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

FORM 20-F

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

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2018

OR

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

OR

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

Commission file number 000-49843

**PRANA BIOTECHNOLOGY LIMITED**

(Exact name of Registrant as specified in its charter  
and translation of Registrant's name into English)

**Australia**

(Jurisdiction of incorporation or organization)

**Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia**

(Address of principal executive offices)

**Geoffrey Kempler, Chief Executive Officer**

**Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia**

**+61 3 9349 4906 (phone) ; +61 3 9348 0377 (fax)**

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

Title of each class  
**American Depositary Shares,  
each representing sixty Ordinary Shares**

Name of each exchange on which registered  
**NASDAQ Capital Market**

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

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

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

**Ordinary Shares, as of June 30, 2018 .....533,891,470**

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Emerging growth company ☐

Accelerated filer ☐  
Non-accelerated filer ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act. ☐

<sup>†</sup> The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP ☐

International Financial Reporting Standards as  
issued by the International Accounting  
Standards Board ☒

Other ☐

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

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

This Annual Report on Form 20-F is incorporated by reference into our Registration Statement on Form S-8 (File No. 333-153669) and our Registration Statement on Form F-3 (Files No. 333-220886).

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## **INTRODUCTION**

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

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 Depositary Shares, or ADSs, have traded on the NASDAQ Capital Market under the symbol "PRAN." The Bank of New York, acting as depositary, issues American Depositary Receipts, or ADRs, each of which evidences an ADS, which in turn represents sixty of our ordinary shares. As used in this annual report, the terms "we," "us," "our" and "Prana" mean Prana Biotechnology Limited and its subsidiaries, unless otherwise indicated.

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

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

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

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

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

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## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. SELECTED CONSOLIDATED FINANCIAL DATA

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

The following table presents our selected consolidated financial data as of the dates and for each of the periods indicated. The following selected consolidated financial data as of June 30, 2018 and 2017 and for the years ended June 30, 2018, 2017 and 2016 have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated financial data as of June 30, 2016, 2015 and 2014 and for the years ended June 30, 2015 and 2014 have been derived from our audited consolidated financial statements and notes thereto which are not included in this annual report.

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

#### Statement of Comprehensive Income:

	2018	Year Ended June 30, 2017	2016	2015	2014
	(in A\$, except loss per share and number of shares)				
Revenue from continuing operations	201,174	132,396	142,657	176,842	363,775
Other income	3,125,775	3,022,673	4,753,697	6,317,438	7,845,396
Research and development expenses	(6,698,016)	(5,700,339)	(9,585,371)	(12,298,167)	(14,908,098)
General and administration expenses	(4,341,058)	(3,968,630)	(3,610,551)	(4,506,122)	(4,925,411)
Intellectual property expenses	(224,580)	(241,892)	(241,954)	(257,299)	(477,079)
Other operating expenses	(58,172)	(126,071)	(45,276)	(39,210)	(451,251)
Finance expense – ADDF	-	-	-	-	(29,978)
Other gains and losses	(270,860)	(660,213)	857,247	4,721,449	(746,593)
Net loss	(8,265,737)	(7,542,076)	(7,729,551)	(5,885,069)	(13,329,239)
Loss per share in cents – basic and diluted	(1.55)	(1.41)	(1.45)	(1.17)	(3.11)
Weighted average number of ordinary shares outstanding - basic and diluted	533,891,470	533,891,470	533,891,470	502,714,982	428,047,123

**Balance Sheet Data**

	As at June 30,				
	2018	2017	2016	2015	2014
			(in A\$)		
Cash and cash equivalents	15,235,556	21,884,957	28,593,538	34,909,574	34,167,018
Working capital	16,010,651	23,659,659	31,299,470	39,025,487	37,597,770
Total assets	18,726,013	25,280,946	33,725,020	41,834,382	41,640,855
Net assets	16,081,157	23,690,034	31,367,213	39,113,264	37,686,287
Issued capital	143,910,328	144,018,006	146,879,214	146,895,714	140,009,415
Share based payment reserves	1,753,954	2,320,480	9,363,181	9,363,181	8,937,434
Accumulated deficit during development stage	(129,583,125)	(122,648,452)	(124,875,182)	(117,145,631)	(111,260,562)
Total equity	16,081,157	23,690,034	31,367,213	39,113,264	37,686,287

**Exchange Rate Information**

The following tables set forth, for the periods and dates indicated, certain information regarding the rates of exchange of A\$1.00 into U.S.\$ based on rates quoted on the U.S. Federal Reserve System. Each period end rate is the average ask price for the day. The average rate is the average of all the ask prices for the given time period. The high rate is the highest bid rate for the given time period. The low rate is the lowest bid rate for the given time period.

Year Ended June 30,	At Period End	Average Rate	High	Low
2014	0.9439	0.9183	0.9757	0.8659
2015	0.7655	0.8369	0.9457	0.7580
2016	0.7432	0.7289	0.7817	0.6855
2017	0.7676	0.7544	0.7733	0.7174
2018	0.7399	0.7753	0.8105	0.7355

Month	High	Low
April 2018	0.7784	0.7543
May 2018	0.7595	0.7445
June 2018	0.7677	0.7355
July 2018	0.7466	0.7322
August 2018 (up to August 24, 2018)	0.7428	0.7233

The exchange rate on August 24, 2018 was U.S.\$0.7332 = A\$1.00.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

## D. RISK FACTORS

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

### Risks Related to Our Financial Condition

**We have a history of significant operating losses since we began operations, we expect to continue to incur operating losses for the foreseeable future and may never achieve or maintain profitability.**

We have not sufficiently advanced the development of any of our product candidates, to market or generate revenues from their commercial application. We have incurred losses in every period since we began operations in 1997 and reported net losses of A\$ 8,265,737, A\$7,542,076 and A\$7,729,551 during the fiscal years ended June 30, 2018, 2017 and 2016, respectively. As of June 30, 2018, our accumulated deficit was A\$ 129,583,125. We expect to continue to incur additional operating losses over at least the next several years as we expand our research and development and pre-clinical activities and commence clinical trials of our product candidates that includes PBT434 for Parkinsonian diseases, prospectively PBT2 for Huntington disease or alternative indications and the development of other compounds.

Our actual cash requirements may vary materially from those now planned and will depend upon numerous factors, including:

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

If we fail to generate revenue and eventually become and remain profitable, or if we are unable to fund our continuing losses, our shareholders could lose all or part of their investments.

If we fail to generate revenue and eventually become and remain profitable, or if we are unable to fund our continuing losses, our shareholders could lose all or part of their investments.

**We will need substantial additional funding to complete our clinical trials and to operate our business; such funding may not be available or, if it is available, such financing is likely to substantially dilute our existing shareholders.**

We did not raise any funds from the sale of our ordinary shares pursuant to our at-the-market offering facility in the years ended June 30, 2018 and 2017. We will need to secure additional financing in order to continue to meet our longer-term business objectives, including advancement of our research and development programs and we may also require additional funds to pursue regulatory clearances, defend our intellectual property rights, establish commercial scale manufacturing facilities, develop marketing and sales capabilities and fund operating expenses. We intend to seek such additional funding through public or private financings and/or through licensing of our assets or strategic alliances or other arrangements with corporate partners.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never achieve, we expect to finance our cash needs primarily through public or private equity offerings, debt financings or through strategic alliances.



We cannot be certain that additional funding will be available on acceptable terms or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of, or eliminate one or more of our clinical trials, collaborative research or development programs or future commercialization initiatives. In addition, any additional funding that we do obtain will dilute the ownership held by our existing security holders. The amount of this dilution may be substantially increased if the trading price of our ADSs is lower at the time of any financing. Regardless, the economic dilution to shareholders will be significant if our stock price does not increase significantly, or if the effective price of any sale is below the price paid by a particular shareholder. Any debt financing could involve substantial restrictions on activities and creditors could seek a pledge of some or all of our assets. We have not identified potential sources for the additional financing that we will require, and we do not have commitments from any third parties to provide any future financing. If we fail to obtain additional funding as needed, we may be forced to cease or scale back operations, and our results, financial condition and stock price would be adversely affected.

## **Risks Related To Our Business**

### **We are a development stage company of pharmaceutical products and our success is uncertain.**

We are a development stage company whose pharmaceutical products are designed to treat degenerative diseases of the brain. We have not sufficiently advanced the development of any of our candidate products, to market or generate revenues from their commercial application. Our current or any future product candidates, if successfully developed, may not generate sufficient or sustainable revenues to enable us to be profitable.

### **We are faced with uncertainties related to our research.**

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

### **Clinical trials are expensive and time consuming, and their outcome is uncertain.**

In order to obtain approvals to market a new drug product, we or our potential partners must demonstrate proof of safety and efficacy in humans. To meet these requirements, we or our potential partners will have to conduct extensive nonclinical testing and “adequate and well-controlled” clinical trials. Conducting clinical trials is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per trial. Even if we obtain positive results from such nonclinical or initial clinical trials, we may not achieve the same success in future trials. Clinical trials may not demonstrate adequate safety or sufficient effectiveness to obtain the requisite regulatory approvals for product candidates employing our technology. The failure of clinical trials to demonstrate safety and efficacy for a particular desired indication could harm development of that product candidate for other indications as well as other product candidates.

We expect to commence new clinical trials from time to time as our product development work continues. Any change in, or termination of, our clinical trials could materially harm our business, financial condition and results of operations.

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

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

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

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

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

**We rely on research institutions to conduct our clinical trials and we may not be able to secure and maintain research institutions to conduct our future trials.**

We rely on research institutions to conduct our clinical trials. Our reliance upon research institutions, including public and private hospitals and clinics, provides us with less control over the timing and cost of clinical trials, clinical study management personnel and the ability to recruit subjects. If we are unable to reach agreements with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to secure, maintain or quickly replace the research institution with another qualified institution on acceptable terms.

**We may not be able to complete the development of our products candidates or develop other pharmaceutical products.**

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

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

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

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

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

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

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

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

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

Our current or future candidate products may not achieve market acceptance even if they are approved by regulatory authorities. The degree of market acceptance of such products will depend on a number of factors, including:

- the receipt and timing of regulatory approvals for the uses that we are studying;
- the establishment and demonstration to the medical community of the safety, clinical efficacy or cost-effectiveness of our product candidates and their potential advantages over existing therapeutics and technologies; and
- the pricing and reimbursement policies of governments and third-party payors.

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

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

We lack the resources to manufacture any of our product candidates on a clinical or commercial scale and do not currently have, nor do we plan to acquire the infrastructure or capability internally to manufacture our clinical drug supplies for use in the conduct of our clinical trials. We rely on collaborators and/or third parties for development, scale-up, formulation, optimization, management of clinical trial and commercial scale manufacturing and commercialization. There are no assurances we can scale-up, formulate or manufacture any product candidate in sufficient quantities with acceptable specifications for the conduct of our clinical trials or for the regulatory agencies to grant approval of such product candidate. We have not yet commercialized any products and have no commercial manufacturing experience. To be successful, our products must be properly formulated, scalable, stable and safely manufactured in clinical trial and commercial quantities in compliance with good manufacturing practices (GMP) and other regulatory requirements and at acceptable costs. Should any of our suppliers or our collaborators be unable to supply or be delayed in supplying us with sufficient supplies, no assurance can be given that we will be able to find alternative means of supply in a short period of time. Should such parties' operations suffer a material adverse event, the manufacturing of our products would also be adversely affected. Furthermore, key raw materials could become scarce or unavailable. We may not be able to meet specifications previously established for product candidates during scale-up and manufacturing.

There may be a limited number of third parties who can manufacture our products. Our reliance on third parties to manufacture our product candidates will expose us and our partners to risks including the following, any of which could delay or prevent the commercialization of our products, result in higher costs, or deprive us of potential product revenue:

- Contract manufacturers can encounter difficulties in achieving the scale-up, optimization, formulation, or volume production of a compound as well as maintaining quality control with appropriate quality assurance. They may also experience shortages of qualified personnel. Contract manufacturers are required to undergo a satisfactory GMP inspection prior to regulatory approval and are obliged to operate in accordance with FDA, International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use ("ICH"), European and other nationally mandated GMP regulations and/or guidelines governing manufacturing processes, stability testing, record keeping and quality standards. A failure of these contract manufacturers to follow GMP and to document their adherence to such practices or failure of an inspection by a regulatory agency may lead to significant delays in the availability of our product candidate materials for clinical study, leading to delays in our trials.
- For each of our current product candidates we will initially rely on a limited number of contract manufacturers. Changing these or identifying future manufacturers may be difficult. Changing manufacturers requires re-validation of the manufacturing processes and procedures in accordance with FDA, ICH, European and other mandated GMP regulations and/or guidelines. Such re-validation may be costly and time-consuming. It may be difficult or impossible for us to quickly find replacement manufacturers on acceptable terms, if at all.
- Our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to produce, store and distribute our products successfully.

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

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

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

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

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

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

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

**Breaches of network or information technology security, natural disasters or terrorist attacks could have an adverse effect on our business.**

Cyber-attacks or other breaches of network or information technology (IT) security, natural disasters, terrorist acts or acts of war may cause equipment failures or disrupt our research and development operations. In particular, both unsuccessful and successful cyber-attacks on companies have increased in frequency, scope and potential harm in recent years. Such an event may result in our inability, or the inability of our partners, to operate the research and development facilities, which even if the event is for a limited period of time, may result in significant expenses and/or significant damage to our experiments and trials. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. In addition, a failure to protect employee confidential data against breaches of network or IT security could result in damage to our reputation. Any of these occurrences could adversely affect our results of operations and financial condition.

We have been subject, and will likely continue to be subject, to attempts to breach the security of our networks and IT infrastructure through cyber-attack, malware, computer viruses and other means of unauthorized access. However, to date, we have not been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, resulted in a material impact to our operations or financial condition.

**We expect to expand our drug development, regulatory and business development capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.**

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of drug development, regulatory affairs and business development. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a materially adverse effect on our business.

#### **Risks Related to Government Regulation**

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

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived from such activities will be, subject to regulation by numerous international regulatory authorities. Prior to marketing, any therapeutic product developed must undergo rigorous pre-clinical testing and clinical trials and, to the extent that any of our pharmaceutical products under development are marketed abroad, by the relevant international regulatory authorities. For example, in Australia, principally the Therapeutics Goods Administration, or TGA; the Food and Drug Administration, or FDA, in the United States; and the European Medicines Agency, or EMA. These processes can take many years and require the expenditure of substantial resources. Governmental authorities may not grant regulatory approval due to matters arising from pre-clinical animal toxicology, safety pharmacology, drug formulation and purity, insufficient efficacy, clinical side effects or patient risk profiles, or medical contraindications.

Failure or delay in obtaining regulatory approvals would adversely affect the development and commercialization of our pharmaceutical product candidates. We may not be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical product candidates.

Even if regulatory authorities approve any of our product candidates, the manufacture, labeling, storage, recordkeeping, reporting, distribution, advertising, promotion, marketing, sale, import and export of these drugs will be subject to strict and ongoing regulation. If we, our partners, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may suspend any ongoing clinical trials; issue warning letters or untitled letters; suspend or withdraw regulatory approval; refuse to approve pending applications or supplements to applications; suspend or impose restrictions on operations; seize or detain products, prohibit the export or import of products, or require us to initiate a product recall; seek other monetary or injunctive remedies; or impose civil or criminal penalties.

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

Before obtaining regulatory approvals for the commercial sale of any of our pharmaceutical products, we must demonstrate through pre-clinical testing and clinical studies that our product candidates are safe and effective for use in humans for each target indication. Results from early clinical trials may not be predictive of results obtained in large-scale, later-stage clinical testing. Even though a candidate drug product shows promising results in clinical trials, regulatory authorities may not grant the necessary approvals without sufficient safety and efficacy data.

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

**Positive results in previous clinical trials of product candidates may not be replicated in future clinical trials, which could result in development delays or a failure to obtain marketing approval.**

Positive results in previous clinical trials of a product candidate may not be predictive of similar results in future clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in late-stage clinical trials even after achieving promising results in early-stage development. Accordingly, results from completed pre-clinical studies and clinical trials may not be predictive of the results we may obtain in later stage trials. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials. Moreover, clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain FDA or EMA approval for their products.

**Even if approved, any product candidates that we or our subsidiaries may develop and market may be later withdrawn from the market or subject to promotional limitations.**

We may not be able to obtain the labeling claims necessary or desirable for the promotion of our product candidates if approved. We may also be required to undertake post-marketing clinical trials. If the results of such post-marketing studies are not satisfactory or if adverse events or other safety issues arise after approval, the FDA or a comparable regulatory agency in another country may withdraw marketing authorization or may condition continued marketing on commitments from us or our subsidiaries that may be expensive or time consuming to complete. In addition, if we or others identify adverse side effects after any of our products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and reformulation of our or our subsidiaries’ products, additional clinical trials, changes in labeling of our or our subsidiaries’ products and additional marketing applications may be required. Any reformulation or labeling changes may limit the marketability of such products if approved.

**Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.**

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our business. For example, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, the “ACA”), enacted in March 2010, substantially changed the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. With regard to pharmaceutical products, among other things, the ACA is expected to expand and increase industry rebates for drugs covered under Medicaid programs and make changes to the coverage requirements under the Medicare D program.

If we fail to comply with our reporting and payment obligations under the Medicaid program or other governmental pricing programs, we could be subject to additional reimbursement requirements, penalties, sanctions and fines which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Pricing and rebate calculations vary among products and programs. The calculations are complex and will often be subject to interpretation by us, governmental or regulatory agencies and the courts. If we become aware that our reporting of pricing data for a prior quarter was incorrect, we will be obligated to resubmit the corrected data. For the Medicaid drug rebate program, corrected data must be submitted for a period not to exceed twelve quarters from the quarter in which the data originally were due. Such restatements and recalculations increase our costs for complying with the laws and regulations governing the Medicaid drug rebate program and other governmental pricing programs.

We may be liable for errors associated with our submission of pricing data. If we are found to have knowingly submitted false pricing data to the Medicaid program, we may be liable for civil monetary penalties in the amount of up to \$100,000 per item of false information. Our failure to submit pricing data to the Medicaid program on a timely basis could result in a civil monetary penalty of \$10,000 per day for each day the information is late. Such failure also could be grounds to terminate our Medicaid drug rebate agreement, which is the agreement under which we might participate in the Medicaid drug rebate program. In the event that our rebate agreement is terminated, federal payments may not be available under Medicaid for our covered outpatient drugs. We cannot assure you that our submissions will not be found to be incomplete or incorrect.

If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our operations may be directly or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act, and physician sunshine laws and regulations.

The pharmaceutical and biotechnology industries are subject to extensive regulation, and from time to time legislative bodies and governmental agencies consider changes to such regulations that could have significant impact on industry participants. For example, in light of certain highly-publicized safety issues regarding certain drugs that had received marketing approval, the U.S. Congress has considered various proposals regarding drug safety, including some which would require additional safety studies and monitoring and could make drug development more costly. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates. In addition, it is possible that there will be further legislation or regulation that could harm our business, financial condition and results of operations.

#### **We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act.**

Our business operations may be subject to anti-corruption laws and regulations, including restrictions imposed by the U.S. Foreign Corrupt Practices Act, or the FCPA. The FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. We cannot provide assurance that our internal controls and procedures will always protect us from criminal acts committed by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer from criminal or civil penalties which could have a material and adverse effect on our results of operations, financial condition and cash flows.

#### **Risks Related to Intellectual Property**

**Our success depends upon our ability to protect our intellectual property and our proprietary technology, to operate without infringing the proprietary rights of third parties and to obtain marketing exclusivity for our products and technologies.**

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

- obtain and maintain patents to protect our own product candidates and technologies;
- obtain orphan designation for our product candidates and technologies;



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

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

Our products may be eligible for orphan designation for particular therapeutic indications that are of relatively low prevalence and for which there is no effective treatment. Orphan drug designation affords market exclusivity post marketing authorization for a product for a specified therapeutic utility. The period of orphan protection is dependent on jurisdiction, for example, seven years in the United States and ten years in Europe. The opportunity to gain orphan drug designation depends on a variety of requirements specific to each marketing jurisdiction and can include; a showing of improved benefit relative to marketed products, that the mechanism of action of the product would provide plausible benefit and the nature of the unmet medical need within a therapeutic indication. It is uncertain if our products will be able to obtain orphan drug designation for the appropriate indications and in the jurisdictions sought.

There is a risk that the U.S. Congress, for example, could amend laws to significantly shorten the exclusivity period. Once any regulatory period of exclusivity expires, depending on the status of our patent coverage and the nature of the product, we may not be able to prevent others from marketing products that are biosimilar to or interchangeable with our products, which would materially adversely affect us.

