



## Appendix 4D for the Half Year Ended 31 December 2009

### Results for announcement to the market

Current Reporting Period - Half year Ended 31 December 2009  
Previous Reporting Period - Half year Ended 31 December 2008

Revenue from ordinary activities	down	72.31%	to	\$92,856
Loss from ordinary activities after tax attributable to members	down	52.27%	to	(\$2,215,845)
Net loss for the period attributable to members	down	52.27%	to	(\$2,215,845)
<b>Dividends (distribution)</b>		<b>Amount per Security</b>		<b>Franked Amount per Security</b>
Final dividend		n/a		n/a
Previous corresponding period		n/a		n/a
<b>Net Tangible Asset per Security (cents per security)</b>				
As at 31 December 2009		3.27		
As at 30 June 2009		1.85		
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)				n/a
<u>Explanation of the above information:</u>				
Prana Biotechnology Ltd recorded revenue of A\$92,856 for the period ended 31 December 2009 (2008: A\$335,379), which is interest received on company bank accounts. The decrease in interest received is due to reduced amounts of cash on hand.				
Prana Biotechnology Ltd has incurred a loss for the half year of A\$2,215,845 (2008: A\$4,642,510). This loss has decreased due to a reduction in the payment of share based compensation during the current period and a decrease in expenditure on intellectual property and research and development.				
Refer to the Directors' Report - Review of Operations for further information.				



## Appendix 4D Interim Financial Report

for the half year ended  
**31 December 2009**

(previous corresponding period: half year ended 31 December 2008)

To be read in conjunction with the 30 June 2009 Annual Report.  
In compliance with Listing Rule 4.2A

# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Prana Biotechnology Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2009.

## Directors

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

Mr Geoffrey Kempler	Executive Chairman and Chief Executive Officer
Dr George Mihaly	Non-Executive Director
Mr Brian Meltzer	Non-Executive Director
Mr Peter Marks	Non-Executive Director
Mr Paul Marks*	Non-Executive Director

\*Mr Paul Marks was appointed as a director on 14 January 2010 and continues in office at the date of this report.

## Review of Operations

### Key Events Summary

- In July 2009, we presented an update on the clinical efficacy of PBT2 at the International Conference on Alzheimer's Disease (ICAD) in Vienna, Austria. In a paper entitled, "PBT2 for Alzheimer's disease: An update on Clinical Development," Dr. Craig Ritchie, our European clinical advisor, presented new data showing that a patient's overall executive function, as measured by the neuropsychological test battery, improved after 12 weeks treatment compared to patients on placebo. In addition, post hoc analysis data was presented showing that in a responder analysis of patients participating in the trial, 41% of patients receiving PBT2 achieved substantial cognitive improvement compared to only 4% of patients receiving a placebo.
- At the same ICAD conference, Assoc. Prof. Robert Cherny, our Head of Research, presented the paper entitled, "PBT2 ameliorates cognitive impairment in Alzheimer's disease transgenic and aged mice: Evidence for a common mechanism of action." In addition to PBT2's ability to inhibit beta amyloid toxicity, Assoc. Prof. Cherny also showed evidence that PBT2 restored the density of neuronal processes or spines and levels of neurotransmitters in aged, cognitively impaired mice to normal levels seen in young healthy mice. This data is consistent with the expectation that PBT2 can ameliorate the cognitive deficits of the aged individual with Alzheimer's disease.
- In August 2009, the European Patent Office issued a notice of its 'Decision to Grant' the patent entitled, "8-Hydroxyquinoline derivatives" covering composition of matter claims to selected 8-Hydroxyquinoline compounds, including our lead MPAC for Alzheimer's disease PBT2. Later in the same month the United States Patent and Trade Mark Office issued a Notice of Allowance for the same patent containing the composition of matter claims to the selected 8-Hydroxyquinoline compounds and PBT2. This patent case was granted in November 2009. Each of these patents has a 20 year term to July 2023, which may be extended.
- 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. We are currently developing a plan for the development of this lead brain cancer compound.
- In December 2009, Assoc. Prof. David Finkelstein presented data on the effects of several of our Parkinson's disease candidates at the World Congress on Parkinson's Disease and Related Disorders held in Miami, United States. The data presented showed that our compounds could rescue neurons from dying in the Parkinson's disease susceptible area of the brain, the substantia nigra, in two animal models of Parkinson's disease. In addition, data was presented showing that one promising compound, PBT434, significantly improved motor functioning in an animal model of Parkinson's disease in addition to its ability to prevent the loss of substantia nigra tissue in the brain.

