shelf registration statement on Form F-3 with the United States Securities and Exchange Commission in October 2017 has been a successful source of raising funds. In prior reporting periods, the Group has raised A$48.68 million (US$44.5 million) under this and a previous ATM facility.

- The Group has on issue a total of 30 million unlisted, unexercised options. The options have exercise prices ranging from A$0.07 to A$1.12. If all unlisted options were exercised, the

Group would receive consideration of A$2.49 million in total. Although the exercise of options may be available, it is not in the Group's control to receive this consideration.

- Notwithstanding, in the event that the Group will not have sufficient funds to effect its current plans through the above-mentioned methods, the Group has the ability to scale down its operations and prioritise its research and development programs.

Additionally, the Group has recorded a receivable at December 31, 2017 in the amount of A$1,360,238 from the Australian Tax Office in respect of its 2018 research and development tax incentive claim. The Group expects to receive this amount during the next 12 months.

On this basis, the Company's directors are satisfied that the Group is a going concern and at this time are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Consolidated Statement of Financial Position as at 31 December 2017.

Therefore, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) R&D Tax Incentives

The Australian Government replaced the research and development tax concession with the research and development tax incentive, effective from 1 July 2011. The 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 1 July 2011. A refundable research and development tax incentive offset of 43.5%, 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 research and development tax incentive offset of 43.5% of their research and development spending.

The Group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 31 December 2017 the Group recorded an item in other income of A$1,360,238 compared with A$1,830,734 for the comparable 2016 period to recognise this amount which relates to this period.

(c) Share-based payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option-pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

Note 3: Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company. For the current and previous reporting periods, the Group operated in one segment, being research into Alzheimer's disease, Huntington disease and other neurodegenerative disorders.

Note 4: Loss per share

(a) Basic loss per share

	Six months ended December 31, 2017 (cents)	Six months ended December 31, 2016 (cents)
From continuing operations attributable to the ordinary equity holders of the Group	0.68	0.68

(b) Diluted loss per share

	Six months ended December 31, 2017 (cents)	Six months ended December 31, 2016 (cents)
From continuing operations attributable to the ordinary equity holders of the Group	0.68	0.68

(c) Reconciliation of earnings used in calculating loss per share

	Six months ended December 31, 2017	Six months ended December 31, 2016
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic loss per share:	3,617,439	3,651,845
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share	3,617,439	3,651,845
Adjustments	-	-
Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share	3,617,439	3,651,845

(d) Weighted average number of shares used as denominator

	Six months ended December 31, 2017 Number	Six months ended December 31, 2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	533,891,470	533,891,470

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore, they have been excluded from the calculation of diluted loss per share.

Note 5: Revenue and other income

	31 December 2017 A$	31 December 2016 A$
Revenue from ordinary activities		
Interest income	111,581	72,883
Other revenue	5,587	-
	117,168	72,883
Other Income		
R&D tax incentive	1,360,238	1,830,734
	1,360,238	1,830,734

Note 6: Loss for the period

	31 December 2017 A$	31 December 2016 A$
Loss before income tax has been determined after:		
General and administration expenses		
Depreciation on fixed assets	**9,325**	10,516
Employee expenses (non-R&D related)	**492,458**	578,134
Consultant and director expenses	**403,673**	383,963
Audit, internal control and other assurance expenses	**93,060**	107,240
Corporate compliance expenses	**206,468**	212,316
Office rental	**88,606**	99,150
Other administrative and office expenses	**685,267**	638,363
	1,978,857	2,029,682
Research and development expenses		
Employee expenses	**1,001,117**	849,366
Other research and development expenses	**1,285,169**	2,983,048
	2,286,286	3,832,414
Other gains and losses		
Foreign exchange loss / (gain)	**610,939**	(496,019)
	610,939	(496,019)

Note 7: Net tangible assets

	As at	
	December 31, 2017	**June 30, 2017**
Net tangible assets	20,115,533	23,690,034
No. of shares	533,891,470	533,891,470
Net tangible assets per share (in cents)	\$3.77	\$4.44