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

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

The patents for our product candidates have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs or market any of our approved products profitably. In some of the larger potential market territories, such as the United States and Europe, patent term extension or restoration may be available to compensate for time taken during aspects of the product's development and regulatory review or by procedural delays before the relevant patent office. However, such an extension may not be granted, or if granted, the applicable time period or the scope of patent protection afforded during any extension period may not be sufficient. In addition, even though some regulatory authorities may provide some other exclusivity for a product under their own laws and regulations, we may not be able to qualify the product or obtain the exclusive time period. If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

**We may face difficulties in certain jurisdictions in protecting our intellectual property rights, which may diminish the value of our intellectual property rights in those jurisdictions.**

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in the United States and the European Union, and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If we or our collaboration partners encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired and our business, financial condition and results of operations may be adversely affected.

**Intellectual property rights do not address all potential threats to our competitive advantage.**

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make products that are similar to ours but that are not covered by the claims of the patents that we own.
- Others may independently develop similar or alternative technologies or otherwise circumvent any of our technologies without infringing our intellectual property rights.
- We or any of our collaboration partners might not have been the first to conceive and reduce to practice the inventions covered by the patents or patent applications that we own, license or will own or license.
- We or any of our collaboration partners might not have been the first to file patent applications covering certain of the patents or patent applications that we or they own or have obtained a license, or will own or will have obtained a license.
- It is possible that our pending patent applications will not lead to issued patents.
- Issued patents that we own may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors.
- Our competitors might conduct research and development activities in countries where we do not have patent rights, or in countries where research and development safe harbor laws exist, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.
- The patents of third parties or pending or future applications of third parties, if issued, may have an adverse effect on our business.
- Compulsory licensing provisions of certain governments to patented technologies that are deemed necessary for the government to access.

**Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products or product candidates.**

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity. Therefore, obtaining and enforcing pharmaceutical patents is costly, time-consuming and inherently uncertain. In addition, the America Invents Act was recently enacted in the United States, resulting in significant changes to the U.S. patent system. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office, or USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Similarly, the complexity and uncertainty of European patent laws has also increased in recent years. In addition, the European patent system is relatively stringent with regard to the type of amendments that are allowed during prosecution. These changes could limit our ability to obtain new patents in the future that may be important for our business.

**Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and protect other proprietary information.**

We consider proprietary trade secrets and/or confidential know-how and unpatented know-how to be important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed by us to be of limited value. However, trade secrets and/or confidential know-how can be difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third-party obtained illegally and is using trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and/or confidential know-how.

**Risks Related to Our Compliance with Sarbanes-Oxley**

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

The Sarbanes-Oxley Act of 2002 imposes certain duties on us and our executives and directors. To comply with this statute, we are required to document and test our internal control over financial reporting. Our efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, governing internal control and procedures for financial reporting, have resulted in increased general and administrative expenses and a diversion of management time and attention, and we expect these efforts to require the continued commitment of significant resources. We may identify material weaknesses or significant deficiencies in our assessments of our internal control over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities and could adversely affect our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares and ADSs.

**Material weaknesses in our disclosure controls and procedures could negatively affect shareholder and customer confidence.**

Under Sarbanes-Oxley, we are required to assess the effectiveness of our disclosure controls and procedures (as defined in Sarbanes-Oxley) on an annual basis. If we were to conclude that our disclosure controls and procedures were ineffective, shareholder and customer confidence could be negatively affected, which could have a material adverse impact on the market price of our ADSs.

**Risks Related to Our Securities**

**Our stock price may be volatile and the U.S. trading market for our American Depositary Shares (ADSs) is limited.**

The market price for our securities, like that of the securities of other pharmaceutical and biotechnology companies, has fluctuated substantially and may continue to be highly volatile in the future. On March 4, 2016, our Board of Directors resolved to change the ratio of our Ordinary Shares to ADSs from one (1) ADS representing 10 Ordinary Shares to 1 ADS representing 60 Ordinary Shares, which was effective March 24, 2016. During the two fiscal years ended June 30, 2018 and subsequently until August 31, 2018, the market price for our ordinary shares on the ASX has, after giving effect to the implementation of the reverse ratio, ranged from as low as A\$0.041 to a high of A\$0.15 and the market price of our ADSs on the NASDAQ Capital Market has ranged from as low as U.S.\$1.52 to a high of U.S.\$6.69. The market price for our securities has been affected by both broad market developments and announcements relating to actual or potential developments concerning products under development. We believe that the following factors, in addition to other risk factors described above and elsewhere in this annual report, will continue to significantly affect the market price of our ordinary shares:

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

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

**Ownership interest in our company may be diluted as a result of additional financings.**

We may seek to raise funds from time to time in public or private issuances of equity, and such financings may take place in the near future or over the longer term. In May 2011, we registered U.S.\$50,000,000 of securities for public sale pursuant to our registration statement on Form F-3. In July 2011, we issued a prospectus under such registration statement providing for the sale of up to 50 million ordinary shares represented by 5 million ADSs pursuant to an “At-The-Market” facility. In August 2013 we issued a prospectus providing for the sale of up to U.S.\$47,184,000 of our ordinary shares under an amended “At-The-Market” facility. On November 26, 2014, we entered into Amendment No. 2 to our At-The-Market Issuance Sales Agreement, to continue the at-the-market equity program under which we may from time to time sell up to an additional aggregate of \$50,000,000 of our ordinary shares represented by ADSs. From November 26, 2014 until June 30, 2016 we sold A\$7.1 million of additional ordinary shares under this program. We made no sales under this facility during the two fiscal years year ended June 30, 2018. On October 13, 2016, we entered into an At-Market Issuance Sales Agreement, for an at-market offering program under which we may from time to time sell up to an aggregate of \$44,460,787 of our ordinary shares represented by ADSs. On November 8, 2017 we entered into Amendment No. 1 to our At-Market Issuance Sales Agreement to continue the at-market offering program which we may from time to time sell up to an aggregate of \$50,000,000 of our ordinary shares represented by ADSs. Since July 1, 2018 and to date, we sold A\$166,571 of additional ordinary shares under this program. Since the inception of our At-The-Market” facility in 2011 and through June 30, 2018 we sold an aggregate of 167,113,270 ordinary shares under this facility and raised a total of A\$46.5 million (U.S.\$42.5 million) in gross proceeds.

Without shareholder approval, we may not issue more than 25% of our outstanding ordinary shares in any twelve month period other than by a pro rata rights offering or a share purchase plan offer (of shares with a value at the issue price of up to A\$15,000 per shareholder to a maximum of 30% of our outstanding shares) in each case to the then existing shareholders in accordance with the listing rules of the ASX. Sales of our ADSs offered through our “At-The-Market” facility and future equity offerings may result in substantial dilution to the interests of our current shareholders. The sale of a substantial number of securities to investors, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

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

Holders of our ADSs who are U.S. residents face income tax risks. There is a substantial risk that we are a passive foreign investment company, commonly referred to as a PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return to the holders of our ADSs and would likely affect the value of the ADSs. For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005, and once again qualified as a PFIC during each of the following fiscal years. We believe that we once again will be classified as a PFIC for the taxable year ended June 30, 2018. Highly complex rules will apply to U.S. holders owning ADSs. Accordingly, you are urged to consult your tax advisors regarding the application of such rules. U.S. residents should carefully read “Item 10.E. Additional Information - Taxation, United States Federal Income Tax Consequences” for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ADSs.

**We do not anticipate paying dividends on our ordinary shares.**

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

**Currency fluctuations may adversely affect the price of our ordinary shares.**

Our ordinary shares are quoted in Australian dollars on the ASX and our ADSs trade on the NASDAQ Capital Market in U.S. dollars. Movements in the Australian dollar/U.S. dollar exchange rate may adversely affect the U.S. dollar price of our ordinary shares. In the past year the Australian dollar has generally depreciated against the U.S. dollar. Any continuation of this trend may negatively affect the U.S. dollar price of our ordinary shares, even if the price of our ordinary shares in Australian dollars decreases or remains unchanged. However, this trend may not continue and may be reversed. If the Australian dollar strengthens against the U.S. dollar, the U.S. dollar price of the ordinary shares could increase, even if the price of our ordinary shares in Australian dollars decreases or remains unchanged.

## **Risks Related to Our Location in Australia**

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

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

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

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

### **Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares.**

We are incorporated in Australia and are subject to the takeovers laws of Australia. Among other things, we are subject to the Australian Corporations Act 2001, or the Corporations Act. Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person's voting power in us increasing from 20% or below to more than 20%, or increasing from a starting point that is above 20% and below 90%. Australian takeovers laws may discourage takeover offers being made for us or may discourage the acquisition of large numbers of our ordinary shares. This may have the ancillary effect of entrenching our board of directors and may deprive or limit our shareholders' strategic opportunities to sell their ordinary shares and may restrict the ability of our shareholders to obtain a premium from such transactions.

### **Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.**

As an Australian company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Corporations Act, set forth various rights and obligations that are unique to us as an Australian company. These requirements operate differently than from many U.S. companies and may limit or otherwise adversely affect our ability to take actions that could be beneficial to our shareholders. For more information, you should carefully review the summary of these matters set forth under the section entitled, "Item 10.B — Additional Information — Memorandum and Articles of Association" as well as our Constitution.

## ITEM 4. INFORMATION ON THE COMPANY

### A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our legal and commercial name is Prana Biotechnology Limited. We were incorporated under the laws of the Commonwealth of Australia on November 11, 1997 and began limited operations shortly thereafter. Our registered office is located at Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia and our telephone number is 011-61-3-9824-5254. Our principal executive office is located at Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia and our telephone number is 011-61-3-9349-4906. Our website address is [www.pranabio.com](http://www.pranabio.com). The information in our website is not incorporated by reference into this annual report.

Our mission is to develop therapeutic drugs designed to treat the underlying causes of degeneration of the brain as the aging process progresses. While we historically focused on drugs targeting Alzheimer's disease and Huntington disease, we are presently concentrating our efforts on drugs targeting Parkinsonian diseases. Other potential applications for our therapies include neurodegenerative disorders, certain cancers, age-related macular degeneration, Motor Neuron disease, Creutzfeldt-Jakob disease (the human variant of Mad Cow disease) and a variety of orphan neurodegenerative disorders. Our technology is the outcome of many years of intense research from some of the leading scientists in the world in the area of age-related degenerative diseases. In August 2009, a key patent protecting our clinical drug asset PBT2 was granted by the European Patent Office, or the EPO. The patent entitled '8-Hydroxyquinoline derivatives' covers the composition of matter of selected families of 8-Hydroxyquinoline compounds, including PBT2, and the uses of such compounds for the treatment of neurological diseases, including Alzheimer's disease and Huntington disease. The European patent has a 20-year term expiring on July 16, 2023, with a possible extension of the term of up to five additional years under supplementary protection provisions. In November 2009, our key patent protecting our clinical drug asset PBT2 was granted in the United States. The U.S. patent, which is also entitled '8-Hydroxyquinoline derivatives,' covers the composition of matter of selected families of 8-Hydroxyquinoline compounds, including PBT2, and will expire on December 21, 2025. It is possible that the patent may be further extended in the future under the pharmaceutical extension of term provisions that apply in the United States. In March 2015, claims to the use of PBT2 in the treatment of Alzheimer's disease were granted and in October 2015, claims to the use of PBT2 for the treatment of Huntington disease were granted. In April 2011, the Japanese Patent Office granted the same patent, also entitled '8-Hydroxyquinoline derivatives', with the claimed subject matter encompassing compounds and pharmaceutical compositions containing PBT2 and the use of the compounds for the treatment of Alzheimer's disease. The Japanese patent will expire on July 2023 and may be eligible for pharmaceutical extension of patent term for up to a further five years. In December 2011, claims for our key patent protecting our product candidate for Parkinson's disease, PBT434 was granted in the United States. The patent is entitled 'Neurologically Active Compounds' and covers the composition of matter and pharmaceutical compositions of selected families of 8-hydroxyquinazolinone compounds, including PBT434. In March and April 2013, we also received a Notice of Grant from the Canadian Patent Office and European Patent Office, respectively, for our key patent protecting PBT434. The patents, which are entitled, 'Neurologically Active Derivatives' cover the composition of matter of selected quinazolinone compounds, including PBT434. These two cases also included additional granted claims to the use of the compounds for the treatment of neurodegenerative diseases.

Our technology has progressed to yield a diversified library of chemical compounds, which may yield future product candidates across various neurodegenerative indications. In June 2018, we commenced a Phase I Clinical Trial evaluating the safety, tolerability and pharmacokinetics in healthy volunteers of PBT434, our drug candidate for treatment of Parkinsonian diseases. Future clinical studies with PBT2 may depend on the either lifting the Partial Clinical Hold (PCH) which currently restricts drug exposure levels and/or the possible development of PBT2 for new therapeutic indications. See "Item 4.B. – Information on the Company – Business Overview – Clinical Trials for Our Product Candidates").

Since inception, we have not been required to invest material amounts for capital expenditures since our development efforts have taken place at research facilities operated by institutions with which we have relationships. In the three fiscal years ended June 30, 2018, our capital expenditures have totaled A\$92,630.

## **B. BUSINESS OVERVIEW**

### **Prana's Background**

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

The protein believed to be involved in the toxicity associated with Alzheimer's disease is beta amyloid. Very little was known about beta-amyloid protein until 1984 when Professors Colin Masters, Konrad Beyreuther and the late Dr. George Glenner sequenced the chemistry of the protein which has since become the dominant focus of Alzheimer's disease research world-wide. In 1987, Professors Masters, Beyreuther and Rudi Tanzi of Harvard Medical School discovered how beta-amyloid was produced and in 1994, Professor Ashley Bush of Harvard Medical School discovered that the interaction between metals and beta-amyloid is associated with the toxicity seen in Alzheimer's disease, hopefully paving the way for the development of therapeutic drugs to treat the disease.

Our intellectual property has been developed over an extended period through the collaborative efforts of highly regarded scientists and research institutions in this field. The intellectual property owned by our company has been developed by our employees and through a team of scientists engaged by our company at several internationally recognized institutional research facilities, listed below.

- The University of Melbourne, Department of Pathology; and
- The Florey Institute of Neuroscience and Mental Health in Melbourne.
- The Massachusetts General Hospital, Genetics and Aging Unit in Boston. Massachusetts General Hospital (MGH); and
- University of California, San Francisco.

Work conducted at the University of Melbourne and MGH demonstrated that clioquinol, codenamed PBT1, had potential efficacy for the treatment of Alzheimer's disease. Since completing our initial public offering and listing process of our ordinary shares on the ASX on March 28, 2000, we historically concentrated our resources toward the pursuit of our disease targets and creation of a chemical library of proprietary molecules. Our research efforts led to the development of a novel compound, PBT2, a low molecular weight chemical entity that demonstrates a significant pre-clinical improvement over PBT1, and currently a library of over 2,000 other molecules from different chemical scaffolds. More recently, our research efforts have focused on identifying novel compounds that bind and redistribute labile (or reactive) iron that is increased in Parkinsonian diseases and thought to be implicated in their pathogenesis.

Our chemistry program is undertaken within laboratories leased from The University of Melbourne's Bio21 Molecular Science and Biotechnology Institute, which is a multidisciplinary research center that specializes in medical, agricultural and environmental biotechnology. Accommodating more than 500 research scientists, students and industry participants, the Bio21 Institute is one of the largest biotechnology research centers in Australia.

### **Platform Technology, Discovery and Translational Research Programs**

We regard our intellectual property as a "platform technology" since we believe that it addresses the causes of a broad spectrum of neurodegenerative and age-related diseases based on the interrelationship of metals and proteins. Historically, the majority of our research efforts have been directed at research into potential therapeutics for the treatment of Alzheimer's disease, Huntington disease and Parkinsonian movement disorders. Published data together with our initial findings have provided strong indications that the pathology for other certain age-related and degenerative disorders may also be based on the inter-relationship between certain metals and proteins, and we believe that the platform technology may also be applicable for certain cancers, age-related macular degeneration, Motor Neuron disease, Creutzfeldt-Jakob disease and other neurodegenerative diseases. To date, we have performed *in vivo* evaluations of our product candidates in a range of mouse animal models including models of Alzheimer's disease, Huntington disease, Parkinsonian diseases, brain cancer and traumatic brain injury.



Product candidates are selected from our chemical library on the basis of rational drug design. Product candidates are designed to fulfill very specific criteria such as oral bioavailability and ability to cross the blood-brain barrier, and demonstrate significant effectiveness in both nonclinical *in vitro* and *in vivo* testing.

To increase depth and breadth of our pipeline into new neurodegenerative indications, we have continued to develop our ‘two tier’ Translational Research program structure during 2018. The first tier encompasses core new chemical entity design, synthesis and characterization, the ‘discovery phase’ of the new entities as potential novel agents of interest based on their mechanism of action profile. Our discovery research has established Structure Activity Relationships (“SAR”) within chemical moieties that guide our chemists towards the design of novel therapeutics. The discovery phase also includes preliminary bioavailability and pharmacokinetic characterization. The second tier comprises ‘translational’ animal modeling programs to test and validate new candidates as potential development product candidates. To date, our library comprises more than 2,000 compounds. Using SAR that has been developed over years of testing and validation by Prana scientists, new compounds are being generated that retain functionality across diverse and novel chemical scaffolds.

Over the last year, new compounds from several scaffolds were synthesized and began mechanistic profiling. The compounds are initially screened for activity in biological systems relevant to the candidate diseases we are targeting. The compounds are initially screened for activity in biological systems relevant to the candidate diseases we are targeting. New screens are being investigated that will assess the ability of a compound intercede in the pathogenic steps thought to underly the disease processes for target diseases. Such steps include pathologic protein aggregation and downstream activities such as oxidative stress and cell death. Promising candidates arising from the Translational Research program may be progressed as back up compounds in Alzheimer’s disease and Huntington disease, Parkinsonian diseases and/or new indications in neurodegeneration, in particular, orphan indications.

Our lead product candidate in Parkinsonian diseases, PBT434, has progressed through extensive testing in Parkinson’s disease and has also demonstrated efficacy in several animal models of ‘atypical’ Parkinsonian disorders, including Multiple System Atrophy and Progressive Supranuclear Palsy.

Novel drug candidates have been identified in the discovery phase of the research program during 2018 and planning is underway to evaluate the most promising candidates into the Translational Research program.

#### ***Alzheimer’s disease***

PBT2, our product candidate for Alzheimer’s disease, is the result of rational drug design and was built “from the ground up” to fulfill very specific criteria. It was designed so that it will be orally bioavailable and cross the blood-brain barrier and to have an improved safety and efficacy profile compared to the prototype MPAC, PBT1. Phase I trials for PBT2 were completed by February 2006 in healthy young and aged volunteers and demonstrated that the drug was well tolerated and suitable for Phase II clinical development.

In 2008, top line results for a Phase IIa clinical study in mild Alzheimer’s disease patients were announced, including the primary endpoints of safety and tolerability being met together with several secondary endpoints in biomarker and cognition endpoints also being met. In November 2009, an erratum to the July 2008 edition of *The Lancet Neurology* journal was published that corrected the original results of the neuropsychological test battery, or NTB, arising from the Phase IIa trial. The corrected results show that the overall executive function domain of the NTB, comprising five cognitive tests, was significantly improved for those patients taking 250mg of PBT2 compared to patients on placebo.

In March 2011, we announced that the New York-based Alzheimer's Drug Discovery Foundation would make a \$700,000 project-based investment towards a Phase II imaging biomarker study in 40 patients with prodromal or mild Alzheimer's disease. In March 2014, top line results for the study were announced. The study entailed the use of an amyloid imaging ligand to detect changes in brain beta-amyloid burden after 52 weeks treatment with PBT2 or placebo. For more information, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Product Candidates."

In July 2008, the results of extensive pre-clinical research findings for PBT2 were published in the journal *Neuron*. The paper by Prana scientist, Associate Professor Paul Adlard was entitled, "Rapid restoration of cognition in Alzheimer's transgenic mice with 8-hydroxyquinoline analogs is associated with decreased interstitial A $\beta$ ". The key findings included the demonstration that PBT2 could rapidly improve cognition in transgenic mice, prevent the formation of toxic soluble Abeta oligomers, lower the Abeta levels in the brain of transgenic mice and protect neurons from the toxic effect of Abeta at the synapses between neurons enabling improved neurotransmission. In March 2009, we published further data on the impact of PBT2 on synapses in transgenic animal models. The findings demonstrated that PBT2 could prevent the loss of synapses in these Alzheimer's disease animal models, indicating that PBT2 has a potent neuroprotective effect on neurons, consistent with the observation that PBT2 can improve cognitive performance in impaired transgenic animals.

