

Appendix 4E – Preliminary Final Report

(ASX Listing rule 4.2A)

| | |
|----------------------------|---|
| Company Name: | Prana Biotechnology Limited (the 'Group') |
| ABN: | 37 080 699 065 |
| Reporting Period: | Financial year ended 30 June 2016 |
| Previous Reporting Period: | Financial year ended 30 June 2015 |

Result for Announcement to the Market

The results of Prana Biotechnology Limited for the year ended 30 June 2016 are as follows:

| | | | | |
|---|------|--------|----|---------------|
| Revenues | down | 19.33% | to | \$142,657 |
| Loss after tax attributable to members | up | 31.34% | to | (\$7,729,551) |
| Net loss for the period attributable to members | up | 31.34% | to | (\$7,729,551) |

Brief explanation of figures reported above

Prana Biotechnology Ltd recorded revenue of A\$142,657 for the year ended 30 June 2016 (2015: A\$176,842), which is interest received on the Group's bank accounts.

Prana Biotechnology Ltd has incurred a loss for the year of A\$7,729,551 (2015: A\$5,885,069). This loss has increased due to lower foreign exchange gains for the period, a decrease in other income relating to the R&D Tax Incentive and decreased research and development expenditure.

For further details relating to the current period's results, refer to the Review of Operations contained within this document.

Dividends

No dividends have been paid or declared by the Group since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

Net Tangible Assets per Share

| | 30 June 2016 | 30 June 2015 |
|---------------------------------------|--------------|--------------|
| Net Tangible Assets | \$31,367,213 | \$39,113,264 |
| Shares (No.) | 533,891,470 | 533,891,470 |
| Net Tangible Assets per Share (Cents) | 5.88 | 7.33 |

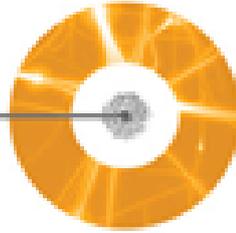
Loss per Share

| | 30 June 2016 | 30 June 2015 |
|------------------------|--------------|--------------|
| Basic loss per share | (1.45) | (1.17) |
| Diluted loss per share | (1.45) | (1.17) |

Status of Audit of Accounts

These accounts are currently in the process of being audited. An Annual Report for the year ended 30 June 2016 containing the Audit Report shall be provided in due course.

PRANA
BIOTECHNOLOGY



ABN 37 080 699 065

Appendix 4E

Preliminary Final Report

For the Year Ended 30 June 2016
(and previous corresponding period: year ended 30 June 2015)

In Compliance with ASX Listing Rule 4.3A

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Operations Report

The Directors of Prana Biotechnology Limited present their report on the consolidated entity (referred to hereafter as the 'Group' or 'Consolidated Entity' or 'Prana') consisting of Prana Biotechnology Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were Directors of Prana Biotechnology Limited during the whole of the financial year and up to the date of this report, unless stated otherwise:

| | |
|---------------------|--|
| Mr Geoffrey Kempler | Executive Chairman and Chief Executive Officer |
| Mr Brian Meltzer | Non-Executive Independent Director |
| Dr George Mihaly | Non-Executive Independent Director |
| Mr Peter Marks | Non-Executive Independent Director |
| Mr Lawrence Gozlan | Non-Executive Independent Director |
| Prof. Ira Shoulson | Non-Executive Director |

Company Secretary

Mr. Phillip Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr. Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.

Principal Activities

The Group's principal activities during the course of the year were to commercialise research into Alzheimer's disease, Huntington disease and other neurodegenerative disorders. There have been no significant changes in the nature of those principal activities during the financial year.

Review of Operations

Detailed below is an update on the status of the Group's development projects and overall operations for the year ended 30 June, 2016.

PBT2 clinical development update

As previously reported, we are developing a strong technical and safety data package in response to the Partial Clinical Hold on PBT2, which limits the dose that can be used in future trials in the United States. This process includes the development of Phase 3 protocol for submission to the US Food and Drug Administration (FDA), and has been ongoing during the current reporting period. Separately, creation of a comprehensive non-clinical and clinical package of data on PBT2 for submission to selected European national authorities and the European Medicines Agency (EMA) is underway.