### **Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of the Board of Directors.



Mr Geoffrey Kempler  
Executive Chairman and Chief Executive Officer

Melbourne  
Dated 25 February 2010

### Auditor's Independence Declaration

As lead auditor for the review of Prana Biotechnology Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Prana Biotechnology Limited and the entities it controlled during the period.



Andrew J. Barlow  
Partner  
PricewaterhouseCoopers

Melbourne  
25 February 2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Entity	
		31 December 2009	31 December 2008
		\$	\$
<b>Revenue from ordinary activities</b>		92,856	335,379
Intellectual property expenses		(257,882)	(782,474)
Auditor and accounting expenses		(111,573)	(105,974)
Research and development expenses	4	289,316	(1,537,946)
Personnel expenses		(1,583,589)	(2,265,496)
Depreciation expenses		(16,665)	(15,693)
Other expenses		(482,704)	(545,477)
Travel expenses		(118,460)	(187,707)
Public relations and marketing expenses		(58,280)	(118,543)
Gain (loss) on fair valuation of financial liabilities	6	-	532,597
Foreign exchange gain (loss)		31,136	48,824
		<hr/>	<hr/>
<b>Loss before income tax expense</b>		(2,215,845)	(4,642,510)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss for the period</b>		(2,215,845)	(4,642,510)
		<hr/>	<hr/>
<b>Other comprehensive income</b>		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		(2,215,845)	(4,642,510)
		<hr/> <hr/>	<hr/> <hr/>
		Cents	Cents
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share	9	(1.00)	(2.30)
Diluted loss per share	9	(1.00)	(2.30)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	Consolidated Entity	
		31 December 2009	30 June 2009
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		8,372,006	4,304,977
Trade and other receivables		11,233	526
Other current assets		119,860	185,433
<b>TOTAL CURRENT ASSETS</b>		<b>8,503,099</b>	<b>4,490,936</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		74,773	71,150
Other non-current assets		35,164	35,164
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,937</b>	<b>106,314</b>
<b>TOTAL ASSETS</b>		<b>8,613,036</b>	<b>4,597,250</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		682,105	604,142
Provisions		215,268	194,903
<b>TOTAL CURRENT LIABILITIES</b>		<b>897,373</b>	<b>799,045</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		65,321	48,389
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>65,321</b>	<b>48,389</b>
<b>TOTAL LIABILITIES</b>		<b>962,694</b>	<b>847,434</b>
<b>NET ASSETS</b>		<b>7,650,342</b>	<b>3,749,816</b>
<b>EQUITY</b>			
Issued and unissued capital	7	75,114,862	70,188,989
Reserves	8	8,317,830	7,127,332
Accumulated losses		(75,782,350)	(73,566,505)
<b>TOTAL EQUITY</b>		<b>7,650,342</b>	<b>3,749,816</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Consolidated Entity				
	Issued and Unissued Capital	Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 30 June 2008</b>	69,842,303	6,067,740	(66,043,716)	9,866,327
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued gross of costs	136,500	-	-	136,500
Options exercised	152,070	(152,070)	-	-
Options issued	-	560,000	-	560,000
Transaction costs	(7,848)	-	-	(7,848)
Share options - value of share option scheme	-	260,339	-	260,339
	280,722	668,269	-	948,991
Loss for the period	-	-	(4,642,510)	(4,642,510)
<b>Total comprehensive income for the period</b>	-	-	<b>(4,642,510)</b>	<b>(4,642,510)</b>
<b>As at 31 December 2008</b>	<b>70,123,025</b>	<b>6,736,009</b>	<b>(70,686,226)</b>	<b>6,172,808</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued gross of costs	5,625	-	-	5,625
Options exercised	65,684	(65,684)	-	-
Options issued	-	200,913	-	200,913
Transaction costs	(5,345)	-	-	(5,345)
Share options - value of share option scheme	-	256,094	-	256,094
	65,964	391,323	-	457,287
Loss for the period	-	-	(2,880,279)	(2,880,279)
<b>Total comprehensive income for the period</b>	-	-	<b>(2,880,279)</b>	<b>(2,880,279)</b>
<b>As at 30 June 2009</b>	<b>70,188,989</b>	<b>7,127,332</b>	<b>(73,566,505)</b>	<b>3,749,816</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued gross of costs	5,142,857	-	-	5,142,857
Options exercised	72,508	(72,508)	-	-
Options issued	-	1,154,743	-	1,154,743
Equity to be issued	50,386	-	-	50,386
Transaction costs	(339,878)	-	-	(339,878)
Share options - value of share option scheme	-	108,263	-	108,263
	4,925,873	1,190,498	-	6,116,371
Loss for the period	-	-	(2,215,845)	(2,215,845)
<b>Total comprehensive income for the period</b>	-	-	<b>(2,215,845)</b>	<b>(2,215,845)</b>
<b>As at 31 December 2009</b>	<b>75,114,862</b>	<b>8,317,830</b>	<b>(75,782,350)</b>	<b>7,650,342</b>