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

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

In March 2013, Dr. Paul Adlard, presented a paper entitled, "Metal Chaperones are novel therapeutic agents for tauopathy." The findings presented exemplified that the ability of PBT2 to intercede in aberrant metal and target protein interactions and to correct abnormal metal distribution in the brain resulted in PBT2 being able to prevent the formation of 'tangle like' inclusions in neurons in a mouse model. Tau tangles are known to cause neuronal death. This work builds upon the knowledge that PBT2 can prevent the metal mediated toxic gain of function of target proteins such as Abeta and tau to form harmful aggregates in the brain. The data was generated in transgenic mouse model of tauopathy and demonstrated a significant decrease in tau tangle formation, a significant increase in cortical and hippocampal neurons and significant increase in cognitive performance as measured by the Y-maze.

In October 2013, Dr. Adlard also published a paper on the ability of PBT2 to restore learning and memory in aged mice. His paper, entitled “A Novel Approach To Rapidly Prevent Age-Related Cognitive Decline” and published in the journal *Aging Cell*, demonstrated that PBT2 could restore the cognition of aged mice to that of young, cognitively normal mice. Age-related cognitive decline is associated with measurable structural and biochemical changes in the brain, which Prana scientists have shown to be significantly improved by PBT2 administration. Importantly, it has been shown that PBT2 increased expression of markers of neurogenesis and increased synaptic density which in turn, correlated with improved performance on memory tasks.

The underlying mechanisms of action of PBT2 work to prevent metal mediated neurodegenerative processes including oxidative stress, formation of toxic amyloid oligomers and compromised neuronal and synaptic function leading to cognitive impairment. In Alzheimer’s disease, beta-amyloid aggregates in the synaptic cleft have been associated with impaired synaptic transmission as evidenced by reduced Long Term Potentiation experiments (LTP) in mice. Prana scientists have published that PBT2 is able to inhibit the beta-amyloid induced inhibition of LTP, thus restoring synaptic capability and cognitive function. In February 2015, a new mechanism of action of PBT2 was published in *Neurobiology of Disease* which demonstrated the ability of PBT2 to protect against glutamate-induced (synaptic) excitotoxicity in a metal dependent manner. The paper was entitled, “PBT2 inhibits glutamate-induced excitotoxicity in neurons through metal-mediated preconditioning”. The over excitation of NMDA receptors in glutamatergic neurons leads to mitochondrial damage and cell death and has been postulated as one of the pathological events in Alzheimer’s disease and Huntington disease. Further elucidation of the protective role of PBT2 is required, however it appears that the zinc ionophore property of PBT2 works to increase intracellular zinc in the post synaptic terminal, triggering the release of calcium which in turn, leads to neuroprotective pathways being activated inside the neuron that prevent excitotoxicity. Over recent years, the ability of PBT2 to reduce the phosphorylation of the microtubule-associated protein ‘tau’ has been demonstrated in new *in vitro* screening assays and modelled in transgenic mice. Phosphorylated tau is deposited in cells as fibrillar aggregates in numerous neurodegenerative diseases, notably Alzheimer’s disease and also Huntington disease and other neurodegenerative disorders. The functions of tau are regulated by site-specific phosphorylation events, which are dysregulated in the disease state, resulting in tau dysfunction and mislocalization. This can lead to aggregation, neuronal dysfunction and death. Unpublished data show that PBT2 can reduce tau phosphorylation and improve cognitive function in a transgenic tau mouse model.

### ***Huntington disease***

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

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

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

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

In December 2010, our management assembled a team to develop a Phase IIa clinical trial protocol for the treatment of Huntington disease with PBT2. The group comprised leading clinical researchers from Australia and the United States, including members from the Huntington Study Group based in the United States and Australia. The team designed a six month Phase IIa clinical trial testing PBT2, or the Reach2HD Trial, which included a randomized, double blind placebo controlled study of patients with early to mid-stage Huntington disease. For additional details regarding the clinical trial in Huntington disease with PBT2, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Product Candidates."

In December 2012, we announced the publication of the paper entitled, "PBT2 extends lifespan, reduces striatal atrophy and improves motor performance in a transgenic mouse model of Huntington disease" in the Journal of Huntington disease. This paper describes how PBT2 significantly improved functional performance of the mice in the R6/2 model as a consequence of the neuroprotective properties of PBT2 by regulating certain metal mediated events in the brain.

As described in the preceding section, 'Platform Technology, Discovery and Translational Research Programs – Alzheimer's disease', in October 2013 Prana scientist Associate Professor Paul Adlard published a paper in the journal Aging Cell, demonstrating that PBT2 could restore the cognition of aged mice to that of young, cognitively normal mice. Age-related cognitive decline is associated with measurable structural and biochemical changes in the brain, which Prana scientists have shown to be significantly improved by PBT2 administration. In particular, this restoration of cognitive function was accompanied by an increase in underlying hippocampal neurons, synaptic density and neuronal proliferation markers around the lateral ventricles, a region susceptible to atrophy in Huntington disease.

Important support for the role of copper in the disease process in Huntington disease came from Tsinghua University in China (Xiao et al PNAS 2013). Using a Drosophila model of Huntington disease, bearing an expanded polyQ Htt gene, workers showed that altered expression of genes involved in copper metabolism significantly modulates disease progression. Intervention in dietary copper levels also modified Huntington disease phenotypes in the fly and copper reduction decreased the level of oligomerized and aggregated Htt protein. Critically, substitution of two potential copper-binding residues of Htt, Met8 and His82, completely dissociated the copper-intensifying toxicity of Htt exon1-polyQ. The authors specifically identified copper binding compounds as an ideal therapy for Huntington disease. As mentioned above, in relation to our Alzheimer's disease research, the finding that PBT2 can positively reduce the phosphorylation of tau, supports the emerging profile of PBT2 as a compound with neuroprotective characteristics to support neuronal health and function with potential application in Huntington disease.

In 2015, Prana scientist Associate Professor Kevin Barnham and colleagues published on the ability of PBT2, through its ionophore properties, to inhibit the over-excitation of the glutamate neuronal transmission pathway that can lead to neuronal death in the paper entitled, "PBT2 inhibits glutamate-induced excitotoxicity in neurons through metal-mediated preconditioning" in the journal, **Neurobiology of Disease**. Such excitotoxicity is implicated in neurodegenerative diseases including Alzheimer disease and Huntington disease.

## ***Parkinson's Disease and Movement Disorders***

Parkinson's disease, another neurodegenerative disease of the aging population, causes a progressive slowing of movement, tremors and the loss of fine motor control due to the death of *substantia nigra* cells in the brain. The *substantia nigra* cells produce the neurotransmitter dopamine in the brain, which is required for normal motor coordination. Existing therapies, such as dopaminergic agents, may provide symptomatic relief, but do not address the underlying cause of the disease. We believe that drug candidates in our library may affect the aggregation of the proteins concerned in Parkinson's disease and related movement disorders.

During 2005, we entered into a contractual arrangement with the Integrative Neuroscience Facility based at the Florey Institute of Neuroscience and Mental Health in Melbourne, or the Florey Institute, to assist in the efficacy evaluation of novel compounds in models relevant to Parkinson's disease, specifically the 6-hydroxydopamine mouse model and the MPTP (1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine) mouse model. The toxins used in these two mouse models mimic the disease by causing impairment of the cells of the *substantia nigra*, the area of the brain primarily affected in Parkinson's disease, and subsequent loss of motor function. During 2009 and 2010, our lead Parkinson's disease treatment candidate emerged, PBT434, based on significant improvement in motor function and coordination in both models. Of note, PBT434 improved relevant indices when administered after toxins had destroyed significant amounts of *substantia nigra* tissue, indicating that the compound can restore and maintain normal neuronal function. During 2011, further mechanistic characterisation work demonstrated that PBT434 reduced the accumulation of the target protein in Parkinson's disease, alpha-synuclein.

In August 2011, the New York-based Michael J. Fox Foundation awarded us a \$206,000 grant entitled, 'PBT434, a Novel Neuroprotective Drug For Parkinson's Disease; Completion of Pre-Clinical Studies to Enable Human Clinical Trials.' The research supported by this grant has included various nonclinical studies (safety pharmacology, general toxicology, genetic toxicology), the results of which allowed the compound to be positioned for Phase 1 clinical trials in healthy volunteers and larger scale animal toxicology studies that will enable clinical trials in applicable subjects.

In November 2012, Prana scientists, Dr. Robert Cherny and Associate Professor David Finkelstein, Head of the Synaptic Neurobiology laboratory at the Florey Institute, received an NHMRC grant to study the benefits of PBT434 in a program entitled, "Identifying the mechanisms of action of a novel 8-hydroxyquinazolinone in models of Parkinson's disease." The program helped elucidate some of the innate mechanisms of action of PBT434.

In June 2013, Prana's science was highlighted at the 17<sup>th</sup> Movement Disorders Congress of Parkinson's Disease and Movement Disorders, in Sydney, Australia. Professor Colin Masters, Director of The Mental Health Research Institute at the Florey Institute and Assoc. Professor David Finkelstein presented data showing that PBT434 prevented the aggregation of alpha synuclein, the protein target in Parkinson's and other movement disorders. The ability of PBT434 to reduce alpha synuclein accumulation has highlighted the potential for PBT434 to treat other movement disorders characterized by the over expression alpha synuclein including the orphan disease Multiple System Atrophy, which is a rare form of "atypical parkinsonism".

Mechanistic work has demonstrated that PBT434 reduces oxidative stress and inhibits the aggregation of toxic  $\alpha$ -synuclein species. Part of this investigation was supported by Parkinson's UK grant of £150,000, awarded in 2013 to Leeds University in collaboration with Associate Professors David Finkelstein and Robert Cherny of the Florey Institute. In 2017, Drs. Finkelstein, Cherny and colleagues published data indicating that PBT434 prevented cell death in the substantia nigra in a dose-dependent manner. The data also demonstrated the therapeutic potential of PBT434 to slow neurodegeneration with results in multiple Parkinson's disease models, including a transgenic model of Parkinson's disease (A53T) in which mice over-expressed the alpha-synuclein protein. In A53T mice, animals treated with PBT434 exhibited significantly increased numbers of *s.nigra* neurons and a significant reduction in insoluble  $\alpha$ -synuclein and incidence of clasping behavior. These results showed that PBT434 lowered alpha-synuclein, preserved neurons and simultaneously improved motor performance. The paper was entitled, "The novel compound PBT434 prevents iron mediated neurodegeneration and alpha-synuclein toxicity in multiple models of Parkinson's disease" and was published in *Acta Neuropathol Comm*.

PBT434 has also been profiled in mouse models of atypical Parkinsonian conditions, including orphan diseases such as Multiple System Atrophy (MSA) and Progressive Supranuclear Palsy (PSP), a tauopathy. An outline of results include:

- In an animal model of MSA, PBT434 prevents  $\alpha$ -synuclein aggregation and preserves neurons in the s. nigra and decreased the number of glial cell inclusions in the brains of treated animals. Glial cell inclusions are the pathological hallmark of MSA and contain abundant aggregated  $\alpha$ -synuclein that is associated with neurodegeneration. The pathologic benefits were associated with improved motor function in treated animals.
- In mutant overexpressing tau mice, rTg4510, PBT434 has demonstrated significant improvement in the Y-maze cognitive assessment and resulted in a significant reduction in the number of abnormal tau deposits in the hippocampus of 12 month old mice.

A comprehensive nonclinical program has been conducted to evaluate PBT434's profile in support of Phase I studies in healthy volunteers. PBT434 had no relevant off-target binding activity in a broad panel of protein interactions. PBT434 did not have significant inhibitory activity of the hERG channel relevant to expected human plasma concentrations in a GLP study. PBT434 was well-tolerated in safety pharmacology studies (GLP cardiovascular, respiratory and central safety pharmacology studies) and in GLP 28-day general toxicity studies in the rat and dog. PBT434 is subject to diverse metabolic pathways and is brain penetrant.

### Clinical Trials for Our Product Candidates

In November 2005, we successfully completed the first Phase I trial for PBT2, a double blind, placebo-controlled single dose escalation study, conducted on 55 healthy male volunteers between the ages of 18 and 50, which was designed to evaluate the safety, tolerability and pharmacokinetics of PBT2. Data from the study showed that PBT2 was well tolerated with little difference in the incidence of adverse events between those receiving PBT2 and those receiving the placebo. Additionally, the pharmacokinetic analysis demonstrated that the drug exposure increased/decreased predictably and in a linear manner, both of which are desirable characteristics for a central nervous system drug.

In February 2006, we completed the second Phase I safety clinical trial for PBT2. This trial was a multi-dose escalation trial of PBT2 conducted in elderly, healthy male and female volunteers completed in December 2005. Volunteers were dosed at a selected dose for seven days; the dose range was from 200mg to 800mg per day. Both Phase I trials demonstrated that PBT2 was well tolerated and suitable for progression to Phase II trials in patients with Alzheimer's disease.

In February 2008, we reported the top line results of our three month double-blind, placebo-controlled safety and tolerability Phase IIa study of PBT2 in 80 elderly male and female patients with mild forms of Alzheimer's disease. We announced that the trial primary endpoints of safety and tolerability were met and we also announced that with respect to the secondary endpoints, namely biomarker, cognition and behavioral changes, several significant and promising changes were observed. Specifically, that in the cerebrospinal fluid (CSF), PBT2 treatment at a 250mg dose resulted in a significant decrease in the target Abeta 42 protein. In addition, at the 250mg dose, while no significant effect was observed with the ADAS-cog, two of the five NTB tests for improvement in executive function were significantly improved. In July 2008, the results of the Phase IIa trial were published in *The Lancet Neurology* journal.

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

Also in November 2009, we presented our pre-clinical and clinical information package on PBT2 to the FDA in accordance with the Pre-Investigational New Drug, or IND, Consultation Program. The meeting provided useful guidance on possible steps to take to open an IND Application with the FDA to undertake clinical trials in the United States in Alzheimer's disease or Huntington disease. The meeting provided us with important information to help form our regulatory strategy for the development of PBT2 in these neurological indications.

In November 2011, we announced the approval from the Austin Health Research Ethics Committee based at the Austin Hospital in Melbourne, to commence a 12 month Phase II imaging trial with PBT2 in patients with prodromal or mild Alzheimer disease. The study was supported in part by a grant of U.S.\$700,000 from the New York based Alzheimer's Drug Discovery Foundation, or ADDF. The trial entailed forty patients treated for twelve months with either 250mg PBT2 or a placebo. The trial was designed to investigate the effect of PBT2 on a patient's beta amyloid burden in the brain as measured by Positron Emission Tomography imaging (PET), secondary endpoints included brain metabolic activity as measured by F-18-fluorodeoxyglucose, FDG - PET and brain volume by Magnetic Resonance Imaging, or MRI, and safety. No significant changes in the primary endpoint comparing beta amyloid burden as measured using the imaging agent, Pittsburgh compound B (PiB) in the 27 patients treated with 250mg PBT2 compared to the 15 patients on placebo. Confounding interpretation of the result was the observed overall decline in amyloid burden in the placebo group. No improvement was observed for the secondary endpoints including brain metabolic activity, cognitive and functional measures. However, for patients treated with PBT2 there was a trend towards preserving brain volume in the hippocampus compared to those patients on placebo. A key secondary endpoint was the safety profile of PBT2 after 52 weeks treatment – the longest duration of PBT2 exposure to date in a clinical trial. The adverse event profile of the treatment versus placebo group was equivalent and 40 of the 42 enrolled participants completed the 52 week trial. Participants were provided the option to continue treatment on PBT2 for a further 52 weeks in an open label study, the 'IMAGINE Extension study' and thirty three participants elected to do so with twenty-seven participants completing the IMAGINE Extension study. The independent Data Safety Monitoring Board did not identify any safety concerns related to PBT2 over the combined two year period of the IMAGINE and IMAGINE Extension studies. Unpublished analysis of the IMAGINE Extension data does not distinguish between 12 and 24 months of exposure to PBT2 on any of the measured trial outcomes. However, exploratory post-hoc information from the Extension phase suggest that for the cohort of 27 trial participants that completed all 24 months (11 of the 15 participants that started IMAGINE on placebo together with 16 of the 25 participants that remained on PBT2 for 24 months), the amyloid levels decreased in this cohort compared to an historical control group from the Australian Imaging Biomarker and Lifestyle (AIBL) study.

In late 2012 we finalized the enrolment to a Phase II trial to test PBT2 in patients with Huntington disease over six months. The trial, known as "Reach2HD", was undertaken under an open IND application through the FDA and was conducted in clinical sites across the United States and Australia. The Phase IIa trial design entailed a double blind placebo controlled study of 109 patients with early to mid-stage Huntington disease. The primary objective for the trial was safety and tolerability of PBT2 in this Huntington disease patient population. Secondary endpoints included the effect of PBT2 on cognition, behaviour, functional capacity, motor effects. In addition, a small (n=6) exploratory arm of the study, was undertaken under the guidance of the co-Principal Investigator of the study, Professor Diana Rosas, using MRI brain imaging to undertake iron mapping and volumetric assessment in a patient's brain. Professor Rosas has published that iron and other metals change in concentration and distribution in the brain with increasing severity of the condition. This study was the first clinical trial with PBT2 in this patient population and the results were reported in February 2014. The primary objective of the study was achieved with PBT2 being demonstrated as safe and well tolerated in this first study of PBT2 in Huntington disease.

Cognition was pre-specified as the primary efficacy endpoint and was assessed using three Composite z-scores selected from individual tests; Category Fluency, Trail Making Test Part B, Map Search, Symbol Digit Modalities and Stroop Word Reading. The Main Cognition Composite – comprised of all five tests was not improved with treatment over the six months, nor was the Exploratory Cognition Composite – comprised of all five tests in addition to the Speeded Tapping Test. However, the Executive Function Composite, comprised of the Trail Making Test Part B and Category Fluency Test was significantly improved at 12 weeks (p=0.005) and trended towards improvement at 26 weeks (p=0.069). In the early stage Huntington disease patients, there was a significant improvement in the Executive Function composite (p=0.038). Of particular note, the Trail Making Test Part B of itself was significantly improved at 12 weeks (p=0.001) and at 26 weeks (p=0.042).

There were no significant findings in the other secondary endpoints although there was a small but positive signal in the Total Functional Capacity score. Interestingly, while the MRI did not detect changes in brain iron distribution in the study, the rate of brain cortical tissue thinning was greater in the placebo group compared to the two combined PBT2 treatment groups (100mg and 250mg).

In September 2014, we announced that PBT2 had been granted Orphan Drug designation in the treatment of Huntington disease by the FDA. Orphan Drug designation confers a number of incentives to drug developers including increased facilitation of communication with regulators to achieve concurrence on the development of the Orphan drug towards market approval. To achieve Orphan Drug designation, it must be established that the disease indication is of relatively low prevalence, that there is no existing comparable treatment option for patients and that the drug offers a plausible treatment. In June 2015, the European Commission approved orphan drug designation for PBT2 for the treatment of Huntington disease, stating that we have shown that PBT2 might be of significant benefit for patients with Huntington disease. The approval was based on the recommendation of a positive opinion from the EMA Committee for Orphan Medicinal Products.

During 2015 and 2016, three new PBT2 Phase 1 trials were successfully completed. The data from these trials have provided further safety, pharmacokinetic and pharmacodynamic information on PBT2 and will assist in the design of Phase 3 protocols for PBT2. These Phase 1 studies comprised:

- A drug to drug interaction study, 'PBT2-104'. Based on in vitro metabolism studies indicating that PBT2 is both a substrate for, and an inhibitor of, CYP1A2, this study was designed to investigate the potential for drug to drug interactions in healthy volunteers when PBT2 is concurrently administered with other agents metabolized by this CYP450 isozyme.
- A food interaction Study, 'PBT2-103'. Healthy volunteers were randomized into 2 dosing groups; one which was administered 250mg PBT2 after a 12 hour fast, the other which was administered 250mg PBT2 after a prescribed FDA meal. Blood samples were taken over multiple time points over 24 hours to determine the pharmacokinetic profile of PBT2 and its metabolites.
- Evaluation of the three pharmacokinetic parameters, absorption, metabolism and excretion (ADME) of [C]-PBT2 and to estimate the Absolute Bioavailability of PBT2 in healthy volunteers, 'PBT2-102' to understand the passage of the drug in humans after administration.

Notwithstanding the clinical safety demonstrated to date with PBT2 in our Phase II programs in Alzheimer's disease and Huntington disease, in February 2015 we reported that the FDA had placed PBT2 on Partial Clinical Hold, or PCH, based on particular nonclinical neurotoxicology findings in a dog study. These dog findings limit the dose of PBT2 that we can use in future trials. With the assistance of third party specialist pharmacometricians, clinical safety physicians and clinical pharmacologists, we have undertaken extensive safety analyses to characterize the behavior of PBT2 drug exposure in the dog and human and how this translates to the comparative safety profile in the dog relative to humans. Based on the emerging strong safety profile for PBT2, we have prepared a robust safety monitoring plan for future trials in Huntington disease. These plans, the pharmacological evidence and a Phase 3 protocol were submitted to the FDA in 2016 as part of our response to the PCH and to the Swedish Medical Products Agency (MPA) and the United Kingdom's Medicines and Healthcare Products Regulatory Agency (MHRA) for non-binding scientific advice. The collective response from the FDA and advice from the European regulators was that more characterization of the nature of the dog neurotoxicity findings and its reversibility would be required to support the future development of PBT2 in Huntington disease. We are considering our options to continue development of PBT2, which may include conducting further toxicology studies, investigating the utility of lower doses and/or clinical development of PBT2 in alternative therapeutic indications.