At the recent 20th International Congress of Parkinson's Disease and Movement Disorders, Prana collaborators from the Georgetown University in Washington presented patient reported outcomes from the Reach2HD trial using the Huntington Disease – Patient Reported Outcome of Problems (HD-PROP) assessment tool. HD-PROP captured verbatim patient reports during the course of Reach2HD with respect to their most bothersome problems. Importantly, 90% of reported improvement in 'problems with thinking' was achieved with PBT2-treated patients, suggesting that PBT2 was associated with decreased thinking complaints.

Supporting the potential disease modifying therapeutic strategy for PBT2 has been the demonstration of further evidence that PBT2 can modulate metal-mediated toxic gain of function of key protein targets that underpin neurodegenerative diseases such as the tau protein, A-beta 42 and mutant Huntington protein.

PBT434 Movement Disorder clinical candidate update

Prana's lead candidate in Parkinsonian Movement Disorders, PBT434, progressed well through a number of mouse models of a typical Parkinsonian conditions, typified by an aberrant and toxic accumulation of α -synuclein including conditions such as, Multiple System Atrophy and Lewy Body Dementia or tau protein in the brain, in Corticobasal Degeneration and Progressive Supranuclear Palsy. PBT434 has been shown to decrease levels of the relevant toxic protein and improve motor and/or cognitive performance in selected models. As previously reported, PBT434 has demonstrated that it is very well tolerated in FDA IND (Investigational New Drug) enabling animal toxicity studies and has a favourable safety pharmacology profile. Moreover, that the proposed dosing regimen for human trials is well supported by the animal studies to date, Prana has compiled the collective non-clinical information package, together with our plans for a Phase 1 program for submission to the FDA. If successful, the Phase I program will demonstrate the required safety, tolerability and pharmacokinetic profile to enable later stage clinical development.

Pipeline development from Translational Biology Program

Additional development candidates have been profiled through our mechanism of action screens, with several being promoted to animal modelling to establish the prospective efficacy and the pharmacokinetics of the candidate drug. These candidates have been designed by our Medicinal Chemistry team to be both novel and retain strong Metal-Protein Attenuating Compound (MPAC) functionality. These developments in our discovery program will enable increased depth and diversification of the Prana pipeline for prospective clinical development in a range of neurodegenerative disorders.

Other Income

We had other income of A\$4.8 million (2015: A\$6.3 million) relating to a 45% tax incentive rebate for eligible research and development activities.

Research and Development Expenses

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, salaries and fees paid to employees and consultants involved in research and development activities.

Our research and development expenses (including research and development expenses paid to related parties) decreased to A\$9.59 million for the year ended June 30, 2016 from A\$12.30 million for the year ended June 30, 2015, a decrease of A\$2.71 million, or 22.03%. The decrease in research and development expenses in the year ended June 30, 2016 is primarily attributable to the US Food and Drug Administration's (FDA) placement of PBT2 on partial clinical hold.

We believe that Australian Government tax incentive scheme relating to eligible research and development activities, introduced on July 1, 2011, will continue to 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, 2016, we recorded A\$4.8 million as receivable with respect to funds we will receive in relation to the 2016 financial year under the research and development incentive scheme.

Financial Position and Capital Resources

As at 30 June, 2016, the Group had cash reserves of A\$28.59 million compared to A\$34.91 million at 30 June, 2015. For the years ended 30 June, 2016 and 2015, we incurred an operating loss of A\$7.73 million and A\$5.89 million, respectively, and an operating cash outflow of A\$7.42 million and A\$10.87 million, respectively.

Cash Flows

Net cash used in operating activities was A\$7.42 million and A\$10.87 million during the years ended 30 June, 2016 and 2015, respectively. Our payments to suppliers and employees during the years ended 30 June, 2016 and 2015 were A\$14.06 million and A\$18.12 million respectively. The A\$3.45 million decrease in net cash used in operating activities from the year ended 30 June, 2016 compared to the year ended 30 June, 2015 reflects decreased research and development activities due to the US Food and Drug Administration's (FDA) placement of PBT2 on partial clinical hold. During the years ended 30 June, 2016 and 2015, our payments to suppliers and employees was offset by interest income of A\$120,392 and A\$216,317 respectively.