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

## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 December 2009	31 December 2008
	\$	\$
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(1,681,887)	(3,930,670)
Interest received	82,297	420,833
<b>NET OPERATING CASH FLOWS</b>	(1,599,590)	(3,509,837)
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
Payment for purchases of plant and equipment	(20,288)	(34,752)
<b>NET INVESTING CASH FLOWS</b>	(20,288)	(34,752)
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
Proceeds from issues of securities	6,000,000	114,000
Transaction costs relating to equity issuances	(339,878)	(7,848)
<b>NET FINANCING CASH FLOWS</b>	5,660,122	106,152
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,040,244	(3,438,437)
Cash and cash equivalents at the beginning of the half year	4,304,977	11,219,035
Effects of exchange rate changes on cash and cash equivalents	26,785	71,279
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR</b>	8,372,006	7,851,877

The above Cash Flow Statement should be read in conjunction with the following notes.

# NOTES TO THE FINANCIAL STATEMENTS

## **Note 1. Basis of Preparation**

This general purpose financial report for the interim half year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* ("AASB 134") and the Corporations Act 2001. This interim financial report complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Australian equivalents to International Financial Reporting Standards ("A-IFRS") and AASB 134.

This interim financial 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 2009 and any public announcements made by Prana Biotechnology Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2009.

Effective as of 1 July 2009, the Company adopted AASB 8 Operating Segments, which replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has had no effect on the consolidated entity as one reporting segment is still deemed applicable given that the Company is not a -complex operation. The Company reports segment information in a manner that is 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 Company's steering committee that makes strategic decisions.

## **Note 2. Dividends**

The Company resolved not to declare any dividends in the period ended 31 December 2009.

## **Note 3. Segment Information**

The Company's activities are predominately within Australia and cover research into Alzheimer's Disease and other major age-related degenerative disorders.

## **Note 4. Research and Development**

For the six months ended 31 December 2009, the Company incurred research and development expenses of \$620,099. Such expenses were offset by cash that the Company received due to an adjustment under a research and development contract, resulting in the line item of research and development expenses for such period being positive in the amount of \$289,316.

## **Note 5. Contingent Liabilities and Assets**

There has been no change in contingent liabilities and assets since the last annual reporting date.

## **Note 6. Financial Liabilities**

Following a meeting of shareholders on 1 June 2004, the Company issued 4 million ADRs (1 ADR = 10 ordinary shares) and 3 million warrants to US investors. The US investors acquired the ADRs at a price of USD 5.00 per ADR with a 3 for 4 attaching warrant. The issue raised USD 20 million (AUD 28.9 million) before costs. The warrants are convertible to ADRs on or before 4 June 2009 at an exercise price of USD 8.00 per warrant.

The warrants expired without being exercised on 4 June 2009.

Under AASB 132 paragraph 11, the warrants associated with this transaction were required to be classified as a Financial Liability, as opposed to Issued Capital, as a result of the warrants being exercisable in a foreign currency, that is a currency different to the functional currency of the Company.

At each reporting date the Financial Liability representing the warrants were required to be revalued to fair value with the movement in the fair value recorded in the statement of comprehensive income.

**Note 7. Issued and Unissued Capital**

	Note	31 December 2009		30 June 2009	
		No.	\$	No.	\$
Fully Paid Ordinary Shares	(a)	233,965,871	72,413,218	202,710,473	67,487,345
Options over Fully Paid Ordinary Shares	(b)	-	2,701,644	14,279,133	2,701,644
Total Issued and Unissued Capital			75,114,862		70,188,989

## (a) Fully Paid Ordinary Shares

At the beginning of the year		202,710,473	67,487,345	201,800,240	67,140,659
Shares issued		30,915,000	5,193,243	93,750	142,125
Shares issued upon exercise of options		340,398	72,508	816,483	217,754
Transaction costs relating to share issues		-	(339,878)	-	(13,193)
At the end of the year		233,965,871	72,413,218	202,710,473	67,487,345

## (b) Options over Fully Paid Ordinary Shares

At the beginning of the year		14,279,133	2,701,644	14,279,133	2,701,644
Expired options, unexercised		(14,279,133)	-	-	-
At the end of the year		-	2,701,644	14,279,133	2,701,644