In June 2018, we commenced our Phase I first in human single ascending dose/multiple ascending dose study in Australia with PBT434. The study is evaluating the safety, tolerability and pharmacokinetics of PBT434 in healthy volunteers administered single and multiple doses of PBT434. It is anticipated that the single ascending dose part of the study will complete by the end of the 2018 calendar year and the Multiple Ascending Dose part of the study will complete in the first half of 2019.



## Patents and Licenses

### *Patent Matters*

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

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

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

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

In addition to patent protection, we rely on unpatented trade secrets, know-how and other confidential information as well as proprietary technological innovation and expertise. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisers, third parties may still obtain this information or come upon this same or similar information independently.

## ***Patent Portfolio***

Over the last year Prana has been busy prosecuting new patents across international jurisdictions. Such patents are principally directed to new chemical composition of matter claims. New data is also leading to potential new patent filings to the use of those compounds for specific disease indications. The company also continues to pursue new intellectual property and the discovery of novel chemical entities that may be effective drugs for neurodegenerative diseases.

We aim to file new patents according to those developments. All new IP is thoroughly searched, analyzed and drafted with the objective of satisfying the legal requirements of IP offices in the major jurisdictions, particularly the USA.

Over the last year, Prana chemists have synthesized a number of different compounds from different chemical classes, with many compounds displaying compelling results in our biological assays. These assays themselves are continually tested and evolve to reflect the latest technology available to our scientists. In some situations, the assays themselves are new and valuable IP, however our focus is upon the protection of the chemical targets themselves. The majority of efforts by the IP team have been devoted to developing and analyzing these new candidates and assays, in view of further patent applications, as successful results allow.

A total of eight patent case families protect Prana's core MPAC technology. The first case is directed to the 8-hydroxyquinoline chemical class which covers PBT2 and other lead 8-hydroxyquinoline compounds. Another five cases are directed to several 'Follow Up' or next generation MPAC chemical classes, which comprise MPAC scaffolds that are an alternative to the 8-hydroxyquinoline chemical scaffold. In the past 12 months a 'national phase' patent case has been prosecuted in 12 major countries selected back in April 2017, including China, Europe, Japan and the USA. The majority of these patent cases include claims to MPAC compositions of matter and the uses of these compounds in numerous neurological disorders. Notably these cases include composition of matter claims to Prana's lead MPACs for Parkinson's disease/movement disorders and brain cancer. Also in the last 12 months, a case has transitioned through the PCT International phase, being directed to a new use for PBT2 that is not a neurodegenerative disease.

**Patent prosecution update**

<b>PATENT</b>	<b>STATUS</b>	<b>INVENTION</b>
“8-Hydroxyquinoline Derivatives” Filed: July 16, 2003 Applicant: Prana Biotechnology Limited	Patents in Europe, the USA, New Zealand, Canada, Japan, Russia, Singapore, South Korea, Australia, Israel, China, Mexico and South Africa have been Granted. A patent in Hong Kong has been registered.	The invention is directed to chemical scaffolds of the 8-Hydroxyquinoline MPAC class and their utility in the treatment of neurological conditions.
“Neurologically-Active Compounds” Filed: October 3 , 2003 Applicant: Prana Biotechnology Limited	Patents in the USA, New Zealand, Canada, Japan, Mexico, India, Australia, China, South Korea, Japan, Israel, South Africa and Singapore have been Granted. A case has been Granted in Europe and has been validated in separate countries. A patent in Hong Kong has been registered.	The invention is directed to alternative MPAC chemical structures and their utility in the treatment of neurological conditions.
“Neurologically- Active Compounds” Filed: April 1, 2005 Applicant: Prana Biotechnology Limited	Patents have been Granted in Singapore, Japan, Mexico, Russia, Australia, the USA, China, Canada, Europe, India, Sth Korea, Israel, New Zealand and South Africa. A case has been Granted in Europe and has been validated in separate countries. A patent in Hong Kong has been registered.	The invention is directed to ‘F4’ MPAC chemical structures and their utility in the treatment of neurological conditions and includes Parkinson’s Disease lead compounds.
“Method of treatment and prophylaxis and agents useful for same” Filed: April 13, 2007 Applicant: Prana Biotechnology Limited	Patents have been Granted in Australia, Singapore, South Africa, Canada, Japan, Israel, China and New Zealand and the USA. A case has been Granted in Europe and has been validated in separate countries. An application is under examination in Brazil.	This invention was originally filed to claim the use of MPAC compounds for the treatment of Age related Macular Degeneration.
“A method of prophylaxis or treatment and agents for same”. Filed: June 22, 2007 Applicant: Prana Biotechnology Limited	A patent has been Granted in the USA, China, Australia, Canada and Japan. A case has been Granted in Europe and has been validated in separate countries.	This invention is directed to novel MPAC compounds and compounds for treating certain brain cancers.
“Quinazolinone compounds” Filed: 24 December 2008 Applicant: Prana Biotechnology Limited	Patents have been Granted in Japan, Australia, Europe and the USA.	This invention is directed to novel MPAC compounds and to selected MPAC’s used in the treatment of Parkinson’s Disease. Particularly new 2,3 disubstituted F4 compounds.
“4H-Pyrido(1,2-a) Pyrimidin-4-one compounds” Filed: 2 December 2014 (prov) Applicant: Prana Biotechnology Limited	PCT National phase patent applications has been filed in Australia, Brazil, Canada, China, EA, EU, India, Japan, Malaysia, NZ, Korea and the USA.	This invention is directed to novel MPAC compounds for the treatment of neurodegenerative diseases. Particularly new ‘F3’ compounds.

PATENT	STATUS	INVENTION
“Method of treating immunoglobulin light chain amyloidosis” Filed: 1 July 2016 Applicant: Prana Biotechnology Limited	A PCT patent application has been filed.	This invention is directed to the treatment of light chain amyloidosis with a known compound.
“A method of the production of 2-substituted-3H-quinazolin-4-ones-I” Filed: 12 March 2017 Applicant: Prana Biotechnology Limited	An Australian provisional application has been refiled.	This invention is directed to synthetic routes for quinazolinone compounds.
“A method of the production of 2-substituted-3H-quinazolin-4-ones-II” Filed: 12 March 2017 Applicant: Prana Biotechnology Limited	An Australian provisional application has been refiled.	This invention is directed to synthetic routes for quinazolinone compounds.
“Processes for the preparation of 8-Hydroxy quinoline Derivatives” Filed: 4 January 2017 Applicant: Prana Biotechnology Limited	An Australian provisional application has been refiled.	This invention is directed to synthetic routes for 8-Hydroxyquinoline Derivatives.

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

## Competition

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

## **Regulatory Considerations**

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

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

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

## **Manufacturing and Raw Materials**

The manufacture of pharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with GMP regulations and guidelines. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. We cannot make any assurances that we will be able to manufacture sufficient quantities of product candidate in a cost-effective or timely manner. Any delays in production would delay our nonclinical and human clinical trials, which could adversely affect our business, financial condition and results of operations. We also cannot make any assurances that we will be able to enter into collaborative or contracting arrangements on acceptable terms with third party manufacturers that will meet our requirements for quality, quantity and timeliness.

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

#### **C. ORGANIZATIONAL STRUCTURE**

We have two wholly-owned subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Limited, incorporated in the United States and the United Kingdom, respectively.

#### **D. PROPERTY, PLANTS AND EQUIPMENT**

Our executive offices are located at Level 3, 460 Bourke Street, Melbourne, VIC 3000, Australia, where we occupy approximately 223 square meters. The lease for the facility, which expires on September 17, 2020, has an annual rent of A\$75,820. Our United States office is located at Suite 360, 39899 Balentine Drive, Newark, California 94560, USA, where we occupy approximately 911 square feet. The lease for the facility, which expires on October 31, 2019, has an annual rent of US\$27,336.

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

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

#### **A. OPERATING RESULTS**

##### **Background**

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

Our consolidated financial statements appearing in this annual report comply with both IFRS as issued by IASB and A-IFRS. In this annual report, all references to "U.S. dollars" or "U.S.\$" are to the currency of the United States, and all references to "Australian dollars" or "A\$" are to the currency of Australia. All of our revenues are generated in Australian dollars, except for interest earned on foreign currency bank accounts, and the majority of our expenses are incurred in Australian dollars.

## Overview

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

Since completing our initial public offering and listing process on the ASX on March 28, 2000, we have concentrated our resources toward the pursuit of our disease targets. We have completed four Phase I studies of PBT2 and a Phase IIa clinical trial for PBT2 in patients with Alzheimer's disease. We have completed the "IMAGINE" Phase II biomarker imaging trial in Alzheimer's disease and a fifty two week open label IMAGINE Extension study and the "Reach2HD" Phase IIa trial in Huntington disease. A Phase I clinical trial of PBT434 in healthy volunteers is currently underway. For details regarding clinical trials for our lead compound PBT2, see Item 4.B. "Information on the Company - Business Overview - Clinical Trials for Our Product Candidates."

## Critical Accounting Policies

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

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

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

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

Internally-generated intangible assets, capitalized development costs, are stated at cost less accumulated amortization and impairment, and are amortized on a straight-line basis over their useful lives from the point at which the asset is ready for use.

### **Significant Costs and Expenses**

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

*General and administration expenses.* Our general and administration expenses consist of (i) personnel expenses such as directors' fees, salaries and benefits paid to employees and officers and equity-based payments awarded to directors, officers and employees; (ii) auditor and accounting expenses which are fees paid to our auditors for services related to annual reports and interim reports filed or submitted in Australia and the United States and fees paid to other accounting firms in respect of tax and other accounting advice; (iii) public relations and marketing expenses which are fees paid to outside consultants for services related to ASX and NASDAQ announcements and presentations; (iv) depreciation expenses; and (v) other administrative and office expenses.

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

*Other gains and losses.* Other gains and losses consist of foreign exchange gain (loss) which are the net unrealized gain or loss on cash balances and trade and other payables held in foreign currencies (primarily U.S. dollars, British Pounds and Euros) as well as net realized gains and losses on foreign currency transactions.

### **Results of Operations**

#### **Year ended June 30, 2018 compared to year ended June 2017**

##### *Revenue from ordinary activities*

Revenue from continuing operations (consisting of interest income only) increased to A\$201,174 for the year ended June 30, 2018 from A\$132,396 for the year ended June 30, 2017, an increase of A\$68,778, or 51.9%. The increase in revenue is primarily attributable to the higher utilization of longer term interest bearing deposits during the current fiscal year.

##### *Other Income*

We had other income of A\$3,125,775 for the year ended June 30, 2018, relating to eligible research and development activities, on which we are entitled to a 43.5% refundable tax offset under an Australian Government tax incentive that was introduced on July 1, 2011. We had other income of A\$3,022,673 for the year ended June 30, 2017 relating to eligible research and development activities, on which we were entitled pursuant to the aforementioned Australian Government tax incentive. The decrease in the research and development tax incentive is attributable to a reduced amount of eligible research and development expenditure.

##### *Research and development expenses*

Our research and development expenses increased to A\$6,698,016 for the year ended June 30, 2018 from A\$5,700,339 for the year ended June 30, 2017, an increase of A\$997,677, or 17.5%. The increase is attributable to the increase in activity in relation to the Phase 1 study of our lead product candidate PBT434.



#### *General and administrative expenses*

General and administrative expenses increased slightly to A\$4,341,058 for the year ended June 30, 2018 from A\$3,968,630 for the year ended June 30, 2017, an increase of A\$372,428, or 9.4 %. The increase is attributable to the share-based payment expense relating to the issue of options to directors and employees, offset by a decrease in head office operating expenses.

#### *Intellectual property expenses*

Intellectual property expenses, which include patent portfolio costs and intellectual property related legal costs, decreased slightly to A\$224,580 for the year ended June 30, 2018 from A\$241,892 for the year ended June 30, 2017, a decrease of A\$ 17,312, or 7.2%.

#### *Foreign exchange gain (loss)*

We recorded a foreign exchange loss of A\$270,860 for the year ended June 30, 2018 compared to a foreign exchange loss of A\$660,213 for the year ended June 30, 2017. Foreign exchange gain (loss) reflects the impact of changes in foreign currency exchange rates on cash that we hold in U.S. dollars, British Pounds and Euros. In the 2018 and 2017 fiscal years, the Australian dollar depreciated against the U.S. dollar and Euro, which had an favorable impact on the Australian dollar value of our cash held in U.S. dollars and Euro. In the 2018 and 2017 fiscal years, the Australian dollar appreciated against the British Pound, which had an unfavorable impact on the Australian dollar value of our cash held in British Pound. In the 2018 fiscal year, we incurred a foreign exchange loss of A\$278,117 attributable to the cash balances that we held in U.S. dollars, and a foreign exchange gain of A\$7,257 attributable to foreign currency transactions. In the 2017 fiscal year, we incurred a foreign exchange gain of A\$656,019 attributable to the cash balances that we held in U.S. dollars, a foreign exchange loss of A\$4,194 attributable to foreign currency transactions.

#### **Year ended June 30, 2017 compared to year ended June 2016**

#### *Revenue from ordinary activities*

Revenue from continuing operations (consisting of interest income only) decreased to A\$132,396 for the year ended June 30, 2017 from A\$142,657 for the year ended June 30, 2016, a decrease of A\$10,261, or 7.19 %. The decrease is primarily attributable to lower cash and cash equivalents held in A\$ interest bearing accounts throughout 2017 and lower prevailing interest rates.

#### *Other Income*

We had other income of A\$3,022,673 for the year ended June 30, 2017, relating to eligible research and development activities, on which we are entitled to a 43.5% refundable tax offset under an Australian Government tax incentive program. We had other income of A\$4,753,697 for the year ended June 30, 2016 relating to eligible research and development activities, on which we were entitled pursuant to the aforementioned tax incentive program. The decrease in the research and development tax incentive is attributable to reduced eligible expenditure incurred in the 2017 fiscal year as described below.

#### *Research and development expenses*

Our research and development expenses decreased to A\$5,700,339 for the year ended June 30, 2017 from A\$9,585,371 for the year ended June 30, 2016, a decrease of A\$3,885,032, or 40.53%. The decrease in research and development expenses is primarily attributable to the U.S. Food and Drug Administration's placement of PBT2 on Partial Clinical Hold resulting in significantly reduced PBT2 clinical development and manufacturing related expenses.

### *General and administrative expenses*

General and administrative expenses increased to A\$3,968,630 for the year ended June 30, 2017 from A\$3,610,551 for the year ended June 30, 2016, an increase of A\$358,079, or 9.92%. The increase in general and administrative expenses in the fiscal year ended June 30, 2017 is attributable to increased costs of insurance, compliance and business development activities.

### *Intellectual property expenses*

Intellectual property expenses, which include patent portfolio costs and intellectual property related legal costs, decreased slightly to A\$241,892 for the year ended June 30, 2017 from A\$241,954 for the year ended June 30, 2016, a decrease of A\$62, or 0.03%.

### *Foreign exchange gain (loss)*

We recorded a foreign exchange loss of A\$660,213 for the year ended June 30, 2017 compared to a foreign exchange gain of A\$857,247 for the year ended June 30, 2016. Foreign exchange gain (loss) reflects the impact of changes in foreign currency exchange rates on cash that we hold in U.S. dollars, British Pounds and Euros. In the 2017 and 2016 fiscal years, the Australian dollar depreciated against the U.S. dollar, which had a favorable impact on the Australian dollar value of our cash held in U.S. dollars. In the 2017 and 2016 fiscal years, the Australian dollar depreciated against the British Pound and Euro, which had a favourable impact on the Australian dollar value of our cash held in British Pounds and Euros. In the 2017 fiscal year, we incurred a foreign exchange loss of A\$656,019 attributable to the cash balances that we held in U.S. dollars, and a foreign exchange loss of A\$4,194 attributable to foreign currency transactions. In the 2016 fiscal year, we incurred a foreign exchange gain of A\$951,219 attributable to the cash balances that we held in U.S. dollars, a foreign exchange loss of A\$93,972 attributable to the trade payables balances that we held in U.S. dollars, British Pounds and Euros and a foreign exchange loss of A\$231,803 attributable to foreign currency transactions.

### **Inflation and Seasonality**

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

### **Conditions in Australia**

We are incorporated under the laws of, and our principal offices and research and development facilities are located in, the Commonwealth of Australia. Therefore, we are directly affected by political and economic conditions in Australia. See Item 3.D. "Key Information – Risk Factors – Risks Relating to Our Location in Australia" for a description of factors that could materially affect our operations.

### **Recently Issued International Accounting Standards and Pronouncements**

#### New and amended Accounting Standards and Interpretations Issued and Effective

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after June 30, 2018 that would be expected to have a material impact on us.

#### Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2018 reporting periods:

<b>Pronouncement</b>	<b>Title (Issue date)</b>	<b>Effective date</b>	<b>Impact on financial report</b>
IFRS 15	Revenue from contracts with customers	Annual periods beginning on or after January 1, 2018 Earlier application is permitted.	We are not currently generating revenue from contracts and thus the impact is expected to be nil.  We have not conducted a formal assessment on the impact of IFRS 9 on the classification and measurement of the Group's financial instrument. However based on a preliminary review of the available financial instruments as at the date of this report, the Company does not believe the impact will be material on the basis that the Company's financial instruments primarily comprise of receivables from the Australian Tax Office in relation to R&D tax incentives, along with payables to creditors for services received and they are not affected by IFRS 9 if and when the it becomes applicable.
IFRS 9	Financial instruments	Annual periods beginning on or after January 1, 2018 Earlier application is permitted.	
IFRS 16	Leases	Annual periods beginning on or after January 1, 2019 Earlier application is permitted.	The standard will affect primarily the accounting for our operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of A\$227,006. We have not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect our profit and classification of cash flows.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

We are a development stage company and have had no sales income to date, and as of June 30, 2018, our accumulated deficit totaled A\$129,583,125. We had A\$ 15,235,556 of cash and cash equivalents at June 30, 2018, compared to A\$21,884,957 at June 30, 2017. From inception until our initial public offering in March 2000 we financed our operations primarily through borrowings from two of our then directors, which were repaid from the proceeds of such offering. Since our initial public offering we have financed our operations primarily through sales of equity securities, proceeds from the exercise of options, government grants, licensing and research collaborations and interest earned on investments. During the period from 2001 to 2006, we were awarded government grants in the aggregate amount of A\$3.3 million.

In September 2009, we raised A\$6.0 million before costs in a private placement to one of our institutional shareholders in the United States of 30 million ordinary shares (equivalent to 500,000 ADSs on a post reverse ratio basis) at a price of A\$0.20 per share (A\$12 per ADS on a post reverse ratio basis)). We also agreed to grant the investor, subject to shareholder approval, options to purchase 10 million ordinary shares (equivalent to one million ADSs) at an exercise price of A\$0.30 per share (A\$18 per ADS on a post reverse ratio basis)) that would expire four years after the date of the issuance of the shares in the September 2013 private placement. We also issued to the investor, based on an agreed upon formula, an additional 750,000 ordinary shares pursuant to the approval of our shareholders obtained in November 2009. For additional information, see Item 10.C. "Additional Information - Material Contracts."

In July 2010, we raised A\$1.15 million (U.S.\$1.0 million) before costs in a private placement of 7.065 million of our ordinary shares (equivalent to 117,750 ADSs on a post reverse ratio basis)) to Quintiles, at a price of A\$0.1624 per ordinary share (U.S.\$9.74 per ADS on a post reverse ratio basis). For additional information, see Item 10.C. “Additional Information - Material Contracts.”

On February 21, 2011, the ADDF awarded us a grant of U.S.\$700,000, to be provided in two equal instalments over two years. The purpose of the grant was to support a Phase II imaging trial with PBT2 to investigate the effect of PBT2 on the deposition of beta-amyloid in the brains of patients with mild Alzheimer’s disease. The ADDF is based in New York and functions on a venture philanthropy model. We issued a convertible promissory note to the ADDF in the principal amount of the grant and a five-year warrant to purchase 612,397 ordinary shares of our company at a price per share of A\$0.17 (equivalent to U.S.\$0.169), being the closing pricing of our ordinary shares on the ASX on the date of our agreement with ADDF. We also agreed to issue an additional five-year warrant to purchase U.S.\$105,000 of our ordinary shares at a price per share equal to the closing price of our ordinary shares on the ASX on the date the second instalment of U.S.\$350,000 was paid. The note was due and payable on February 25, 2014. As at June 30, 2014 both instalments totalling U.S.\$700,000 were repaid in full.