Mr Geoffrey Kempler
Executive Chairman and Chief Executive Officer

Dated: This the 26th Day of August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

| | Note | Consolidated Entity | |
|---|------|---------------------|--------------------|
| | | 2016 \$ | 2015 \$ |
| Revenue from ordinary activities | 3 | 142,657 | 176,842 |
| Other income | 3 | 4,753,697 | 6,317,438 |
| Intellectual property expenses | | (241,954) | (257,299) |
| General and administration expenses | 4 | (3,610,551) | (4,506,122) |
| Research and development expenses | 4 | (9,585,371) | (12,298,167) |
| Other operating expenses | | (45,276) | (39,210) |
| Other gains and losses | 4 | 857,247 | 4,721,449 |
| Loss before income tax expense | | (7,729,551) | (5,885,069) |
| Income Tax Expense | | - | - |
| Loss for the period | | (7,729,551) | (5,885,069) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year | | (7,729,551) | (5,885,069) |
| Loss per share attributable to the ordinary equity holders of the Group: | | Cents | Cents |
| Basic loss per share (cents per share) | 5a | (1.45) | (1.17) |
| Diluted loss per share (cents per share) | 5b | (1.45) | (1.17) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

| | Note | Consolidated Entity | |
|--------------------------------------|------|---------------------|-------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 28,593,538 | 34,909,574 |
| Trade and other receivables | | 4,786,765 | 6,521,154 |
| Other current assets | | 276,504 | 313,465 |
| TOTAL CURRENT ASSETS | | 33,656,807 | 41,744,193 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 24,225 | 44,727 |
| Other non-current assets | | 43,988 | 45,462 |
| TOTAL NON-CURRENT ASSETS | | 68,213 | 90,189 |
| TOTAL ASSETS | | 33,725,020 | 41,834,382 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,748,566 | 2,152,015 |
| Other financial liabilities | | - | 12,076 |
| Provisions | | 608,771 | 554,615 |
| TOTAL CURRENT LIABILITIES | | 2,357,337 | 2,718,706 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | | 470 | 2,412 |
| TOTAL NON-CURRENT LIABILITIES | | 470 | 2,412 |
| TOTAL LIABILITIES | | 2,357,807 | 2,721,118 |
| NET ASSETS | | 31,367,213 | 39,113,264 |
| EQUITY | | | |
| Contributed equity | 6 | 146,879,214 | 146,895,714 |
| Reserves | 7 | 9,363,181 | 9,363,181 |
| Accumulated losses | | (124,875,182) | (117,145,631) |
| TOTAL EQUITY | | 31,367,213 | 39,113,264 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

| | Note | Issued and Unissued Capital | Reserves | Accumulated Losses | Total |
|--|------|-----------------------------------|-----------|-----------------------|-------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 30 June 2014 | | 140,009,415 | 8,937,434 | (111,260,562) | 37,686,287 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued gross of costs | | 7,129,242 | - | - | 7,129,242 |
| Options exercised | 6 | 25,488 | (25,488) | - | - |
| Options issued | 6,7 | - | 451,235 | - | 451,235 |
| Equity to be issued | | 16,500 | - | - | 16,500 |
| Transaction costs | 6 | (284,931) | - | - | (284,931) |
| | | 6,886,299 | 425,747 | - | 7,312,046 |
| Loss for the year | | - | - | (5,885,069) | (5,885,069) |
| Total comprehensive income for the year | | - | - | (5,885,069) | (5,885,069) |
| Balance at 30 June 2015 | | 146,895,714 | 9,363,181 | (117,145,631) | 39,113,264 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Equity to be issued | 6 | (16,500) | - | - | (16,500) |
| Transaction costs | | - | - | - | - |
| | | (16,500) | - | - | (16,500) |
| Loss for the year | | - | - | (7,729,551) | (7,729,551) |
| Total comprehensive income for the year | | - | - | (7,729,551) | (7,729,551) |
| Balance at 30 June 2016 | | 146,879,214 | 9,363,181 | (124,875,182) | 31,367,213 |