Note 8: Contributed equity

		As at			
		December 31, 2017		**June 30, 2017**	
	Note	**No.**	**A$**	**No.**	**A$**
Fully paid ordinary shares	(a)	533,891,470	143,898,571	533,891,470	144,018,006
Options for fully paid ordinary shares	(b)	-	-	-	-
		533,891,470	143,898,571	533,891,470	144,018,006

a) Fully paid ordinary shares

At the beginning of reporting period	533,891,470	144,018,006	533,891,470	146,879,214
Transaction costs relating to share issues	-	(119,435)	-	(159,564)
Expired options				(2,701,644)
At the end of reporting period	533,891,470	143,898,571	533,891,470	144,018,006

(b) Options for fully paid ordinary shares

At the beginning of reporting period	-		-	2,701,644
Reclassification – expired options				(2,701,644)
At the end of reporting period	-		-	-

Note 9: Reserves

		As at			
		December 31, 2017		**June 30, 2017**	
	Note	**No.**	**A$**	**No.**	**A$**
Options over fully paid ordinary shares	(a)	30,426,063	2,482,873	26,826,063	2,320,480
		30,426,063	2,482,873	26,826,063	2,320,480

(a) Options over fully paid ordinary shares

At the beginning of reporting period	26,826,063	2,320,480	19,395,582	2,320,480
Movement during the period	3,600,000	162,393	7,430,481	-
At the end of reporting date	30,426,063	2,482,873	26,826,063	2,320,480

Note 10: Financial instruments measured at fair value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

During the period, none of the Group's assets and liabilities had their fair value determined using the fair value hierarchy. No transfers between the levels of the fair value hierarchy occurred during the current or previous periods.

Note 11: Reconciliation of profit after income tax to net cash flow from operating activities

	31 December 2017 A$	31 December 2016 A$
Loss for the year	**3,617,349**	3,651,845
Depreciation	**(9,325)**	(10,516)
Accrued capital cost to equity	**81,600**	-
Non-cash employee benefits expense - share-based payments	**(162,393)**	-
Net foreign exchange differences	**(609,934)**	545,697
Decrease/(increase) in provisions	**112,749**	(120,945)
Increase/(Decrease) in accounts receivable	**(1,580,791)**	(2,940,203)
Increase /(Decrease) in other current assets	**60,687**	(133,696)
(Increase)/Decrease in accounts payable	**(337,369)**	(371,229)
	1,172,663	620,953

Note 12: Related party transactions

Prof. Ira Shoulson provides consulting services to the Group in a separate capacity to his position as a Non-Executive Director. Prof. Ira Shoulson was appointed as a Non-Executive Director on 13 May, 2014. Prof. Ira Shoulson was paid total cash compensation of A$12,021 for the period 1 July 2017 to 31 December 2017 compared with A$146,755 for the comparable 2016 period in his capacity as a consultant to the Group.

There were no other related party transactions other than those related to Director and Key Management Personnel remuneration and equity and transactions by the Company and its subsidiaries.

Note 13: Events subsequent to reporting date

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

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," "potential", "plan", "should", "expect", variations of such words 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. Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission, or the SEC, including our Annual Report on Form 20-F. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included in Exhibit 99.1.

BACKGROUND

Prana Biotechnology Limited, or the Company (or together with its subsidiaries, the Group), is a development stage enterprise 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 cause of degeneration of the brain and the eye as the aging process progresses. 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."

Our interim consolidated financial statements appearing in Exhibit 99.1 are prepared in Australian dollars and in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and comply with both IFRS as issued by the IASB and Australian equivalents to International Financial Reporting Standards, or A-IFRS. In this 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 current 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 neurodegeneration. 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. Our product candidates are in early to midstage 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, manufacturing and clinical trials, as well as for obtaining regulatory approval. For additional details about our risks see Item 3.D., "Key Information – Risk Factors," of our Form 20-F for the year ended June 30, 2017.

To date, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, government grants, tax incentive payments, 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. We have developed a diversified library of chemical compounds, which may yield future product candidates across various neurodegenerative indications. For additional details regarding our clinical trials see Item 4.A., "Information on the Company - History and Development of the Company," of our Form 20-F for the year ended June 30, 2017.

HIGHLIGHTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

A U.S. operation has been established in the San Francisco, California area focused on clinical development. In addition to the Chief Medical Officer, the U.S. team has been expanded include leadership for Clinical Operations; Non-clinical Development; and Chemistry, Manufacturing and Controls.

PBT434 Movement Disorder clinical candidate update
It has been previously reported that PBT434 is neuroprotective in animal models of disease. By blocking the pathologic accumulation and aggregation of alpha-synuclein, PBT434 prevents the formation of toxic alpha synuclein fibrils and downstream effects that lead to cellular dysfunction and ultimately cell death. There is evidence in Parkinson's disease animal models that PBT434 prevents neuronal loss and improves motor and/or cognitive impairment. In addition, Prana is continuing to evaluate this candidate in mouse models of atypical Parkinsonism, including synucleinopathies (e.g., Multiple System Atrophy) and tauopathies (e.g., Progressive Supranuclear Palsy). PBT434 has been shown to decrease insoluble forms of α-synuclein, prevent the phosphorylation of tau protein and promote neuronal preservation with consequent improvement in motor and cognitive function.

The clinical program for PBT434 is on track and dosing in the first-in-human Phase 1 study is planned to commence mid-year. The Phase 1 study is a single and multiple ascending dose study in healthy volunteers. The required ICH compliant program of non-clinical studies has been completed. This body of work, together with manufacture of PBT434 clinical supplies, will enable study conduct. Long term toxicology studies are planned to commence in the second half of 2018 and Phase 2 planning is underway.

PBT2 Huntington disease clinical development update
Prana is continuing to review its options to either undertake additional non-clinical studies in the dog, pursue development opportunities at dosing levels permitted by the FDA, or pursue alternative therapeutic applications of PBT2.

Pipeline development from Translational Biology Program
New and exciting development candidates from Prana's research group have emerged over the reporting period. These product candidates have demonstrated a number of key attributes required to address neurodegenerative processes. The new candidates arose from discovery chemistry to create new chemical entities within new generation chemical scaffolds.

Prana continues to review other potentially suitable opportunities that may be highly attractive and can add significant shareholder value in the medium to longer term.

Cash

The Group's cash on hand as at December 31, 2017 totaled A$19.91 million. In addition, the Group has recorded a trade receivable at December 31, 2017 of A$1.36 million from the Australian Tax Office. This amount is in respect of the 2018 R&D tax incentive claim. The Group expects to receive payment during the 12 months ended June 30, 2018.

SIX MONTHS ENDED DECEMBER 31, 2017 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2016

Revenue from ordinary activities

Revenue from ordinary activities, consisting of interest income, increased to A$117,168 for the six months ended December 31, 2017 from A$ A$72,883 for the six months ended December 31, 2016, an increase of A$44,285, or 60.76%. The increase in interest income is primarily attributable to increased amounts of cash being carried in interest bearing accounts.

Other income

Other income of A$1,360,238 for the six months ended December 31, 2017 consist of the Group's estimate of R&D tax incentives claimable from the Australian Tax Office. This amount was calculated based on the tax incentive policy introduced by the Australian Government on July 1, 2011. The Group is entitled to 43.5% of tax incentives based on the total eligible research and development expenditure incurred during the period. This amount decreased by A$470,496, or 25.69% from A$1,830,734 for the six months ended December 31, 2016. This decrease is primarily caused by the decrease in total R&D expenditure for the period.

General and administration expenses

General and administration expenses decreased to A$1,978,857 for the six months ended December 31, 2017 from A$2,029,682 for the six months ended December 31, 2016, which represented a decrease of A$50,825, or 2.50%. The decrease in general and administration expenses was mainly caused by the reduced office operating costs.

Research and development expenses

Research and development expenses decreased to A$2,286,286 for the six months ended December 31, 2017 from A$3,832,414 for the six months ended December 31, 2016, which represented a decrease of A$1,546,128, or 40.34%. The decrease in research and development expenses in the six months ending December 31, 2017 is attributable to preparatory work underway in relation to the Phase 1 program for PBT434.