In March 2011, we completed a private placement of our securities to institutional investors for aggregate gross proceeds of approximately A\$6.12 million (U.S.\$6.19 million). Under the terms of the offering, we sold an aggregate of approximately 27.2 million ordinary shares (equivalent to 453,333 ADSs) at a price of A\$0.225 per share (A\$13.5 per ADS on a post reverse ratio basis). We also granted to the investors options to purchase up to an aggregate of approximately 6.8 million ordinary shares (equivalent to 113,333 ADSs) at an exercise price of A\$0.225 per share (A\$13.2 per ADS on a post reverse ratio basis). The options are exercisable for a term of four years, and the exercise price is subject to future adjustment for various events, such as stock splits or dividend distributions.

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

In July 2011, we entered into an At-The-Market Issuance Sales Agreement with McNicoll, Lewis & Vlax LLC, now known as MLV & Co. LLC, or MLV, under which we may sell ADSs, each representing sixty ordinary shares, from time to time through MLV, as our agent for the offer and sale of the ADSs. As of June 30, 2017, we issued a total amount of 2,785,221 million ADSs on a post reverse ratio basis under the At-The-Market Issuance Sales Agreement for gross proceeds of A\$39.4 million (U.S.\$37.0 million).

In October 2012, we raised approximately A\$6.0 million through a private placement of 32.5 million ordinary shares (equivalent to 0.54 million ADSs on a post reverse ratio basis) at a price of A\$0.185 per ordinary share. The capital was raised in order to support our two ongoing Phase II clinical trials, the IMAGINE trial and Reach2HD trial.

In March 2013, we completed a private placement of 36.0 million ordinary shares to Australian institutions and high net worth investors, at a price of A\$0.195 per share, for aggregate gross proceeds of approximately A\$7 million. The proceeds includes A\$2 million as part of an underwritten Share Purchase Plan (SPP) under which eligible shareholders were able to apply for up to A\$15,000 worth of shares (subject to a scale back) at the same price as the private placement (approximately 76,900 ordinary shares at an issue price of A\$0.195 per share, representing a 13.3% discount to the market closing price on the ASX as at the record date). The first A\$2 million under the SPP were underwritten by JM Financial Group Ltd.

On November 26, 2014 we entered into Amendment No.2 to our At-The-Market Issuance Sales Agreement to continue the at-the-market equity program under which we from time to time may sell up to an aggregate of U.S.\$50,000,000 of ordinary shares represented by ADSs. As of June 30, 2016, we sold 749,242 of our ADSs on a post reverse ratio basis for aggregate gross proceeds of approximately A\$7.11 million (U.S.\$5.54 million) through our outstanding ATM facility.

On October 13, 2016, we entered into an At-The-Market Issuance Sales Agreement with FBR Capital Markets & Co. and Jones Trading Institutional Services LLC. On November 8, 2017, we entered into Amendment No. 1 to our At-The-Market Issuance Sales Agreement dated October 13, 2016, to continue the at-the-market equity program under which we from time to time may sell up to an aggregate of U.S.\$50,000,000 of ordinary shares represented by ADSs.

We made no sales under this facility during the during the two fiscal years year ended June 30, 2018. Since July 1, 2018 and to date, we sold A\$ 166,571 of additional ordinary shares under this program.

As of June 30, 2018, we had a total of 25.2 million unlisted, unexercised options outstanding. The options have exercise prices ranging from A\$0.07 to A\$1.12. If all unlisted options were exercised, we would receive consideration of A\$4.8 million in total.

From inception to June 30, 2018, our capital expenditures have totaled A\$720,622, consisting of computer equipment, furniture and fixtures, fit-out costs and laboratory equipment that is being used in connection with our research at the University of Melbourne. Capital expenditures for equipment are depreciated on a straight-line basis over the estimated useful lives of three to 20 years, with a net balance at June 30, 2018 of A\$ 71,422. We currently do not have significant capital spending requirements, but we expect to continue to engage in capital spending consistent with anticipated growth in our operations and personnel.

For the years ended June 30, 2018 and 2017, we incurred operating losses of A\$8.3 million and A\$7.5 million, respectively, and an operating cash outflow of A\$6.2 million and A\$5.9 million, respectively. We believe that our cash and cash equivalents on hand at June 30, 2018 of A\$15,235,556 is sufficient to meet our forecast cash outflows for, at least 12 months from the date of this report.

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

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

Under the research and development incentive scheme, entities with an aggregated turnover for the income year of less than A\$20 million will be entitled to a 43.5% refundable tax incentive. In the year ended June 30, 2018, we recorded A\$3.1 million 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 event that we will not be able to raise the required funding for our planned expenditure, we have the ability to further reduce expenses around our current commitments. We retain the ability to curtail other planned, but not committed expenditure, in order to ensure we continue to have adequate funds to pay all liabilities as and when they fall due.

Management remains confident that we will be successful in raising the additional funding required to complete the planned research and development activities and accordingly have prepared the financial statements on a going concern basis. However, we cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts.

At this time, our directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the Consolidated Statement of Financial Position as of June 30, 2018. Therefore, no adjustments have been made to our consolidated financial statements relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should we not continue as a going concern.

## Cash Flows

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

	Year ended June 30,		
	2018	2017 (A\$)	2016
Net cash (used) in operating activities	(6,245,188)	(5,865,080)	(7,418,526)
Net cash used in investing activities	(18,417)	(27,918)	(833)
Net cash (used) by financing activities	(107,678)	(159,564)	-
Net increase (decrease) in cash and cash equivalents	(6,371,284)	(6,052,562)	(7,419,359)
Cash and cash equivalents at beginning of period	21,884,957	28,593,538	34,909,574
Redemption of security deposit	-	-	152,603
Exchange rate adjustments on cash held in foreign currencies	(278,118)	(656,019)	950,720
Cash and cash equivalents at end of period	15,235,556	21,884,957	28,593,538

Net cash used in operating activities was A\$6,245,188, A\$5,865,080 and A\$7,418,52 during the years ended June 30, 2018, 2017 and 2016, respectively. Our payments to suppliers and employees during the years ended June 30, 2018, 2017 and 2016 were A\$9,466,459, A\$10,766,301 and A\$14,055,879, respectively. Our operating activity receipts for the years ended June 30, 2018, 2017 and 2016 of A\$3,022,673, A\$4,901,221, and A\$6,637,353 consisted of R&D tax incentive refunds and interest. The A\$1,299,842 decrease in payments to suppliers and employees for the year ended June 30, 2018 when compared to the year ended June 30, 2017 reflects the increase in activity at the end of the fiscal year due to the commencement of the Phase 1 study of PBT434 which is reflected in the increased Trade and Other Liabilities at June 30, 2018. The A\$3,289,578 decrease in payments to suppliers and employees for the year ended June 30, 2017 when compared to the year ended June 30, 2016 reflects the U.S. Food and Drug Administration's placement of PBT2 on Partial Clinical Hold. During the years ended June 30, 2018, 2017 and 2016, our payments to suppliers and employees was offset by interest received of A\$198,598, A\$147,575 and A\$120,392, respectively.

Net cash used in investing activities was A\$18,417, A\$27,918 and A\$833 during the years ended June 30, 2018, 2017 and 2016, respectively. Cash flows used for investing activities was primarily attributable to payments for the purchase of a property and equipment for the years ended June 30, 2018 and 2017 and the purchase of a payroll account term deposit for the year ended June 30, 2016.

Net cash used in financing activities was A\$107,679, A\$159,564 and A\$nil for the years ended June 30, 2018, 2017 and 2016. Cash used by financing activities in the year ended June 30, 2018 and 2017 relate to costs of raising capital under or At-The-Market facility. There were no funds raised under our At-The-Market facility during the years ended June 30, 2018, 2017 and 2016.

We realized foreign exchange losses of A\$278,118 and A\$656,019 for the years ended June 30, 2018 and 2017, respectively and had a foreign exchange gain of A\$950,720 for the year ended June 30, 2016. In 2018, the Australian dollar depreciated against the U.S. dollar by 3.61%. In 2017, the Australian dollar depreciated against the U.S. dollar by 4.12%. In 2016, the Australian dollar depreciated against the U.S. dollar by 3%.

### **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

In recent years, we have continued our practice of building valuable research collaborations with institutes based in Australia, the United States, the United Kingdom and other countries to enable us to investigate a variety of therapeutic indications including Alzheimer's disease, Huntington disease, Parkinsonian movement disorders and selected cancers. These collaborative arrangements ensure that we work with well-respected laboratories with specific expertise in screening and animal modelling of relevance to the particular indication, without incurring ongoing administrative and personnel costs. We maintain in-house patent counsel and research and development project expertise to coordinate these research collaborations.

When a product candidate is identified as suitable for clinical development, we establish a project team to coordinate all non-clinical and clinical development and manufacturing activities. Typically, we engage a clinical research organization to manage patient enrollment, data management, clinical site coordination and statistical analysis, as was the case with the development of our lead compound PBT2 through Phase I and II development and prospectively for Phase III. We manage our manufacturing campaigns through clinical manufacturing organizations for quality assurance and GMP compliance. All clinical, non-clinical, clinical development and manufacturing of our compounds is performed in compliance with the appropriate governing authorities, regulators and standards (for example, the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use).

Research and development expenses amounted to A\$6,698,016, A\$5,700,339 and A\$9,585,371 during the years ended June 30, 2018, 2017 and 2016, respectively. Costs associated with patent applications and defense of patent applications are classified as intellectual property expenses and amounted to A\$224,580, A\$241,892 and A\$241,954 during the years ended June 30, 2018, 2017 and 2016, respectively.

Our research and development expenses consist primarily of expenses for contracted research and development activities conducted by third parties on our behalf, including personnel, testing facilities and other payments in accordance with our research and clinical agreements. Research and development expenses also include costs associated with the acquisition and development of patents. Due to the numerous variables and the uncertain nature of the development of a clinical compound, including obtaining regulatory approvals, we are not able to reasonably estimate the nature, timing and costs of the future expenditures necessary to complete our research and development projects, the anticipated completion dates of each project and when material net cash flows from our research and development programs will commence.

Our technology does not require the licensing of enabling technology licenses or freedom to operate licenses. Our product candidates are designed and synthesized by our employees and the intellectual property of such product candidates is owned by us.

### **D. TREND INFORMATION**

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

We have not commercialized any products to date. Accordingly, any trends within the markets in which we operate are expected to have more direct impact on our business in the event that we are successful in commercializing our product candidates, including PBT2, PBT434 and new candidate products.

Over the past few years, there has been increasing pressure to reduce drug prices in the developed markets as a consequence of political initiatives and regulations aiming to curb continuous increases in healthcare spending. Any revenue we earn in the future may be negatively affected by such political initiatives and regulations. The increased burden of healthcare costs in the aging population have led to an increased focus on reducing costs and, therefore, have further increased the pressure to lower drug prices. We expect this trend to continue in the years ahead. However, we believe spending in the healthcare industry, as compared to many other industries, is less linked to economic trends. We expect sales growth to continue at higher levels in emerging markets and also for niche, orphan indications. We also expect that demographic developments, increased treatment penetration, especially in newly established drug markets, and better diagnostic tools to enable the tailoring of drugs to specific needs, will result in continuing growth in overall global drug sales.

We will need substantial additional funding in order to complete the development, testing and commercialization of our product candidates. The commitment to these projects will require additional external funding, at least until we are able to generate sufficient cash flow from sale of one or more of our products to support our continued operations. If adequate funding is not available, we may be required to delay, scale back or eliminate certain aspects of our operations or attempt to obtain funds through unfavorable arrangements with partners or others that may force us to relinquish rights to certain of our technologies, products or potential markets or that could impose onerous financial or other terms. Management is continuing its efforts to obtain additional funds so that we can meet our obligations and sustain operations.

#### **E. OFF-BALANCE SHEET ARRANGEMENTS**

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

#### **F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

The following table summarizes our minimum contractual obligations as of June 30, 2018. The majority of our contracts for research and development programs have a termination notice period of 30 days. As at June 30, 2018, we had research and development termination commitments approximating A\$1.8 million. No liability has been recognised within our financial statements for this period. In addition, we have the ability to scale down our operations and prioritize our research and development programs in neurology to reduce expenditures as discussed in Item 5.B. Liquidity and Capital Resources.

<b>Contractual Obligations</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>less than 1 year</b>	<b>1-3 years</b>	<b>3-5 Years</b>	<b>more than 5 years</b>
Operating lease obligations	227,006	115,885	111,121	-	-
Total	227,006	115,885	111,121	-	-

### **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

#### **A. DIRECTORS AND SENIOR MANAGEMENT**

Our directors and executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Geoffrey P. Kempler	63	Chairman of the Board of Directors and Chief Executive Officer
Kathryn J.E. Andrews	51	Chief Financial Officer
David A. Stamler	57	Chief Medical Officer and Senior Vice President Clinical Development
Lawrence B. Gozlan(3)	39	Director
Peter A. Marks(1)	62	Director
Brian D. Meltzer(1)(2)(3)	64	Director
George W. Mihaly(1)(2)(3)	65	Director
Ira Shoulson	72	Director

(1) Member of the Audit Committee

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

(3) Member of the Nominations Committee



**Mr. Geoffrey Paul Kempler** has served as the Chairman of our Board of Directors since November 1997. Between November 1997 and August 2004 he served as our Chief Executive Officer, and in June 2005 he again assumed the position of Chief Executive Officer. Mr. Kempler is one of the founders of our company. Mr. Kempler is a qualified psychologist. Mr. Kempler, who has extensive experience in investment and business development, has been responsible for the implementation of our strategic plan and the commercialization of our technology. Mr. Kempler holds a B.Sc degree in science from Monash University and a Grad. Dip. App. Soc. Psych. degree from Swinburne University. Mr. Kempler was appointed as a Non-Executive Chairman of Opthea Limited, an ASX listed drug development company developing innovative, biologics-based therapies for the treatment of eye disease, on November 30, 2015.

**Ms. Kathryn Andrews** was appointed as Chief Financial Officer of our company on November 4, 2014. From December 2012 to October 2014 Ms. Andrews held a senior role with The CFO Solution, a firm focused on the listed company and life sciences environments. Between 2007 and 2012 Ms. Andrews provided contract accounting, governance and consulting services to various mining and government organizations. Between 2002 and 2006 Ms. Andrews was the Chief Financial Officer and Company Secretary of Antisense Therapeutics Limited. Between 1999 and 2002 Ms. Andrews provided contract accounting and consulting services to various mining and resources, technology and government organizations. Between 1989 and 1998 Ms. Andrews was employed by Rio Tinto Limited in a variety of accounting, auditing and financial management roles. Between 1985 and 1989 Ms. Andrews was employed by BP Australia Limited in an accounting role. Ms. Andrews is a Certified Practicing Accountant and holds a Bachelor of Commerce from the University of Melbourne.

**Ms. Diane Angus** joined our company in August 2002, initially serving as our Vice President of Intellectual Property and Licensing, she was promoted to Senior Vice President of Business Development, Intellectual Property and Research in July 2004 and served in that position until being promoted to her current position in May 2007. From 1992 to 2000, Ms. Angus managed the intellectual property, licensing and biotechnology product development assets of two Australian companies, AMRAD Corporation Limited and Florigene Limited. At Florigene, Ms. Angus was the joint venture alliance manager with Suntory for three years. From June 2000 to August 2002, Ms. Angus was Director of Dianne Angus and Associates Pty. Ltd. providing strategic business development, technology evaluation and intellectual property consulting services to biotechnology companies. Ms. Angus has worked in the commercial biotechnology sector for over 20 years directing product valuation, acquisition and product licensing. During her career, Ms. Angus has managed large and diverse intellectual property portfolios, contract rights and enforcement. Ms. Angus has negotiated and executed many commercial licenses and research and product development agreements with entities ranging from large pharmaceutical companies to numerous global research institutes. Ms. Angus has also undertaken due diligence assessments on several Australian biotechnology companies for investment brokers. Ms. Angus holds a Bachelor of Science (Education) and Bachelor of Science (Honors) degree from the University of Melbourne, a Master's degree in Biotechnology from Monash University, a Graduate Diploma in Intellectual Property Law from Monash University, a Diploma in Intellectual Property Practice from the Institute of Patent and Trademark Attorneys of Australia and is a registered Australian Patent and Trade Mark Attorney. Ms. Angus is also a member of the Australian Institute of Company Directors. Ms. Angus resigned from the Company on October 10, 2017

**Dr. David Stamler** has served as our Chief Medical Officer and Senior Vice President, Clinical Development since May 2017. Prior to joining Prana, Dr. Stamler served as the Vice President, Clinical Development and Therapeutic Head for Movement Disorders at Teva Pharmaceutical Industries, from 2015 to 2017. Dr. Stamler was the Chief Medical officer of Auspex Pharmaceuticals from January 2011 until 2015 when Teva acquired Auspex. Prior to that, Dr. Stamler served as Senior Vice President and Chief Medical Officer at XenoPort, Inc., a publicly-traded biopharmaceutical company, from 2008 to 2010 and Chief Scientific Officer and Head of Drug Development at Prestwick Pharmaceuticals, Inc., a private pharmaceutical company, from 2005 to 2008. Prior to Prestwick Pharmaceuticals, Inc., Dr. Stamler worked at Fujisawa Pharmaceutical Co. and its subsidiaries from 1997 to 2005, in various leadership roles, including Vice President, Research and Development, Medical Sciences at Fujisawa Healthcare, Inc. from 2003 to 2005 and as Vice President, Clinical Research Center at Fujisawa Research Institute of America from 2000 to 2003.

Dr. Stamler began his career at Abbott Laboratories, a publicly-traded global pharmaceuticals and healthcare products company, where he served in various positions from 1993 to 1997, including Director of Clinical Research, Pharmaceutical Products for the International Division. Dr. Stamler received an M.D. from the University of Chicago—The Pritzker School of Medicine and a B.A. in Biology from the University of Chicago.

**Mr. Lawrence Gozlan** has served as a director of our company since August 2011. Mr. Gozlan, a leading biotechnology investor and advisor, is the Chief Investment Officer and Founder of Scientia Capital, a specialized global investment fund focused exclusively in life sciences. Scientia Capital was founded to provide high level expertise and to manage investments for high net worth individuals, family offices and institutional investors wanting exposure to the biotechnology industry. Prior to this, Mr. Gozlan was responsible for the largest biotechnology investment portfolio in Australia as the institutional biotechnology analyst at QIC (“the Queensland Investment Corporation”), an investment fund with over A\$60 billion under management. He previously worked as the senior biotechnology analyst in the equities team at Foster Stockbroking Pty Ltd, and gained senior corporate finance experience advising life sciences companies at Deloitte. Mr. Gozlan is currently a Director of AusBiotech, which is the Australian Biotechnology Industry body and a number of private biotechnology companies in the USA. He holds a Bachelor of Science with Honors in microbiology and immunology from the University of Melbourne specializing in neurodegenerative diseases.

**Mr. Peter Marks** has served as a director of our company since July 2005. For the period November 21, 2006 to October 20, 2011, Mr. Marks has also served as Executive Chairman of iSonea Ltd, formerly KarmelSonix Ltd, a medical devices company listed on the ASX that was focused on developing and commercializing a range of devices in the respiratory and medicine space. For over 13 years until the end of August 2014, Mr. Marks was a Director of Peregrine Corporate Ltd, an Australian-based investment bank. Mr. Marks was until late 2016, a Director of Armadale Capital Plc (formerly Watermark Global Plc), an AIM listed investment company, focused on natural resources projects based principally in Africa with its current major investments being a gold exploration company in DRC and a coal briquetting operation in South Africa. Mr. Marks is currently a Principal of Henslow Pty Ltd (formerly Halcyon Corporate Pty Ltd), a corporate and capital markets advisory firm specializing in advising small to mid-cap companies. Mr. Marks is a non-executive Director of Fluence Corporation Ltd. (formerly Emefcy Group Limited and prior to that Savcor Group Limited), an ASX listed industrial waste water technology business. He is also a non executive director of Terragenic International Ltd, an unlisted public company developing a novel hydrogen fuel system for vehicles. He also currently serves as Chairman of ASX listed biotech company, Noxopharm Ltd. which is progressing a clinical program in using chemical sensitizers to enhance the effectiveness of existing chemotherapy drugs and radiation therapies. From September 1998 until March 2001, Mr. Marks was employed by KPMG Corporate Finance Ltd (Australia), where he rose to Director and was responsible for heading up the equity capital markets group in Melbourne. From January 1992 until July 1994, Mr. Marks served as Head of the Melbourne Companies Department at the ASX and was founding Director of Momentum Funds Management Pty Ltd, an Australian venture capital firm. From December 1990 until December 1991, Mr. Marks served as Director of Corporate Finance at Burdett Buckeridge & Young Ltd in their Melbourne offices, from August 1988 until November 1990, he held senior corporate finance position at Barings Securities Ltd, and from July 1985 until July 1988, he served as an Associate Director of McIntosh Securities, now Merrill Lynch Australia. In his roles with these various financial institutions, Mr. Marks was responsible for advising a substantial number of listed and unlisted companies on issues ranging from corporate and company structure, to valuation, business strategies, acquisitions and international opportunities. Mr. Marks holds a Bachelor of Economics degree, a Bachelor of Law degree and Graduate Diploma in Commercial Law from Monash University in Melbourne, Australia, and an MBA degree from the Scottish School of Business at the University of Edinburgh.