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2016

| | Note | Consolidated Entity | |
|---|------|---------------------|---------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| CASH FLOWS RELATED TO OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (14,055,879) | (18,124,102) |
| Interest received | | 120,392 | 216,317 |
| Grants received | | - | 228,541 |
| R&D tax refund | | 6,516,961 | 6,808,170 |
| NET OPERATING CASH FLOWS | | (7,418,526) | (10,871,074) |
| CASH FLOWS RELATED TO INVESTING ACTIVITIES | | | |
| Payments for purchases of plant and equipment | | (2,307) | (28,757) |
| Payment for payroll and rental security deposit | | 1,474 | (154,077) |
| NET INVESTING CASH FLOWS | | (833) | (182,834) |
| CASH FLOWS RELATED TO FINANCING ACTIVITIES | | | |
| Proceeds from issues of securities | | - | 7,128,142 |
| Transaction costs relating to equity issuances | | - | (284,931) |
| NET FINANCING CASH FLOWS | | - | 6,843,211 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (7,419,359) | (4,210,697) |
| Cash and cash equivalents at the beginning of the year | | 34,909,574 | 34,167,018 |
| Reclassification of security deposit | | 152,603 | - |
| Effects of exchange rate changes on cash and cash equivalents | | 950,720 | 4,953,253 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 28,593,538 | 34,909,574 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 1. Statement of Significant Accounting Policies

The financial report of Prana Biotechnology Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Prana Biotechnology Limited and its subsidiaries.

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian accounting standards and other authoritative pronouncements from the Australian Accounting Standards Board. The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

Prana Biotechnology Limited is a for-profit entity for the purpose of preparing the financial statements.

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 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

R&D Tax Incentives

The Australian Government replaced the research and development tax concession with the research and development tax incentive 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 45%, equivalent to a deduction of 150%, will be available to eligible small companies with an annual aggregate turnover of less than \$20 million. Eligible companies can receive a refundable research and development tax incentive offset of 45% 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 30 June 2016 the Group has recorded an item in other income of A\$4.8 million (2015: A\$6.1 million) to recognise this amount which relates to this period.

Note 2. Dividend

The Group resolved not to declare any dividends in the year ended 30 June 2016.

Note 3. Revenue and other income

| | 2016 | 2015 |
|----------------------------|-----------|-----------|
| | \$ | \$ |
| From ordinary activities: | | |
| Other revenue | | |
| Interest | 142,657 | 176,842 |
| Total other revenue | 142,657 | 176,842 |
| Other income | | |
| R&D Tax Incentive | 4,753,697 | 6,088,897 |
| Other Grants | - | 228,541 |
| Total other income | 4,753,697 | 6,317,438 |

Note 4. Loss for the year

| | 2016 | 2015 |
|--|-----------|------------|
| | \$ | \$ |
| Loss before income tax has been determined after: | | |
| General and Administration Expenses | | |
| Depreciation on fixed assets | 22,810 | 31,587 |
| Employee expenses (non R&D related) | 992,750 | 877,032 |
| Consultant and director expenses | 750,158 | 1,227,731 |
| Audit, internal control and other assurance expenses | 204,776 | 499,911 |
| Corporate compliance expenses | 358,096 | 421,958 |
| Office rental | 195,561 | 161,175 |
| Other administrative and office expenses | 1,086,400 | 865,241 |
| Research and Development Expenses | | |
| Employee expenses | 1,821,717 | 1,866,915 |
| Other research and development expenses | 7,763,654 | 10,431,252 |
| Other gains and losses | | |
| Foreign exchange gain | 857,247 | 4,721,449 |

Note 5. Loss per Share

| | 2016 (cents) | 2015 (cents) |
|---|-----------------|-----------------|
| (a) Basic loss per share | (1.45) | (1.17) |
| (b) Diluted loss per share | (1.45) | (1.17) |
| (c) Reconciliation of earnings to loss | \$ | \$ |
| Loss used to calculate basic loss per share | (7,729,551) | (5,885,069) |
| Loss used to calculate diluted loss per share | (7,729,551) | (5,885,069) |
| | No. | No. |
| (d) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share | 533,891,470 | 502,714,982 |
| Weighted average number of ordinary shares outstanding during the year used in calculating diluted loss per share | 533,891,470 | 502,714,982 |
| (e) 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 6. Contributed Equity

| | Note | 2016 \$ | 2015 \$ |
|--|------|--------------------|--------------------|
| 533,891,470 (2015: 533,891,470) fully paid ordinary shares | 16a | 144,177,570 | 144,194,070 |
| Nil (2015: Nil) options over fully paid ordinary shares | 16b | 2,701,644 | 2,701,644 |
| | | 146,879,214 | 146,895,714 |