**Note 8. Reserves - Share-Based Payments**

	31 December 2009		30 June 2009	
	No.	\$	No.	\$
Options over Fully Paid Ordinary Shares	24,374,769	6,348,833	13,335,167	5,158,335
Options over ADRs	380,000	1,515,434	380,000	1,515,434
Options over Warrants	-	453,563	-	453,563
Total Share Based Payments	24,754,769	8,317,830	13,715,167	7,127,332

During the half year ended 31 December 2009, the following movements in options to purchase fully paid ordinary shares occurred:

Options

- \* Grant of options to purchase 3,580,000 ordinary shares to consultants
- \* Grant of options to purchase 10,000,000 ordinary shares to investors as part of the November 2009 capital raising
- \* Exercise of options to purchase 260,398 ordinary shares by employees
- \* Exercise of options to purchase 80,000 ordinary shares by consultants
- \* 2,200,000 options expired on 31 July 2009, held by directors

**Note 9. Loss per Share**

	31 December 2009	31 December 2008
Basic loss per share (cents)	(1.00)	(2.30)
Diluted loss per share (cents)	(1.00)	(2.30)
	\$	\$
a) Net loss used in the calculation of basic and diluted loss per share	(2,215,845)	(4,642,510)
	No.	No.
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	221,209,017	202,067,685

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 10. Net Tangible Assets**

	31 December 2009	30 June 2009
Net Tangible Assets	\$7,650,342	\$3,749,816
No. of Shares	233,965,871	202,710,473
Net Tangible Assets (cents)	3.27	1.85

**Note 11. Cash Flow Reconciliation**

	31 December 2009	31 December 2008
	\$	\$
(a) Reconciliation of Cash Flow from Operating Activities with Net Loss after Income Tax	(2,215,845)	(4,642,510)
Add back depreciation expense	16,665	15,693
Add back foreign exchange	(26,785)	(71,280)
Add back fair valuation of financial liabilities	-	(532,597)
Add back equity to be issued	50,386	-
Add back equity issued for nil consideration	405,863	842,839
Increases/(Decreases) in Provisions	37,297	25,139
(Increases)/Decreases in Accounts Receivable	(10,707)	49,797
(Increases)/Decreases in Other Current Assets	65,573	(4,612)
Increases/(Decreases) in Accounts Payable	77,963	807,694
Net Operating Cash Flows	<u>(1,599,590)</u>	<u>(3,509,837)</u>
(b) Reconciliation of cash and cash equivalents	<b>31 December 2009</b>	<b>30 June 2009</b>
Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:		
Cash and cash equivalents	\$8,372,006	\$4,304,977

**Note 12. Going Concern**

The consolidated entity is a development stage medical biotechnology company and as such expects to be utilising cash until its research activities have become marketable. As at 31 December 2009, the consolidated entity incurred an operating loss of A\$2,215,845 (2008 loss: A\$4,642,510). As at half year end, the consolidated entity's net assets stood at A\$7,650,342 (June 2009: A\$3,749,816). The consolidated entity's cash position has increased to A\$8,372,006 from A\$4,304,977 at 30 June 2009.

The Directors believe that the going concern basis of preparation is appropriate given the following reasons:

- > During the financial year ending 30 June 2010, the consolidated entity will work to further advance both the development of its core technologies, and if possible, the commercialisation of those technologies. Based on the forecast cash flows approved by the Board of Directors, which excludes any cash that may be raised through further allotment of capital or through joint collaboration arrangements with third parties, the Directors believe that sufficient cash will be available to fund the consolidated entity's operations over the 12 month period subsequent to the date of signing the financial statements.
- > At this time, the Directors 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 statement of financial position at 31 December 2009. Accordingly, 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 consolidated entity not continue as a going concern.

**Note 13. Events Subsequent to 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 consolidated entity, the result of those operations or the state of affairs of the consolidated entity in subsequent financial years.

## DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and notes, as set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards and the Corporations Regulations; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Geoffrey Kempler  
Executive Chairman and Chief Executive

Dated 25 February 2010

## Independent auditor's review report to the members of Prana Biotechnology Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Prana Biotechnology Limited, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Prana Biotechnology Limited Group (the consolidated entity). The consolidated entity comprises both Prana Biotechnology Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prana Biotechnology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independent auditor's review report to the members of  
Prana Biotechnology Limited (continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Company for the half-year ended 31 December 2009 included on Prana Biotechnology Limited's website. The company's directors are responsible for the integrity of the Prana Biotechnology Limited website. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this website.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

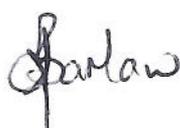
*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prana Biotechnology Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Andrew J. Barlow  
Partner

25 February 2010