**Mr. Brian Derek Meltzer** has served as a director of our company since December 1999. Mr. Meltzer has over 30 years of experience in economics, finance and investment banking. Until December 2013 Mr. Meltzer was a director of a venture capital entity, licensed by the government as an Innovation Investment Fund with investments including biotechnology. Mr. Meltzer is a non-executive director on the board of directors of a number of private companies. Mr. Meltzer is also a director on the board of the Australian-Israel Chamber of Commerce and is Chairman of Independence Australia (previously Paraquad). Mr. Meltzer is Chairman of our Audit Committee and Remuneration Committee. Mr. Meltzer holds a Bachelor of Commerce degree from the University of Auckland and a Master of Economics degree from Monash University.

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

**Dr. Ira Shoulson** has served as a director of our company since May 2014. Dr Shoulson is the Chairman of our Research and Development Advisory Board. He is currently adjunct professor of Neurology at Georgetown University (Washington, DC) and the University of Rochester (Rochester, NY). From 2011 to present, Dr Shoulson was Professor of Neurology, Pharmacology and Human Science and Director of the Program for Regulatory Science and Medicine (PRSM) at Georgetown University where he was principal investigator of the FDA-Georgetown University Collaborating Center of Excellence in Regulatory Science and Innovation. From 1990 to 2011, Dr Shoulson was the Louis C. Lasagna Professor of Experimental Therapeutics and Professor of Neurology, Pharmacology and Medicine at the University of Rochester School of Medicine & Dentistry in Rochester, New York. Dr. Shoulson founded the Parkinson Study Group (1985) and the Huntington Study Group (1994), international academic consortia devoted to research and development of treatments for Parkinson's Disease, Huntington Disease and related neurodegenerative and neurogenetic disorders. He has served as principal investigator of the National Institutes of Health-sponsored trials "Deprenyl and Tocopherol Antioxidative Therapy of Parkinsonism" (DATATOP), the "Prospective Huntington At Risk Observational Study" (PHAROS), and in the leadership of more than 40 other multi-center clinical research studies. He played an instrumental role in the development of 10 new drugs for neurological disorders, including for Parkinson disease (selegiline, lazabemide, pramipexole, entacapone, clozapine, rasagiline, rotigotine), Huntington disease (tetrabenazine, deutetetrabenazine) and attention deficit disorder (Concerta). He was formerly a health policy fellow in the US Senate, a member of the National Institute of Neurological Disorders and Stroke Council, president of the American Society for Experimental NeuroTherapeutics (ASENT), and associate editor of JAMA Neurology. He has authored more than 220 scientific reports.

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

**Ms. Dianne Angus** served as our Chief Operating Office from May 2007 until her resignation effective October 10, 2017.

## **B. COMPENSATION**

The following table sets forth all compensation we paid for the year ended June 30, 2018 with respect to each of our executive officers and directors during the 2018 fiscal year.

	Salaries, fees, commissions, bonuses and other	Pension, retirement and other similar benefits
Geoffrey P. Kempler <sup>(1)</sup>	616,340	27,812
Dianne M. Angus <sup>(3)</sup>	78,156	(3,184)
Kathryn Andrews <sup>(1)</sup>	212,424	18,700
David A. Stamler	630,151	-
Lawrence B. Gozlan	118,750	-
Peter A. Marks	118,750	-
Brian D. Meltzer	141,250	-
George W. Mihaly	136,250	-
Ira Shoulson <sup>(2)</sup>	78,885	-
All executive officers and directors as a group (9 persons)	2,130,956	43,328

(1) Base Fee includes movements in annual leave provision for Mr. Kempler, Ms. Angus and Ms. Andrews accrued in accordance with their employment contracts.

(2) Includes consulting fees paid to Dr. Ira Shoulson in the amount of A\$12,021.

(3) Dianne Angus resigned effective October 10, 2017.

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

As of June 30, 2018, our directors and executive officers as a group, then consisting of eight persons, held options to purchase 14,500,000 of our ordinary shares. Of such options, (i) options to purchase 4,500,000 ordinary shares exercisable for A\$0.07 consideration on or before June 6, 2022; and (ii) options to purchase 10,000,000 ordinary shares exercisable for A\$0.11 consideration on or before December 14, 2022. All such options were granted under our 2004 Employees', Directors' and Consultants' Share and Option Plan. See Item 6.E. "Directors, Senior Management and Employees - Share Ownership – Stock Option Plans."

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

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

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

- By our company with cause (as defined in the agreement) or by Mr. Kempler without good reason (as defined in the agreement), he will be entitled to business expenses that have not been reimbursed and accrued and unused vacation days. Mr. Kempler will only be permitted to exercise unvested options to purchase shares that had been granted to him prior to the employment agreement.
- Due to death or disability (as defined in the agreement), we shall pay Mr. Kempler or his estate, as applicable, all accrued base salary, pro-rata bonus, business expenses that have not been reimbursed and accrued, unused vacation days (and in the case of disability, less such amounts under any disability policy maintained by our company). Mr. Kempler or his estate, as applicable, will be entitled to exercise vested options for ordinary shares.

*Agreement with Chief Financial Officer.* On 11 November 2014, we entered into an agreement with Ms. Kathryn Andrews in connection with her employment as our Chief Financial Officer. In the event of termination of Ms. Andrews's employment:

- By our company without cause (as defined in the agreement) or by Ms. Andrews, a 30 day notice period is required. Ms. Andrews will be (i) entitled to business expenses that have not been reimbursed and accrued and unused leave entitlements; and (ii) must exercise unexercised options within 30 days after the date of termination.
- By our company with cause (as defined in the agreement), no notice period is required. Ms. Andrews will be entitled to business expenses that have not been reimbursed and accrued and unused leave entitlements. Ms. Andrews will be (i) entitled to business expenses that have not been reimbursed and accrued and unused leave entitlements; and (ii) must exercise unexercised options within 30 days after the date of termination.

*Agreement with Chief Medical Officer and Senior Vice President, Clinical Development.* On 18 April 2017, we entered into an agreement with Dr. David Stamler in connection with his employment as our Chief Medical Officer and Senior Vice President, Clinical Development. In the event of termination of Dr. Stamler's employment:

- By our company without cause (as defined in the agreement) or by Dr. Stamler, a 3-month notice period is required, increasing to a 6-month notice period after 18 months of employment. Dr. Stamler will be (i) entitled to business expenses that have not been reimbursed and accrued and unused leave entitlements; and (ii) must exercise unexercised options within 30 days after the date of termination.
- By our company with cause (as defined in the agreement), no notice period is required. Dr. Stamler will be (i) entitled to business expenses that have not been reimbursed and accrued and unused leave entitlements; and (ii) must exercise unexercised options within 30 days after the date of termination.

## **C. BOARD PRACTICES**

### **Introduction**

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

## Election of Directors

Directors are elected at our annual general meeting of shareholders. Under our Constitution, the term of office of our directors are staggered, such that at every annual general meeting of shareholders one-third, rounded down to the nearest whole number, of the directors, except a Managing Director, must retire from office and may offer himself/herself for re-election. No director, except a Managing Director, shall retain office for a period in excess of three years without submitting for re-election. Our Board of Directors has the power to appoint any person to be a director, either to fill a vacancy or as an additional director (provided that the total number of directors does not exceed the maximum allowed by law), and any director so appointed may hold office only until the next annual general meeting when he or she shall be eligible for election. Mr. Kempler is our Managing Director. Dr. Mihaly and Mr. Meltzer must retire and may stand for re-election at our 2018 annual general meeting of shareholders.

## Non-Executive and Independent Directors

Australian law does not require a company to appoint a certain number of independent directors to its board of directors or audit committee. However, under the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition ("ASX Recommendations"), the ASX recommends, but does not require, that an ASX-listed company have a majority of independent directors on its board of directors and that the audit committee be comprised of independent directors, within the meaning of the rules of the ASX. Our Board of Directors currently has six directors, of which five are non-executive directors within the meaning of the ASX Recommendations, and our audit committee consists of such three non-executive directors. Accordingly, we currently comply with the foregoing recommendations of the ASX Recommendations.

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

## Committees of the Board of Directors

Our Board of Directors has established the following committees:

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

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

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

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

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

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

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

Dr Shoulson is the Chairman of our Research and Development Advisory Board. He is currently adjunct professor of Neurology at Georgetown University (Washington, DC) and the University of Rochester (Rochester, NY). From 2011 to present, Dr Shoulson was Professor of Neurology, Pharmacology and Human Science and Director of the Program for Regulatory Science and Medicine (PRSM) at Georgetown University where he was principal investigator of the FDA-Georgetown University Collaborating Center of Excellence in Regulatory Science and Innovation. From 1990 to 2011, Dr Shoulson was the Louis C. Lasagna Professor of Experimental Therapeutics and Professor of Neurology, Pharmacology and Medicine at the University of Rochester School of Medicine & Dentistry in Rochester, New York. Dr. Shoulson founded the Parkinson Study Group (1985) and the Huntington Study Group (1994), international academic consortia devoted to research and development of treatments for Parkinson’s Disease, Huntington Disease and related neurodegenerative and neurogenetic disorders. He has served as principal investigator of the National Institutes of Health-sponsored trials “Deprenyl and Tocopherol Antioxidative Therapy of Parkinsonism” (DATATOP), the “Prospective Huntington At Risk Observational Study” (PHAROS), and in the leadership of more than 40 other multi-center clinical research studies. He played an instrumental role in the development of 10 new drugs for neurological disorders, including for Parkinson disease (selegiline, lazabemide, pramipexole, entacapone, clozapine, rasagiline, rotigotine), Huntington disease (tetrabenazine, dutetetrabenazine) and attention deficit disorder (Concerta). He was formerly a health policy fellow in the US Senate, a member of the National Institute of Neurological Disorders and Stroke Council, president of the American Society for Experimental NeuroTherapeutics (ASENT), and associate editor of JAMA Neurology. He has authored more than 220 scientific reports.

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

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

## **Directors' Service Contracts**

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

## **Indemnification of Directors and Officers**

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

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

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

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

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

## **D. EMPLOYEES**

At June 30, 2018, we had 14 employees. Of such employees, nine persons were employed in research and development and five persons in management and administration. Ten employees are located in Australia and four employees are located in the United States.

At June 30, 2017, we had 13 employees. Of such employees, eight persons were employed in research and development, four persons in management and administration and one person in operations. Eleven employees are located in Australia and two employees were located in the United States.



At June 30, 2016, we had 12 employees. Of such employees, eight persons were employed in research and development and four persons in management. Eleven employees were located in Australia and one employee was located in the United States.

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

#### E. SHARE OWNERSHIP

##### Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information as of August 31, 2018 regarding the beneficial ownership of our ordinary shares by each of our directors and executive officers and by all our directors and executive officers as a group: [fix footnotes]

Name	Number of Ordinary Shares	
	Beneficially Owned <sup>(1)</sup>	Percentage of Ownership <sup>(2)</sup>
Geoffrey P. Kempler <sup>(3)</sup>	23,011,000	4.08%
Kathryn J.E. Andrews <sup>(4)</sup>	500,000	*
David Stamler <sup>(5)</sup>	4,000,000 <sup>(5)</sup>	4,000,000
Lawrence B. Gozlan <sup>(6)</sup>	1,250,000	*
Peter A. Marks <sup>(7)</sup>	1,293,111	*
Brian D. Meltzer <sup>(8)</sup>	1,576,666	*
George W. Mihaly <sup>(9)</sup>	1,476,666	*
Ira Shoulson	-	*
All directors and executive officers as a group (8 persons)	33,107,443	5.87%

\* Less than 1%

- Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of the above table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- The percentages shown are based on 563,585,050 consisting of 536,975,050 ordinary shares and 26,310,000 unlisted options, issued and outstanding as of August 31, 2018.
- Includes options to purchase 5,000,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. Of the 18,011,000 outstanding ordinary shares, 30,000 ordinary shares are held of record by Mr. Kempler, 14,165,000 ordinary shares are held by Baywick Pty Ltd., an Australian corporation owned by Mr. Kempler, 156,000 ordinary shares are held by Sadarajak Pty Ltd., an Australian corporation owned by Mr. Kempler, 90,000 ordinary shares are held of record by Crystal Triangle Pty Ltd., an Australian corporation owned by Mr. Kempler and 2,970,000 ordinary shares are held of record by NRB Developments Pty Ltd., an Australian corporation in which Mr. Kempler holds a 50% interest, 600,000 ordinary shares are held of record by Sandhurst Trustees Ltd. Mr. Kempler may be deemed to be the beneficial owner of the ordinary shares held of record by Baywick Pty Ltd., Crystal Triangle Pty Ltd., NRB Developments Pty Ltd. and Sandhurst Trustees Ltd.

4. Includes options to purchase 500,000 ordinary shares that are exercisable for A\$0.07 consideration on or before 6 June 2022.
5. Includes options to purchase 4,000,000 ordinary shares that are exercisable for A\$0.07 consideration on or before June 6, 2022.
6. Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022.
7. Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. The 43,111 outstanding ordinary shares are held of record by Lampam Pty Ltd., an Australian corporation owned by Mr. Peter Marks.
8. Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. The 326,666 outstanding ordinary shares are held of record by Navigator Australia Ltd., a superannuation fund of Mr. Meltzer.
9. Includes options to purchase 1,250,000 ordinary shares that are exercisable for A\$0.11 consideration on or before December 14, 2022. Of the 226,666 outstanding ordinary shares, 166,666 ordinary shares are held of record by Dr. Mihaly, 52,000 ordinary shares are held of record by Waide Pty Ltd., an Australian corporation owned by Dr. Mihaly, and 4,000 ordinary shares are held of record by each of Kieren Mihaly and Warwick Mihaly, Dr. Mihaly's sons. Dr. Mihaly disclaims beneficial ownership of the ordinary shares held by his sons, Kieren Mihaly and Warwick Mihaly.

### Stock Option Plans

In November 2004, we adopted the 2004 Employees', Directors' and Consultants' Share and Option Plan, or the 2004 ASX Plan, and the 2004 American Depositary Share (ADS) Option Plan, or the 2004 ADS Plan. For the description below, the 2004 ASX Plan and 2004 ADS Plan are referred to together as the 2004 Plans. Under the 2004 ASX Plan we may issue ordinary shares and under the 2004 ADS Plan we may issue ADSs. We were initially authorized to issue under the 2004 Plans up to an aggregate 12,000,000 ordinary shares or ADSs representing 12,000,000 ordinary shares. Pursuant to subsequent shareholder approvals, the most recent of which was in November 2015, we are entitled to issue up to an aggregate 60,000,000 ordinary shares (or ADSs representing 60,000,000 ordinary shares) under the 2004 Plans. Any increase in such maximum number of ordinary shares or ADSs issuable under the 2004 Plans is subject to shareholder approval.

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

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

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

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

Under the 2004 ADS Plan, we may grant to employees, officers, consultants, independent contractors and directors of our company or any of its subsidiaries, from time to time, options to purchase ADSs representing our ordinary shares. The number of ADSs with respect to which options may be granted to any employee under the 2004 ADS Plan in any calendar year shall not exceed 83,333 ADSs (representing 5,000,000 of our ordinary shares). ADSs that are forfeited under the terms of the 2004 ADS Plan and ADSs that are the subject to options that expire unexercised or which are otherwise surrendered by an optionee without receiving any payment or other benefit with respect to such option may again become available for new option grants under the 2004 ADS Plan.

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

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

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

A summary of the status of the 2004 Plans as of June 30, 2018, 2017 and 2016, and changes during the years ended on those dates, is presented below:

	As of June 30,					
	2018		2017			2016
	Amount	Weighted average exercise price	Amount	Weighted average exercise price	Amount	Weighted average exercise price
Options outstanding at the beginning of the year	26,826,063	\$ 0.29	19,395,582	\$ 0.38	19,395,582	\$ 0.38
Granted	12,100,000	\$ 0.11	8,550,000	\$ 0.07		
Exercised						
Expired	(11,349,573)	\$ 0.31	(1,119,519)	\$ 0.25		
Lapsed	(2,360,000)	\$ 0.31				
Options outstanding at the end of the year	25,216,490	\$ 0.19	26,826,063	\$ 0.29	19,395,582	\$ 0.38
Options exercisable at the end of the year	25,216,490	\$ 0.19	26,826,063	\$ 0.29	19,395,582	\$ 0.38
Options that may be granted as of the end of the year	25,216,490	\$ 0.19	26,826,063		19,395,582	

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

There are no shareholders as of August 30, 2018, known to us who own beneficially more than 5% of our ordinary shares.

#### Significant Changes in the Ownership of Major Shareholders

There have been no significant changes in the ownership of major shareholders during the year.

#### Major Shareholders Voting Rights

A major shareholder would not have different voting rights.

#### Record Holders

As of August 27, 2018, there were 2,986 holders of record of our ordinary shares, of which 20 record holders, holding approximately 74.12% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor are they representative of where such beneficial holders reside, since many of these ordinary shares were held of record by brokers or other nominees. The majority of trading by our U.S. investors is done by means of ADSs that are held of record by HSBC Custody Nominees Ltd., which held 72.61% of our ordinary shares as of such date.

As of August 30, 2017, there were 3,146 holders of record of our ordinary shares, of which 20 record holders, holding approximately 73.13% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor are they representative of where such beneficial holders reside, since many of these ordinary shares were held of record by brokers or other nominees. The majority of trading by our U.S. investors is done by means of ADSs that are held of record by HSBC Custody Nominees Ltd., which held 72.04% of our ordinary shares as of such date.

**B. RELATED PARTY TRANSACTIONS**

Dr. Shoulson also provides consulting services to us in a separate capacity. Total cash compensation of A\$12,021 was paid to Dr. Shoulson for the period July 1, 2017 to June 30, 2018 in his capacity as a consultant to our company.

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

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**

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

**Legal Proceedings**

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

**Dividend Distribution Policy**

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

**B. SIGNIFICANT CHANGES**

There have been no significant changes in the operation or financial condition of our company since June 30, 2018.

**ITEM 9. THE OFFER AND LISTING**

**A. OFFER AND LISTING DETAILS**

**Australian Securities Exchange**

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

	Per Ordinary Share (A\$)	
	High	Low
<u>Fiscal Year Ended June 30,</u>		
2014	1.37	0.16
2015	0.36	0.14
2016	0.17	0.06
2017	0.15	0.04
2018	0.07	0.04
<u>Fiscal Year Ended June 30, 2016:</u>		
First Quarter	0.18	0.13
Second Quarter	0.14	0.10
Third Quarter	0.11	0.06
Fourth Quarter	0.12	0.06
<u>Fiscal Year Ended June 30, 2017:</u>		
First Quarter	0.15	0.09
Second Quarter	0.11	0.04
Third Quarter	0.07	0.04
Fourth Quarter	0.07	0.05
<u>Fiscal Year Ended June 30, 2018:</u>		
First Quarter	0.06	0.05
Second Quarter	0.08	0.05
Third Quarter	0.06	0.05
Fourth Quarter	0.05	0.04
<u>Month Ended:</u>		
April 2018	0.05	0.04
May 2018	0.05	0.04
June 2018	0.05	0.04
July 2018	0.06	0.04
August 2018	0.05	0.04

#### NASDAQ Capital Market

Since September 5, 2002 our ADSs have traded on the NASDAQ Capital Market under the symbol “PRAN.” The following table sets forth, for the periods indicated, the high ask and low bid prices of our ADSs on the NASDAQ Capital Market as adjusted to give effect to the reverse ordinary share to ADS ratio implemented on March 24, 2016.