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

| (a) Ordinary Shares | 2016 | | 2015 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | No. | \$ | No. | \$ |
| At the beginning of reporting period | 533,891,470 | 144,194,070 | 488,646,960 | 137,307,771 |
| Shares issued during the year (i) | - | (16,500) | 45,064,510 | 7,145,742 |
| Shares issued on exercise of options (ii) | - | - | 180,000 | 25,488 |
| Transaction costs relating to share issues | - | - | - | (284,931) |
| At reporting date | 533,891,470 | 144,177,570 | 533,891,470 | 144,194,070 |

Notes to the Financial Statements *(continued...)*

Note 6. Contributed Equity (continued...)

| (i) Shares issued during the year | | | | |
|--|--|---------------|--------------------|-----------------|
| 2016 | Details | Number | Issue Price | |
| | | | \$ | \$ |
| 01-Jul-15 | Reverse proposed issue to a consultant | - | - | (16,500) |
| | | - | | (16,500) |

| 2015 | Details | Number | Issue Price | |
|-------------|---|-------------------|--------------------|------------------|
| | | | \$ | \$ |
| 01-Jul-14 | Reverse proposed issue to a consultant ² | - | 0.22 | (24,200) |
| 21-Jul-14 | Issued to a consultant ¹ | 110,000 | 0.23 | 25,300 |
| 23-Feb-15 | Issued as part of a capital raising | 35,631,690 | 0.15 | 5,304,319 |
| 24-Feb-15 | Issued as part of a capital raising | 2,538,820 | 0.14 | 357,270 |
| 02-Jun-15 | Issued as part of a capital raising | 6,784,000 | 0.22 | 1,466,553 |
| 30-Jun-15 | Proposed issue to a consultant ² | - | - | 16,500 |
| | | 45,064,510 | | 7,145,742 |

¹ Equity was issued for nil consideration and valued by the Group based on the market price per share on grant date.

² Shares expensed under AASB2, but not yet issued. The market value of shares to be issued to consultant is equivalent to the contracted services.

| (ii) Shares issued on exercise of options | | | | |
|--|---------------------------------------|---------------|-----------------------|-----------|
| 2016 | Details ¹ | Number | Exercise Price | |
| | | | \$ | \$ |
| | No shares were issued during the year | - | - | - |
| | | - | | - |

| 2015 | Details ¹ | Number | Exercise Price | |
|-------------|-----------------------------|----------------|-----------------------|---------------|
| | | | \$ | \$ |
| 21-Jul-14 | Exercise of options | 180,000 | - | 25,488 |
| | | 180,000 | | 25,488 |

¹ Equity value is the fair value at grant date.

| (b) Options | 2016 | | 2015 | |
|--------------------------------------|-------------|------------------|-------------|------------------|
| | No. | \$ | No. | \$ |
| At the beginning of reporting period | - | 2,701,644 | - | 2,701,644 |
| At reporting date | - | 2,701,644 | - | 2,701,644 |

Note 7. Reserves

| | Note | 2016 \$ | 2015 \$ |
|---|------|------------------|------------------|
| <u>Share based payment reserve</u> | | | |
| 19,395,582 (2015: 19,395,582) options over fully paid ordinary shares | 18a | 7,394,184 | 7,394,184 |
| Nil (2014: Nil) options over ADRs | 18b | 1,515,434 | 1,515,434 |
| 612,397 (2015: 612,397) warrants over ADRs | 18c | 453,563 | 453,563 |
| | | 9,363,181 | 9,363,181 |

| (a) Options over fully paid ordinary shares | 2016 | | 2015 | |
|---|-------------------|------------------|-------------------|------------------|
| | No. | \$ | No. | \$ |
| At the beginning of reporting period | 19,395,582 | 7,394,184 | 18,542,577 | 6,968,437 |
| Options issued during year (i) | - | - | 4,400,000 | 451,235 |
| Exercise of options (ii) | - | - | (180,000) | (25,488) |
| Expiration of options (iii) | - | - | (3,166,995) | - |
| Forfeiture of options (iv) | - | - | (200,000) | - |
| At reporting date | 19,395,582 | 7,394,184 | 19,395,582 | 7,394,184 |