Other gains and losses

Other gains and losses consist of gains from foreign exchange for the periods. Losses from foreign exchange increased to A$610,939 for the six months ended December 31, 2017 from gain of A$496,019 for the six months ended December 31, 2016, a decrease of A$1,106,958, or 223.16%. In the 2017 period the Australian dollar depreciated against the US dollar by 7.8%, while in the 2016 period the Australian dollar appreciated by 2.4%.

INFLATION AND SEASONALITY

Management believes that inflation has had no material impact on the Group's operations or financial condition and that our operations are not currently subject to seasonal influences.

LIQUIDITY AND CAPITAL RESOURCES

We are a development stage company and have had no sales income to date, and as of December 31, 2017 our accumulated deficit totaled A$126,265,891. 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, tax incentive payments, licensing and research collaborations and interest earned on investments. Please see our Annual Report on Form 20-F for the year ended June 30, 2017 for a discussion of our financing efforts prior to June 30, 2017.

We had A$19,911,187 of cash and cash equivalents at December 31, 2017 compared to A$21,734,957 at June 30, 2017.

- The Group continues to pursue raising additional funds through alternative funding structures and has a strong history of raising capital. The Group has an existing "at market", or ATM, facility through which it may raise additional funds of up to US$50 million by the sale of ADRs. This facility, established through the filing of a shelf registration statement on Form F-3 with the SEC on October 20, 2017 has in the past been a successful source of raising funds. In prior reporting periods, the Group raised A$48.68 million (US$44.5 million) under this and a previous ATM facility.

- The Group has on issue a total of 30,426,063 unlisted, unexercised options. The options have exercise prices ranging from A$0.07 to A$1.12. If all unlisted options were exercised, the Group would receive consideration of A$2.49 million in total. Although the exercise of options may be available, it is not in the Group's control to receive this consideration.

Capital expenditures for the six months ended December 31, 2017 were A$3,338 and capital expenditures for the six months ended December 31, 2016 were A$22,159. These expenditures were principally for computer equipment. We currently do not have significant capital spending or purchase commitments, but we expect to continue to engage in capital spending consistent with the level of our operations.

We believe that the 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 43.5% refundable tax offset. In the half-year ended December 31, 2017, we recorded A$1,360,238 in other income with respect to funds we will receive in relation to the 2018 financial year under the research and development incentive scheme. In the half-year ended December 31, 2016, we recorded A$1,830,734 in other income with respect to funds we received in relation to the 2017 financial year under the research and development incentive scheme.

Our management believes that the going concern basis of preparation of our consolidated financial statements for the six months ended December 31, 2017 is appropriate given our cash position.

In addition, we have the ability to scale down our operations and prioritize our research and development programs should the need arise to conserve cash.

Cash Flows

Net cash used in operating activities increased to A$1,172,663 for the six months ended December 31, 2017 from A$620,953 for the six months ended December 31, 2016. Net cash used in operating activities consists of payments to suppliers and employees and the R&D Tax Incentive cash refund. The increase in net cash used in the 2017 period was primarily due to the reduced R&D tax incentive refund received for the 2017 financial year.

Net cash used by investing activities decreased to A$3,338 for the six months ended December 31, 2017 from A$22,159 for the six months ended December 31, 2016. Cash flows used for investing activities was primarily attributable to payments for the purchase of computer and office equipment in both periods.

Net cash used in financing activities decreased to A$37,835 for the six months ended December 31, 2017 from A$154,362 for the six months ended December 31, 2016. The decrease is attributable to lower compliance costs associated with the ATM facility.

We realized a foreign exchange loss of A$609,934 for the six months ended December 31, 2017 compared to a gain of A$545,697 for the six months ended December 31, 2016. In the 2017 period the Australian dollar depreciated against the US dollar by 7.8%, while in the 2016 period the Australian dollar appreciated by 2.4%.

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.

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.

RISK FACTORS

There have been no material changes in our risk factors reported in our Annual Report on Form 20-F for the year ended June 30, 2017.