	Per ADS (U.S. \$)	
	High <sup>1</sup>	Low <sup>1</sup>
<u>Fiscal Year Ended June 30,</u>		
2014	79.74	8.82
2015	17.64	6.42
2016	7.68	2.70
2017	6.69	1.52
2018	3.79	1.75
<u>Fiscal Year Ended June 30, 2016:</u>		
First Quarter	7.68	4.20
Second Quarter	6.42	4.08
Third Quarter	4.50	2.70
Fourth Quarter	5.14	2.79
<u>Fiscal Year Ended June 30, 2017:</u>		
First Quarter	6.69	4.52
Second Quarter	4.75	1.52
Third Quarter	4.58	1.65
Fourth Quarter	4.1	2.04
<u>Fiscal Year Ended June 30, 2018:</u>		
First Quarter	3.24	2.31
Second Quarter	3.79	2.52
Third Quarter	3.28	1.95
Fourth Quarter	2.43	1.75
<u>Month Ended:</u>		
April 2018	2.17	1.75
May 2018	2.43	1.89
June 2018	2.29	1.84
July 2018	2.91	1.83
August 2018	2.20	1.92

<sup>1</sup> On March 9, 2016, we effected a ratio change from 1 ADS representing 10 ordinary shares to 1 ADS representing 60 ordinary shares (representing a 6-for-1 reverse split). The above prices have been adjusted to reflect the new ratio.

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

The principal listing of our ordinary shares and listed options to purchase ordinary shares is on the ASX. As of April 5, 2002, our ADSs were eligible to trade on the NASDAQ Capital OTC Bulletin Board in the United States and since September 5, 2002, our ADSs have traded on the NASDAQ Capital Market under the symbol “PRAN.” We entered into a Deposit Agreement with the Bank of New York under which the Bank of New York, acting as depositary, issues ADRs. Prior to March 24, 2016, each of ADR represented ten of our ordinary shares. On March 24, 2016, we effected a ratio change so that each ADS now represents 60 ordinary shares (representing a 6-for-1 reverse split).

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

## **B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

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

### **Prana's Purposes and Objects**

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

### **The Powers of the Directors**

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

### **Rights Attached to Our Ordinary Shares**

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

*Dividend rights.* If our board of directors recommends a dividend, registered holders of our ordinary shares may declare a dividend by ordinary resolution in a general meeting. The dividend, however, cannot exceed the amount recommended by our board of directors. Our board of directors may declare an interim dividend.

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

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

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

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

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



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

#### **Changing Rights Attached to Shares**

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

#### **Annual and Extraordinary Meetings**

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

#### **Limitations on the Rights to Own Securities in Our Company**

Neither our Constitution nor the laws of the Commonwealth of Australia restrict in any way the ownership or voting of our shares. However, (i) there are certain limitations on the percentage of shares a person may hold in our company as described under Item 3.D. “Risk Factors – “Risks Relating to our Location in Australia” above; and (ii) acquisitions and proposed acquisitions of securities in Australian companies may be subject to review and approval by the Australian Federal Treasurer under the Takeovers Act as described under Item 10.D. “Additional Information – Exchange Controls” above.

#### **Changes in Our Capital**

Pursuant to the Listing Rules of the ASX, without shareholder approval, we may not issue more than 25% of our outstanding ordinary shares in any twelve month period other than by a pro rata rights offering or a share purchase plan offer (of shares with a value at the issue price of up to A\$15,000 per shareholder to a maximum of 30% of our outstanding shares) in each case to the then existing shareholders. .

#### **C. MATERIAL CONTRACTS**

On December 1, 2000, we entered into a research funding and intellectual property assignment agreement with the University of Melbourne, under which the University of Melbourne agreed to conduct certain research projects on our behalf. Such projects include structure-based drug design involving the design of various metal-based compounds as potential diagnostics and therapeutics, drug screening and development involving the characterization of our compounds in vitro and in vivo models of neurodegenerative disorders, and cell-based drug discovery involving the screening and assessment of our compounds in cell-based systems to measure toxicity and cellular dysfunction and to develop new screens for our company. In consideration of such services, we agreed to pay the University of Melbourne a sum of A\$591,000 (inclusive of goods and services tax). In consideration for the assignment of rights to intellectual property developed by the University of Melbourne during the research period, we agreed to pay to the University of Melbourne royalties equal to 1.5% of the net invoice price of all products incorporating such intellectual property sold by us or on our behalf, or, the lesser of 1.5% of the net invoice price of such products sold by a licensee or assignee and 10% of gross revenues received from licensees or assignees relating to the exploitation of such intellectual property. The parties extended the term of this agreement by entering into consecutive agreements on December 1, 2003, December 1, 2006 and December 1, 2009. The recent research funding and intellectual property assignment agreement is deemed to have commenced as of the expiration date of the previous agreement on December 1, 2009 and expired on December 1, 2012. The parties entered into a new research funding and intellectual property assignment agreement with the same key terms which expired on December 31, 2013. The University of Melbourne subcontracted substantial parts of the research to the Florey Institute of Neuroscience and Mental Health. Following the novation of the agreements with the Florey Institute on November 7, 2014, we entered into a sixth research funding and intellectual property assignment agreement. This agreement is ongoing.

On September 21 2015, we entered into a master services agreement with Orgapharm S.A.S for the manufacture of PBT2 API. We paid Orgapharm S.A.S €302,700, €186,012 during the fiscal years 2017 and 2016, respectively for services provided under this agreement.

On October 13, 2016, we entered into an At-The-Market Issuance Sales Agreement with FBR Capital Markets & Co. and JonesTrading Institutional Services LLC (collectively, the “Agents”) under which we could sell up to an aggregate of \$US44,460,787 of ordinary shares represented by ADSs. We agreed to pay the Agents commission equal to 3% of the gross proceeds of the sales price of all ADSs sold through them as sales agent under the sales agreement. The offering of our ADSs pursuant to the sales agreement will terminate on the earliest of (1) the sale of all of the ordinary shares subject to the sales agreement, or (2) termination of the sales agreement by us or the agent. We and the agent may terminate the sales agreement at any time in our sole discretion upon five days prior notice. The agent may terminate the sales agreement at any time in certain circumstances, including the occurrence of a material adverse change that, in the sales agent’s judgment, may make it impracticable or inadvisable to market or sell our ADSs or a suspension or limitation of trading of our ADSs on The NASDAQ Capital Market.

On November 8, 2017, we entered into Amendment No. 1 to our At-The-Market Issuance Sales Agreement dated October 13, 2016, to continue the at-the-market equity program under which we from time to time may sell up to an aggregate of U.S.\$50,000,000 of ordinary shares represented by ADSs.

As of June 30, 2018, we issued a total amount of 4.5 million ADSs under this At-The-Market Issuance Sales Agreement for gross proceeds of A\$7.11 million (U.S.\$5.54 million).

On January 22, 2015 we entered into a Master Services Agreement with Certara Portugal to undertake pharmacokinetic, pharmacosafety and pharmacodynamic modelling and analyses from non-clinical and clinical studies with PBT2. We paid Certara Portugal U.S.\$421,651 in fiscal year 2016, and U.S.\$nil in fiscal year 2017 for services provided under this agreement.

On March 17, 2015 we entered into a Master Services Agreement with d3 Medicine LLC to provide clinical pharmacology, clinical safety, safety pharmacology and regulatory consulting services in relation to non-clinical and clinical studies with PBT2. We paid d3 Medicine LLC U.S.\$329,292 and U.S.\$1,363,930 in fiscal years 2017 and 2016 respectively for services provided under this agreement.

#### **D. EXCHANGE CONTROLS**

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

#### **The Foreign Acquisitions and Takeovers Act 1975**

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

Under the Takeovers Act, as currently in effect, any foreign person, together with associates, is prohibited from acquiring 15% or more of the shares in any company having total assets exceeding A\$261 million or more. In addition, a foreign person may not acquire shares in a company having total assets of A\$261 million or more if, as a result of that acquisition, the total holdings of all foreign persons and their associates will exceed 40% in aggregate without the approval of the Australian Treasurer. However, for “U.S. Investors” and investors from certain other countries, a threshold of A\$1,134 million applies (except in certain circumstances) to each of the previous acquisitions. A “U.S. Investor” is defined by the Takeovers Act as a U.S. national or a U.S. enterprise.

If the necessary approvals are not obtained, the Treasurer may make an order requiring the acquirer to dispose of the shares it has acquired within a specified period of time. Under the current Australian foreign investment policy, however, it is unlikely that the Treasurer would make such an order where the level of foreign ownership exceeds 40% in the ordinary course of trading, unless the Treasurer finds that the acquisition is contrary to the national interest. The same rule applies if the total holdings of all foreign persons and their associates already exceeds 40% and a foreign person (or its associate) acquires any further shares, including in the course of trading in the secondary market of the ADSs. At present, we do not have total assets of A\$261 million.

If the level of foreign ownership exceeds 40% at any time, we would be considered a foreign person under the Takeovers Act. In such event, we would be required to obtain the approval of the Treasurer for our company, together with our associates, to acquire (i) more than 15% of an Australian company or business with assets totaling over A\$252 million; or (ii) any direct or indirect ownership interest in Australian residential real estate.

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

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

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

## **E. TAXATION**

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

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

### **AUSTRALIAN TAX CONSEQUENCES**

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

## **Nature of ADSs for Australian Taxation Purposes**

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

### **Taxation of Dividends**

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

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

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

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

Australian capital gains tax applies to net capital gains at a taxpayer's marginal tax rate. Previously, certain shareholders, such as individuals were entitled to a discount of 50% for capital gains on shares held for greater than 12 months. However, as part of the 2012-2013 Federal Budget measures, the Australian Government announced changes to the application of the CGT discount for foreign resident individuals on taxable Australian assets, including shares. These changes became effective on 29 June 2013.

The effect of the change is to:

- Retain access to the full CGT discount for discount capital gains of foreign resident individuals in respect of the increase in the value of a CGT asset that occurred before 9 May 2013; and
- Remove the CGT discount for discount capital gains for foreign resident individuals that arise after 8 May 2013.

Foreign residents will still have access to a discount on discount capital gains accrued prior to 8 May 2013 provided they choose to obtain a market valuation for their assets as at that date.

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

#### *Tax on Sales or other Dispositions of Shares - Shareholders Holding Shares on Revenue Account*

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

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

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

#### **Dual Residency**

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

#### **Stamp Duty**

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

#### **Australian Death Duty**

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

#### **Goods and Services Tax**

The issue or transfer of shares will not incur Australian goods and services.

#### **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

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

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

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

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

**For purposes of the discussion below, it is assumed that the representations contained in the deposit agreement governing the ADSs are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms.**

#### **Taxation of Dividends**

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

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

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

Subject to certain limitations, "qualified dividend income" received by a non-corporate U.S. Holder will be subject to tax at a reduced maximum tax rate of 20 percent. Distributions taxable as dividends generally qualify for the 20 percent rate provided that either: (i) the issuer is entitled to benefits under the Tax Treaty or (ii) the ADSs are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the Tax Treaty and that the ADSs currently are readily tradable on an established securities market in the United States. However, no assurance can be given that the ADSs will remain readily tradable. Furthermore, the reduced rate does not apply to dividends received from PFICs. The amount of foreign tax credit is limited in the case of foreign qualified dividend income. U.S. Holders of ADSs should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

### **Disposition of ADSs**

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

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

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

### **Passive Foreign Investment Companies**

We believe that we are a PFIC for U.S. federal income tax purposes. Our treatment as a PFIC could result in a reduction in the after-tax return to U.S. Holders of our ADSs and may affect the value of the securities.

For U.S. federal income tax purposes, we will be classified as a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, cash is considered to be an asset that produces passive income. Passive income generally includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets that produce passive income. As a result of our substantial cash position and the decline in the value of our stock, we believe that we became a PFIC during the taxable year ended June 30, 2005. We believe that we continued to be classified as a PFIC during the taxable year ended June 30, 2018 and may continue to be a PFIC for each of the subsequent fiscal years.

As a PFIC, our dividends (if any are paid) will not qualify for the reduced maximum tax rate, discussed above, and, unless you timely elect to “mark-to-market” your ADSs, as described below:

- you will be required to allocate “excess distributions” or gain recognized upon the disposition of ADRs ratably over your holding period for the ADSs. An “excess distribution” is the amount by which distributions during a taxable year in respect of an ADS exceed 125% of the average annual distributions during the three preceding taxable years (or, if shorter, your holding period for the ADSs).
- the amount allocated to each year during which we are considered a PFIC, other than the year of the distribution or disposition, will be subject to tax at the highest individual or corporate tax rate, as the case may be, in effect for that year and an interest charge will be imposed with respect to the resulting tax liability allocated to each such year,
- the amount allocated to the current taxable year and any taxable year before we became a PFIC will be taxable as ordinary income in the current year, and
- you will be required to file an annual return on IRS Form 8621.

The PFIC provisions discussed above apply to U.S. persons who directly or indirectly hold stock in a PFIC. Generally, a U.S. person is considered an indirect shareholder of a PFIC if it is:

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

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

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

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



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

#### **Additional Tax on Investment Income**

U.S. Holders that are individuals, estates, or trusts and whose income exceeds certain thresholds will be subject to a 3.8% Medicare contribution tax on net investment income, which will include dividends on and capital gains from the sale or other taxable disposition of ADSs, subject to certain limitations and exceptions.

#### **Backup Withholding and Information Reporting**

Payments in respect of ADSs may be subject to information reporting to the IRS and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 24%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories and demonstrate the fact when so required or (ii) furnish a correct taxpayer identification number and make any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS, which is generally an annual income tax return.

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

#### **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

#### **G. STATEMENT BY EXPERTS**

Not applicable.

#### **H. DOCUMENTS ON DISPLAY**

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

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

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

The documents concerning our company referred to in this annual report may also be inspected at our registered office located at Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia.

## **I. SUBSIDIARY INFORMATION**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We invest our excess cash and cash equivalents in interest-bearing accounts and term deposits with banks in Australia. Our management believes that the financial institutions that hold our investments are financially sound and accordingly, minimal credit risk exists with respect to these investments. Certain of our cash equivalents are subject to interest rate risk. Due to the short duration and conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk. Our major market risk is changes in foreign exchange rates as we had approximately A\$ 6,310,430, A\$17,508,482 and A\$21,890,509 cash held in U.S. dollars, GBP and Euro as of June 30, 2018, 2017 and 2016, respectively. A hypothetical 10%, 11% and 13% adverse movement in end-of-period exchange rates for U.S. dollars, GBP and Euro, respectively, would reduce the cash balance at the end of each year by approximately A\$ 612,209, A\$46 and A\$23, respectively.

We conduct our activities in mostly in Australia and the USA. We are required to make certain payments in U.S. dollars and other currencies, however we believe an adverse movement in end-of-period exchange rates would not have a material impact on our operating results. In the twelve months ended June 30, 2018, the Australian dollar depreciated against the U.S. dollar by 3.61%. In the financial years 2017 and 2016, the Australian dollar depreciated by 4.12% and 3% against the U.S. dollar, respectively. A hypothetical 10% adverse movement in the U.S. dollar, 11% adverse movement in the GBP and 13% adverse movement in the Euro exchange rates would increase the cost of our foreign currency payables by approximately A\$63,324.

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

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **Fees and Charges Payable by ADS Holders**

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

**Persons Depositing or Withdrawing Shares Must Pay:****For:**

- U.S.\$3.00 (or less) per 100 ADSs (or portion of 100 ADSs)
- U.S.\$0.03 (or less) per ADS
- A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs
- U.S.\$1.50 (or less) per ADS
- Expenses of the depositary
- Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes
- Any charges incurred by the depositary or its agents for servicing the deposited securities
- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- Any cash distribution to you
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
- Transfers, combination and split-up of ADSs
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse and/or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

**Fees and Payments Made by the Depositary to the Company**

We incurred expenses in relation to services for our annual general meeting and special general meeting of shareholders. For the year ended June 30, 2018, we paid BNYM a total of U.S.\$ 30,568 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation). For the year ended June 30, 2017, we paid BNYM a total of U.S.\$33,465 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation). For the year ended June 30, 2016, we paid BNYM a total of U.S.\$26,281 (comprised of payments for the distribution and printing of meeting material and proxy vote tabulation).

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

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

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions regarding required disclosure. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of the end of the period covered by this Annual Report on Form 20-F. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2018, our disclosure controls and procedures were effective.

#### Management’s Annual Report on Internal Control over Financial Reporting

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2018. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013). Based on that assessment, our management concluded that as of June 30, 2018, our internal control over financial reporting is effective.

## Changes in Internal Control over Financial Reporting

During the year ended June 30, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 16. RESERVED

#### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

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

#### ITEM 16B. CODE OF ETHICS

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

#### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

##### Fees Paid to Independent Public Accountants

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

Services Rendered	Year Ended June 30,	
	2018	2017
Audit (1)	A\$ 252,960	A\$ 260,645
Audit-Related (2)	-	A\$ 20,590
Total	A\$ 252,960	A\$ 281,235

(1) Audit fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.

(2) Audit-related fees relate to services provided in connection with the auditor's review of our internal controls.

##### Pre-Approval Policies and Procedures

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

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

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS****Issuer Purchase of Equity Securities**

Neither we, nor any affiliated purchaser of our company, has purchased any of our securities during the year ended June 30, 2018.

**ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

Under NASDAQ Stock Market Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of the NASDAQ Stock Market Rules. A foreign private issuer that elects to follow a home country practice instead of any NASDAQ rule must submit to NASDAQ, in advance, a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. As of the date of this annual report, we have not submitted notice to NASDAQ informing them of that we elect to follow home country practice instead of a NASDAQ rule.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 17. FINANCIAL STATEMENTS**

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

**ITEM 18. FINANCIAL STATEMENTS**

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## ITEM 19. EXHIBITS

Index to Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
<a href="#"><u>1</u></a>	<a href="#"><u>Constitution of Registrant.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>1.1</u></a>	<a href="#"><u>6/30/09</u></a>
<a href="#"><u>2.1</u></a>	<a href="#"><u>Deposit Agreement dated March 23, 2001, as amended and restated as of December 21, 2007, among the Registrant, the Bank of New York, as Depositary, and owners and holders from time to time of ADRs issued thereunder, including the Form of American Depositary Receipts.</u></a>	<a href="#"><u>F-6 POS</u></a>	<a href="#"><u>1</u></a>	<a href="#"><u>12/21/07</u></a>
4.1	License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation.	20-F		5/29/02
4.2	Variation Agreement dated August 8, 2001, between the Registrant and The General Hospital Corporation, which amends the License Agreement dated January 1, 2001, between the parties.	20-F		5/29/02
4.3	Agreement to Provide Accounting, Administration, Corporate Advice and Company Secretarial Services dated February 23, 2000, between the Registrant and Malvern Administrative Services (now The CFO solution).	20-F		5/29/02
<a href="#"><u>4.4</u></a>	<a href="#"><u>Second Amendment to Exclusive License Agreement dated January 1, 2001, between the Registrant and The General Hospital Corporation dated March 15, 2004.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.6</u></a>	<a href="#"><u>6/30/04</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>Settlement Agreement dated July 28, 2004, among the Registrant, P.N. Gerolymatos S.A. or PNG, Mr. Gerolymatos, GHC, Professor Ashley Bush, Dr. Rudolph Tanzi and Dr. Robert Cherny and the ancillary agreements of even date therewith exhibited thereto, including the Patent Assignment and Settlement Agreement among the Registrant and PNG, Patent Rights Security Agreement among the Registrant and PNG and the Derivatives Agreement among the Registrant and PNG.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.21</u></a>	<a href="#"><u>6/30/04</u></a>
<a href="#"><u>4.6</u></a>	<a href="#"><u>Prana Biotechnology Limited, 2004 American Depositary Share (ADS) Option Plan.</u></a>	<a href="#"><u>6-K</u></a>	<a href="#"><u>Annexure A to Item 1</u></a>	<a href="#"><u>11/3/04</u></a>
<a href="#"><u>4.7</u></a>	<a href="#"><u>Prana Biotechnology Limited, 2004 Employees', Directors' and Consultants' Share and Option Plan.</u></a>	<a href="#"><u>6-K</u></a>	<a href="#"><u>Annexure B to Item 1</u></a>	<a href="#"><u>11/3/04</u></a>
<a href="#"><u>4.8</u></a>	<a href="#"><u>Sixth Research Funding and Intellectual Property Assignment Agreement dated November 7, 2014.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.10</u></a>	<a href="#"><u>6/30/15</u></a>
<a href="#"><u>4.9</u></a>	<a href="#"><u>Employment Agreement dated September 21, 2007, among the Registrant and Mr. Kempler.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.19</u></a>	<a href="#"><u>6/30/07</u></a>
<a href="#"><u>4.10</u></a>	<a href="#"><u>Placement Confirmation Letter dated September 8, 2009, between the Registrant and BAM Capital LLC.</u></a>	<a href="#"><u>6-K</u></a>	<a href="#"><u>10.1</u></a>	<a href="#"><u>9/9/09</u></a>

<a href="#"><u>4.11</u></a>	<a href="#"><u>Master Service Agreement between the Registrant and Certara Portugal dated January 22, 2015</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.17</u></a>	<a href="#"><u>6/30/15</u></a>
<a href="#"><u>4.12</u></a>	<a href="#"><u>Master Service Agreement between the Registrant and d3 Medicine LLC dated March 17, 2015</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.18</u></a>	<a href="#"><u>6/30/15</u></a>
<a href="#"><u>4.13</u></a>	<a href="#"><u>Master Service Agreement between the Registrant and Orgapharm S.A.S. dated September 21, 2015.</u></a>	<a href="#"><u>20-F</u></a>	<a href="#"><u>4.19</u></a>	<a href="#"><u>6/30/16</u></a>
<a href="#"><u>8.1*</u></a>	<a href="#"><u>List of Subsidiaries of the Registrant.</u></a>			
<a href="#"><u>12.1*</u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended.</u></a>			
<a href="#"><u>12.2*</u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended.</u></a>			
<a href="#"><u>13.1*</u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>			
<a href="#"><u>13.2*</u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>			
<a href="#"><u>15.1*</u></a>	<a href="#"><u>Consent of PricewaterhouseCoopers.</u></a>			
101.INS	Instance Document*			
101.SCH	Schema Document*			
101.CAL	Calculation Linkbase Document*			
101.DEF	Definition Linkbase Document*			
101.LAB	Labels Linkbase Document*			
101.PRE	Presentation Linkbase Document*			

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\* Filed herewith.