(i) Options issued during year

2016

No options were issued during the year

| 2015 | Details | Number | Option fair value \$ | \$ |
|-----------|---|------------------|----------------------------|----------------|
| 03-Oct-14 | Issued to key management personnel ¹ | 1,000,000 | 0.17 | 170,397 |
| 19-Feb-15 | Issued to consultants ² | 2,000,000 | 0.08 | 166,284 |
| 27-May-15 | Issued to consultants ³ | 1,400,000 | 0.08 | 114,554 |
| | | 4,400,000 | | 451,235 |

(ii) Exercise of options

2016

No options were exercised during the year

| 2015 | Details | Number | Exercise Price \$ | \$ |
|-----------|----------------------------------|------------------|-------------------------|-----------------|
| 21-Jul-14 | Exercise of options ⁴ | (180,000) | A\$0.00 | (25,488) |
| | | (180,000) | | (25,488) |

Note 7. Reserves (continued)

(iii) Expiration of options

2016

No options expired during the year

| 2015 | Details | Number | Exercise Price | |
|-----------|---|--------------------|----------------|----|
| | | | \$ | \$ |
| 24-Mar-15 | Expired, unexercised, 24 March 2015 ⁵ | (2,166,995) | A\$0.225 | - |
| 19-Dec-14 | Expired, unexercised, 19 December 2014 ⁶ | (1,000,000) | A\$0.25 | - |
| | | (3,166,995) | | - |

(iv) Forfeited Options

2016

No options were forfeited during the year

| 2015 | Details | Number | Exercise Price | |
|-----------|--|------------------|----------------|----|
| | | | \$ | \$ |
| 21-Jul-14 | Lapsed, unexercised, 21 July 2014 ⁷ | (200,000) | A\$1.12 | - |
| | | (200,000) | | - |

¹ Options exercisable at \$0.34 on or before 2 October 2018

² Options exercisable at \$0.26 on or before 18 February 2020

³ Options exercisable at \$0.27 on or before 25 May 2020

⁴ Options exercisable at \$nil on or before 7 August 2014 with a share price hurdle of \$0.40 for 5 constructive trading days

⁵ Options exercisable at \$0.225 on or before 25 March 2015

⁶ Options exercisable at \$0.25 on or before 19 December 2014

⁷ Options exercisable at \$1.12 on or before 5 February 2019

| (b) Options over ADRs ¹ | 2016 | | 2015 | |
|--------------------------------------|------|------------------|------|------------------|
| | No. | \$ | No. | \$ |
| At the beginning of reporting period | - | 1,515,434 | - | 1,515,434 |
| At reporting date | - | 1,515,434 | - | 1,515,434 |

¹ Options exercisable at USD\$5.00 on or before 17 December 2012. These options were convertible to ADRs, 1 ADR = 10 ordinary shares. These options expired without being exercised on 17 December 2012.

Note 7. Reserves (continued)

| (c) Warrants over ADRs ^{1 & 2} | 2016 | | 2015 | |
|---|-----------|----------------|----------------|----------------|
| | No. | \$ | No. | \$ |
| At the beginning of reporting period ¹ | - | 453,563 | - | 453,563 |
| At the beginning of reporting period | 612,397 | - | 612,397 | - |
| Expired ² | (612,397) | - | - | - |
| At reporting date | - | 453,563 | 612,397 | 453,563 |

¹ Warrants exercisable at USD\$8.00 on or before 4 June 2009.
These warrants are convertible to ADRs, 1 ADR = 10 ordinary shares.

These warrants expired without being exercised on 4 June 2009.

² Warrants exercisable at A\$0.17 expired on 25 February 2016.

(d) Nature and purpose of reserve

The share based payments reserve is used to recognise the fair value of options and warrants issued to employees and consultants but not exercised.

Note 8. Contingent Liabilities and Contingent Assets

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

Note 9. Segment Reporting

The Group's Chief Executive Officer (Chief Operating Decision Maker) examines internal reports to assess the Group's performance and determine the allocation of resources. The Group's activities are predominantly within Australia and cover research into Alzheimer's disease, Huntington disease and other neurodegenerative disorders. Accordingly, the Group has identified one reportable segment.

Note 10. Share-based Payments

At the Annual General Meeting held on 17 November 2004, Shareholders approved the establishment of a new Employee and Consultant Plan designed to reward Executives, Employees and/or Consultants for their contributions to the consolidated entity. The plan is to be used as a method of retaining key personnel for the growth and development of the Group's intellectual property rights. Due to the Group's US presence, a US plan and an Australian plan were developed. At 30 June 2016 equity had been issued to 1 previous Director, while a Director, under the US plan and 6 Directors, 2 Key Management Personnel, 12 employees and 19 consultants under the Australian Plan.

2004 Australian Employee, Directors and Consultants Share and Option Plan - Shares

| | 2016 Number of Shares | 2015 Number of Shares |
|--|-----------------------------|-----------------------------|
| Outstanding at the beginning of the year | 13,277,715 | 12,987,715 |
| Granted | - | 110,000 |
| Forfeited | - | - |
| Exercised Options | - | 180,000 |
| Outstanding at year-end | 13,277,715 | 13,277,715 |

Shares issued to employees and consultants were valued at the market price per share at date of grant. See note 7 for further detail.

2004 Australian Employee, Directors and Consultants Share and Option Plan – Options

| | 2016 | | 2015 | |
|--|----------------------|--|----------------------|--|
| | Number of Options | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Outstanding at the beginning of the year | 19,395,582 | 0.38 | 16,375,582 | 0.41 |
| Granted | - | - | 4,400,000 | 0.28 |
| Lapsed | - | - | (200,000) | 1.12 |
| Forfeited | - | - | - | - |
| Exercised | - | - | (180,000) | - |
| Expired | - | - | (1,000,000) | 0.25 |
| Outstanding at year-end | 19,395,582 | 0.38 | 19,395,582 | 0.38 |
| Exercisable at year-end | 19,395,582 | 0.38 | 19,195,582 | 0.38 |

Note 10. Share-based Payments (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Series | Grant Date | Expiry Date | Exercise Price \$ | Share options 2016 | Share options 2015 |
|--------------|------------|-------------|----------------------|-----------------------|-----------------------|
| PBTAA | 25-Oct-13 | 24-Oct-18 | \$0.61 | 200,000 | 200,000 |
| PBTAB | 3-Oct-14 | 2-Oct-18 | \$0.34 | 1,000,000 | 1,000,000 |
| PBTAC | 26-Jun-13 | 25-Jun-18 | \$0.37 | 1,649,573 | 1,649,573 |
| PBTAD | 4-Nov-13 | 3-Nov-18 | \$0.73 | 360,000 | 360,000 |
| PBTAE | 13-Dec-13 | 11-Dec-18 | \$1.04 | 1,200,000 | 1,200,000 |
| PBTAF | 7-Feb-14 | 5-Feb-19 | \$1.12 | 100,000 | 100,000 |
| PBTAG | 7-Apr-14 | 6-Apr-18 | \$0.25 | 1,200,000 | 1,200,000 |
| PBTAH | 19-Feb-15 | 18-Feb-20 | \$0.26 | 2,000,000 | 2,000,000 |
| PBTAQ | 12-Dec-12 | 13-Dec-17 | \$0.33 | 8,500,000 | 8,500,000 |
| PBTAR | 27-May-15 | 25-May-20 | \$0.27 | 1,400,000 | 1,400,000 |
| PBTAW | 21-Mar-12 | 20-Mar-17 | \$0.25 | 1,119,519 | 1,119,519 |
| PBTAY | 5-Aug-13 | 4-Aug-18 | \$0.66 | 306,490 | 306,490 |
| PBTAZ | 2-Oct-13 | 1-Oct-18 | \$0.66 | 360,000 | 360,000 |
| Total | | | | 19,395,582 | 19,395,582 |

| | | |
|---|------------|------------|
| Weighted average remaining contractual life of options outstanding at end of period | 2.04 years | 3.04 years |
|---|------------|------------|

Life of the Option

The life is the time period from grant date through to expiry.

Share Price Volatility

Historical Volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Dividend yield

The Group has yet to pay a dividend so it has been assumed the dividend yield on the shares underlying the options will be 0%.

Risk free interest rate

This has been sourced from the Reserve Bank of Australia historical interest rate tables for government bonds.

Model inputs

The model inputs for the valuations of options approved and issued during the current and previous financial years are as follows:

Note 10. Share-based Payments (continued)

| Series | Grant Date | Exercise Price per Share \$ | Share Price at Grant Date \$ | Expected Share Price Volatility | Years to Expiry | Dividend Yield | Risk-free Interest Rate |
|--------|------------|--------------------------------|---------------------------------|---------------------------------|-----------------|----------------|-------------------------|
| PBTAY | 5-Aug-13 | 0.66 | 0.38 | 62.00% | 5.00 | 0% | 3.05% |
| PBTAZ | 2-Oct-13 | 0.66 | 0.41 | 61.00% | 5.00 | 0% | 3.24% |
| PBTAA | 25-Oct-13 | 0.61 | 0.38 | 63.60% | 5.00 | 0% | 3.31% |
| PBTAD | 4-Nov-13 | 0.73 | 0.44 | 68.80% | 5.00 | 0% | 3.46% |
| PBTAE | 13-Dec-13 | 1.04 | 0.69 | 70.70% | 5.00 | 0% | 3.45% |
| PBTAF | 7-Feb-14 | 1.12 | 1.18 | 58.50% | 5.00 | 0% | 3.44% |
| PBTAG | 7-Apr-14 | 0.25 | 0.23 | 289.40% | 4.00 | 0% | 3.02% |
| PBTAB | 3-Oct-14 | 0.34 | 0.22 | 130.50% | 4.00 | 0% | 2.71% |
| PBTAH | 19-Feb-15 | 0.26 | 0.16 | 74.80% | 5.00 | 0% | 2.00% |
| PBTAR | 27-May-15 | 0.27 | 0.17 | 69.40% | 5.00 | 0% | 2.25% |

The closing share market price of an ordinary share of Prana Biotechnology Limited on the Australian Securities Exchange at 30 June 2016 was \$0.10 (30 June 2015: \$0.15).

Options issued outside of Employees', Directors' and Consultants' Share and Option Plan

| | 2016 Number of Options | 2016 Weighted Average Exercise Price \$ | 2015 Number of Options | 2015 Weighted Average Exercise Price \$ |
|--|------------------------------|--|------------------------------|--|
| Outstanding at the beginning of the year | - | - | 2,166,995 | 0.23 |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | (2,166,995) | 0.23 |
| Outstanding at year-end | - | - | - | - |
| Exercisable at year-end | - | - | - | - |

There were no options granted during the year ended 30 June 2016 and 30 June 2015 outside of the plan. There are no options outstanding at 30 June 2016. All equity issued outside of the plan has been expensed in prior periods.

Note 11. Events occurring after the reporting date

No 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 Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

Note 12. Audit

These accounts are currently in the process of being audited. An Annual Report containing the audit report shall be provided in due course.

Corporate Directory

DIRECTORS

Mr Geoffrey Kempler

Mr Brian Meltzer

Dr George Mihaly

Mr Peter Marks

Mr Lawrence Gozlan

Prof. Ira Shoulson

Executive Chairman and Chief Executive Officer

Non-Executive Independent Director

COMPANY SECRETARY

Mr Phillip Hains

AUDITORS

PricewaterhouseCoopers

Chartered Accountants

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SHARE REGISTRY

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Facsimile: +61 3 9473 2500

Email: essential.registry@computershare.com.au

Website: www.computershare.com.au

SECURITIES QUOTED

ASX

(Australian Securities Exchange)

Code: PBT (Shares)

NASDAQ

(North American Dealers Automated Quotation)

Code: PRAN (ADRs)

WEBSITE

www.pranabio.com