**PRANA BIOTECHNOLOGY LIMITED**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Prana Biotechnology Limited

***Opinion on the Financial Statements***

We have audited the accompanying consolidated statements of financial position of Prana Biotechnology Limited and its subsidiaries as of June 30, 2018 and June 30, 2017, and the related consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in shareholders' equity and consolidated cash flow statements for each of the three years in the period ended June 30, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and June 30, 2017, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers  
Melbourne, Australia  
August 31, 2018

We have served as the Company's auditor since 2006.

**PRANA BIOTECHNOLOGY LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in Australian dollars, except number of shares)

		<b>June 30,</b>	
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		15,235,556	21,884,957
Trade and other receivables	5	3,152,410	3,035,573
Other current assets	6	266,625	329,601
<b>Total Current Assets</b>		<b>18,654,591</b>	<b>25,250,131</b>
<b>Non-Current Assets</b>			
Property and equipment, net of accumulated depreciation of A\$299,817 and \$353,443 respectively		71,422	30,815
<b>Total Non-Current Assets</b>		<b>71,422</b>	<b>30,815</b>
<b>Total Assets</b>		<b>18,726,013</b>	<b>25,280,946</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	2,055,247	892,434
Provisions	8	588,693	698,038
<b>Total Current Liabilities</b>		<b>2,643,940</b>	<b>1,590,472</b>
<b>Non-Current Liabilities</b>			
Provisions	8	916	440
<b>Total Non-Current Liabilities</b>		<b>916</b>	<b>440</b>
<b>Total Liabilities</b>		<b>2,644,856</b>	<b>1,590,912</b>
<b>Net Assets</b>		<b>16,081,157</b>	<b>23,690,034</b>
<b>Equity</b>			
Issued capital 2018: 533,891,470 fully paid ordinary shares Nil options over fully paid ordinary shares 2017:			
533,891,470 fully paid ordinary shares Nil options over fully paid ordinary shares	10	143,910,328	144,018,006
Reserves	11	1,753,954	2,320,480
Accumulated deficit during the development stage	12	(129,583,125)	(122,648,452)
<b>Total Equity</b>		<b>16,081,157</b>	<b>23,690,034</b>

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

PRANA BIOTECHNOLOGY LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(in Australian dollars, except number of shares)

	Notes	Years ended June 30,		
		2018	2017	2016
Revenues from ordinary activities	2	201,174	132,396	142,657
Other income	2	3,125,775	3,022,673	4,753,697
Intellectual property expenses		(224,580)	(241,892)	(241,954)
General and administration expenses	3	(4,341,058)	(3,968,630)	(3,610,551)
Research and development expenses	3	(6,698,016)	(5,700,339)	(9,585,371)
Other operating expenses		(58,172)	(126,071)	(45,276)
Other gains/(losses)	3	(270,860)	(660,213)	857,247
<b>Loss before income tax expense</b>		<b>(8,265,737)</b>	<b>(7,542,076)</b>	<b>(7,729,551)</b>
Income tax expense	4	-	-	-
<b>Loss for the year</b>		<b>(8,265,737)</b>	<b>(7,542,076)</b>	<b>(7,729,551)</b>
<b>Other comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>	13(a)	<b>(8,265,737)</b>	<b>(7,542,076)</b>	<b>(7,729,551)</b>
<b>Loss per share (basic and diluted - cents per share)</b>	17	<b>(1.55)</b>	<b>(1.41)</b>	<b>(1.45)</b>
Weighted average number of ordinary shares used in computing basic and diluted net loss per share		533,891,470	533,891,470	533,891,470

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

**PRANA BIOTECHNOLOGY LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
(in Australian dollars)

		Years Ended June 30,		
	Notes	2018	2017	2016
<b>Cash Flows from Operating Activities</b>				
Payments to suppliers and employees		(9,466,459)	(10,766,301)	(14,055,879)
Interest received		198,598	147,575	120,392
Grants received		-	-	-
R&D tax refund		3,022,673	4,753,646	6,516,961
Net cash flows used in operating activities	13(a)	(6,245,188)	(5,865,080)	(7,418,526)
<b>Cash Flows from Investing Activities</b>				
Payment for payroll and rental security deposits		43,988	-	1,474
Payments for purchase of plant and equipment		(62,405)	(27,918)	(2,307)
Net cash flows used in investing activities		(18,417)	(27,918)	(833)
<b>Cash Flows from Financing Activities</b>				
Proceeds from exercise of options and issue of securities		-	-	-
Payment of share issue costs		(107,678)	(159,564)	-
Net cash flows (used in) / provided by financing activities		(107,678)	(159,564)	-
<b>Net (decrease) in cash and cash equivalents</b>				
		(6,371,284)	(6,052,562)	(7,419,359)
Opening cash and cash equivalents brought forward		21,884,957	28,593,538	34,909,574
Redemption of security deposit		-	-	152,603
Exchange rate adjustments on cash and cash equivalents held in foreign currencies		(278,118)	(656,019)	950,720
Closing cash and cash equivalents carried forward	13(b)	15,235,556	21,884,957	28,593,538

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

PRANA BIOTECHNOLOGY LIMITED

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

	Notes	Number of Shares	Issued Capital	Reserves	Accumulated Deficit During Development Stage	Total Equity
<b>Balance, June 30, 2015</b>		533,891,470	146,895,714	9,363,181	(117,145,631)	39,113,264
<b>Transactions with owners in their capacity as owners:</b>						
Issuance of shares in connection with At-The-Market facility, net of costs	10(b)	-	-	-	-	-
Issuance of shares in connection with share purchase plan, net of costs	10(b)	-	(16,500)	-	-	(16,500)
Non-cash issuance of options to employees	11(b)	-	-	-	-	-
Non-cash issuance of options to consultants	11(b)	-	-	-	-	-
Issuance of shares in connection with exercise of options, net of costs	10(b) & 11(b)	-	-	-	-	-
		-	(16,500)	-	-	(16,500)
Net loss		-	-	-	(7,729,551)	(7,729,551)
<b>Total comprehensive loss for the year</b>		-	-	-	(7,729,551)	(7,729,551)
<b>Balance, June 30, 2016</b>		533,891,470	146,879,214	9,363,181	(124,875,181)	31,367,214
<b>Transactions with owners in their capacity as owners:</b>						
Issuance of shares in connection with At-The-Market facility, net of costs	10(b)	-	-	-	-	-
Issuance of shares in connection with share purchase plan, net of costs	10(b)	-	-	-	-	-
Non-cash issuance of options to employees	11(b)	-	-	22,743	-	22,743
Non-cash issuance of options to consultants	11(b)	-	-	1,717	-	1,717
Issuance of shares in connection with exercise of options, net of costs	10(b) & 11(b)	-	-	-	-	-
Transaction costs		-	(159,564)	-	-	(159,564)
Expired options		-	(2,701,644)	(7,067,161)	9,768,805	-
		-	(2,861,208)	(7,042,701)	9,768,805	(135,104)
Net loss		-	-	-	(7,542,076)	(7,542,076)
<b>Total comprehensive loss for the year</b>		-	-	-	(7,542,076)	(7,542,076)
<b>Balance, June 30, 2017</b>		533,891,470	144,018,006	2,320,480	(122,648,452)	23,690,034
<b>Transactions with owners in their capacity as owners:</b>						
Issuance of shares in connection with At-The-Market facility, net of costs	10(b)	-	-	-	-	-
Issuance of shares in connection with share purchase plan, net of costs	10(b)	-	-	-	-	-
Non-cash issuance of options to employees	11(b)	-	-	764,538	-	764,538
Non-cash issuance of options to consultants	11(b)	-	-	-	-	-
Issuance of shares in connection with exercise of options, net of costs	10(b) & 11(b)	-	-	-	-	-
Transaction costs		-	(107,678)	-	-	(107,678)
Expired options		-	-	(1,331,064)	1,331,064	-
		-	(107,678)	(566,526)	1,331,064	656,860
Net loss		-	-	-	(8,265,737)	(8,265,737)
<b>Total comprehensive loss for the year</b>		-	-	-	(8,265,737)	(8,265,737)
<b>Balance, June 30, 2018</b>		533,891,470	143,910,328	1,753,954	(129,583,125)	16,081,157

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

**1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background**

Prana Biotechnology Limited and its controlled subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Limited (referred to collectively as “Prana” or the “Company”), is a development stage enterprise engaged in the research and development of therapeutic drugs designed to treat the underlying cause of degeneration of the brain focusing on Alzheimer’s disease, Huntington disease, Parkinson’s disease and other neurological disorders. Prana Biotechnology Limited, the parent entity, was incorporated on November 11, 1997 in Melbourne, Australia and the UK and U.S. subsidiaries were incorporated in August 2004.

**Financial Reporting Framework**

The financial report of Prana Biotechnology Limited for the year ended June 30, 2018 was authorized for issue in accordance with a resolution of the Board of Directors on August 31, 2018.

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended June 30, 2018 and the comparative information presented in these financial statements for the years ended June 30, 2017 and 2016.

**Critical accounting estimates, judgments and assumptions**

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

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

**(a) Critical judgments in applying the entity’s accounting policies - use of volatility period in valuing warrant liabilities**

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

**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.

**R&D Tax Incentives**

The Australian Government replaced the research and development tax concession with the research and development tax incentive from July 1, 2011. The provisions provide refundable or non-refundable tax offsets. The research and development tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after July 1, 2011. A 43.5% for FY2018 (43.5% for FY2017 & 45% for FY2016) refundable tax offset, will be available to eligible small companies with an annual aggregate turnover of less than \$20 million. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to June 30, 2018 the Company has recorded an item in other income of A\$3.1 million (2017: A\$3.0 million) to recognize this amount which relates to this period.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**Going Concern Basis**

The Company is a development stage medical biotechnology company and as such expects to be utilizing cash until its research activities have become marketable. For the year ended June 30, 2018, the Company incurred an operating loss of A\$8.3 million (2017: Loss: A\$7.5 million) and an operating cash outflow of A\$6.2 million (2017: A\$5.9 million). As at year end the net assets of the Company stood at A\$15.9 million (2017: A\$23.7 million) and the cash position has decreased to A\$15.2 million from A\$21.9 million at 30 June 2017.

Cash on hand at 30 June 2018 are considered sufficient to meet the Group's forecast cash outflows in relation to research and development activities currently underway and other business activities for at least 12 months from the date of this report. The Directors have determined that no additional commitments towards later stage research and development activities will occur until the raising of additional funds. While there is uncertainty in the Group's cash flow forecast in relation to the phasing of proposed expenditure on research and development which may impact the forecast cash position, the Directors believe the Group will be able to maintain sufficient cash reserves through these activities. Additional options available to contribute to the cash reserves include the following:

- The Company continues to pursue the raising of additional funds through alternative funding structures and has a strong history of raising capital. The Company 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 Company has raised A\$48.68 million (US\$44.5 million) under this and a previous ATM facility.
- Notwithstanding, in the event that the Company will not have sufficient funds to effect its current plans through the above mentioned methods, the Company has the ability to scale down its operations and prioritize its research and development programs.

In addition to these options, the Company has recorded a Trade and Other Receivable at June 30, 2018 in the amount of A\$3.1 million from the Australian Tax Office in respect of its 2018 research and development tax incentive claim. The Company expects to receive this amount during the 12 months ending 30 June 2019 and also expects the research and development tax incentive to continue to be applicable in the subsequent years.

On this basis, the Directors are satisfied that the Company is a going concern and at this time and are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the Consolidated Statement of Financial Position as at June 30, 2018.

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 Company not continue as a going concern.



**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**Significant Accounting Policies**

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

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

**(a) Principles of Consolidation**

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

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

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

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealized profits/losses arising within the Company are eliminated in full. Investments in subsidiaries are accounted for at cost in the individual financial statements of Prana Biotechnology Limited.

**(b) Segment Reporting**

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 Prana Biotechnology Limited. For the current and previous reporting periods, the Company operated in one segment, being research into Alzheimer's disease, Huntington disease, Parkinson's disease and other neurodegenerative disorders.

**(c) Income Tax**

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

Current and deferred tax for the period

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

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

**(d) Property and Equipment**

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

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

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

Depreciation

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

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

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

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

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

**(e) Leases**

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

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

**(f) Financial Instruments**

Loans and Receivables

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

Warrants and Options

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

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

**(g) Impairment of Assets**

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

No impairment charges were incurred during the three years ended June 30, 2018.

**(h) Intangible Assets - Research and Development**

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

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

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

At June 30, 2018, 2017 and 2016, Prana had no capitalized research and development costs.

**(i) Foreign Currency Transactions and Balances**

Functional and Presentation Currency

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

Foreign currency transactions

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

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

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

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

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**(j) Employee Benefits**

Short-term obligations

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Company's obligations for short-term employee benefits such as wages and salaries are recognized as a part of current trade and other payables in the statement of financial position.

The Company's obligations for annual leave are presented as part of provisions in the Statement of Financial Position. The obligations are presented as current liabilities in the Statement of Financial Position if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period regardless of when the actual settlement is expected to occur.

Other long-term obligations

The liability for long service leave is not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is therefore recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

**(k) Provisions**

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

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

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

**(l) Cash and Cash Equivalents**

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

**(m) Revenue from ordinary activities**

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

**(n) Grants**

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

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

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

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

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

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**(p) Trade and Other Payables**

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

**(q) Borrowings**

Loans and borrowings are initially recognized at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**(r) Share-Based Payments**

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

Directors

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

Employees

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

Consultants

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

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

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

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

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

**(s) Loss Per Share**

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**(t) Share Capital**

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

**(u) Trade and Other Receivables**

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

**(v) Comparative Figures**

Comparative figures, are, where appropriate, reclassified to be comparable with figures presented in the current financial year.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

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

**(w) Parent Information**

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

Investments in Subsidiaries

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

**(x) New Accounting Standards And Interpretations**

New and amended Accounting Standards and Interpretations issued and effective

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after June 30, 2018 that would be expected to have a material impact on the Company.

Accounting Standards issued by not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2018 reporting periods. Initial application of the following Standards and Interpretations are not expected to affect any of the amounts recognized in the financial report, but may change the disclosures presently made in relation to the Company.

<b>Pronouncement</b>	<b>Title (Issue date)</b>	<b>Effective date</b>	<b>Impact on financial report</b>
IFRS 15	Revenue from contracts with customers	Annual periods beginning on or after January 1, 2018 Earlier application is permitted.	The Company is currently not generating revenue from contracts and thus the impact is expected to be nil.
IFRS 9	Financial instruments	Annual periods beginning on or after January 1, 2018 Earlier application is permitted.	The Company has not conducted a formal assessment on the impact of AASB 9 on the classification and measurement of the Company's financial instrument. However based on a preliminary review of the available financial instruments as at the date of this report, the Company does not consider the impact to be material.
IFRS 16	Leases	Annual periods beginning on or after January 1, 2019 Earlier application is permitted.	The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of A\$227,006. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
(unless otherwise noted)

**2. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS**

	Years Ended June 30,		
	2018	2017	2016
<b>Other revenue</b>			
Interest	201,174	132,396	142,657
Total other revenue	201,174	132,396	142,657
<b>Other income</b>			
R&D Tax Incentive (1)	3,125,775	3,022,673	4,753,697
Total other income	3,125,775	3,022,673	4,753,697
Total revenue and other income from continuing operations	3,326,949	3,155,069	4,896,354

**3. EXPENSES FROM ORDINARY ACTIVITIES**

	Years Ended June 30,		
	2018	2017	2016
<b>Research and Development Expenses (2)</b>			
Employee expenses	2,223,807	1,673,473	1,821,717
Other research and development expenses	4,474,209	4,026,866	7,763,654
<b>General and Administration Expenses</b>			
Depreciation on fixed assets	21,799	21,328	22,810
Employee expenses (non R&D related)	909,756	1,033,897	992,751
Consultant and director expenses	1,279,014	849,588	750,158
Audit, internal control and other assurance expenses	186,660	200,480	204,776
Corporate compliance expenses	351,611	377,920	358,097
Office rental	142,233	200,704	195,561
Other administrative and office expenses	1,449,985	1,284,713	1,086,398
<b>Other gains and losses</b>			
Foreign exchange (gain)/loss	270,860	660,213	(857,247)

- (1) The Company's research and development activities are eligible for a 43.5% offset 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 year ended 30 June 2018 the Company has recorded an item in other income of A\$3,125,775 (2017: A\$3,022,673) to recognise this amount which relates to this financial year.
- (2) Research and development expenses consist of expenses paid for contracted research and development activities conducted by third parties on behalf of the Company.



**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
(unless otherwise noted)

**4. INCOME TAX**

	<b>Years Ended June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
(a) Income tax expense:			
Current tax	-	-	-
Adjustment for current tax of prior periods	-	-	-
Deferred tax	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable:			
Prima facie tax on net loss before income tax	(2,273,078)	(2,074,071)	(2,318,865)
Effect of lower tax rates of tax on overseas income	12,375	(28,639)	(11,111)
Add tax effect of:			
(Over)/Under provision of income tax in previous year relating to a revision of estimates	-	-	4,582,839
Research and development expenditure (net of tax incentive)	1,187,557	1,079,650	1,743,004
Gain/(loss) on fair value of financial liabilities	-	-	-
Other	324,249	94,877	54,222
Deferred tax asset not recognized	748,896	928,183	(4,050,088)
Income tax expense attributable to loss before income tax	<u>-</u>	<u>-</u>	<u>-</u>
(c) Potential deferred tax asset at June 30, 2018, 2017 and 2016 in respect of: tax losses not brought to account is (1):	34,376,607	33,625,059	35,687,127
Temporary differences	(1,254,136)	(2,114,243)	(1,655,223)

(1) Subject to the Group continuing to meet the relevant statutory tests, the tax losses are available for offset against future taxable income.

At 30 June 2018, the Group had a potential tax benefit related to tax losses carried forward of \$125,041,203. Such amount includes net losses of \$440,122 related to subsidiaries in the United States (U.S.). The Tax Cuts and Jobs Act (TCJA) enacted by Congress in the U.S on 22 December 2017 cut the top corporate income tax rate from 35% to 21%. For tax years beginning after December 31, 2017, the graduated corporate tax rate structure is eliminated and corporate taxable income will be taxed at 21-percent flat rate. Additionally, the previous 20-year limitation on carry forward net operating losses (NOL's) has been removed, allowing the NOL's to be carried forward indefinitely. The remaining tax losses carried forward are indefinite and are attributable to the Group's operations in Australia. As such the total unused tax losses available to the Group, equal \$125,041,203.

**5. TRADE AND OTHER RECEIVABLES**

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Accrued interest income	12,680	10,104
R&D tax incentive receivable	3,125,775	3,022,673
Goods and services tax receivable	13,955	2,796
<b>Total Trade and Other Receivables</b>	<b><u>3,152,410</u></b>	<b><u>3,035,573</u></b>

R&D tax incentive receivable represents the amount of the financial year 2018 R&D tax incentive the Company expects to recover. For further details, see note 2.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
(unless otherwise noted)

**6. OTHER ASSETS**

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Prepayments	256,821	285,613
Rental term deposit	9,514	43,988
Other	290	
Total	266,625	329,601
<u>Non-current</u>		
Rental term deposit	-	-
Total	-	-

**7. TRADE AND OTHER PAYABLES**

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Trade creditors	1,333,890	65,049
Accrued research and development expenses	333,645	493,307
Accrued corporate personnel expenses	-	345
Accrued professional fees	183,795	261,232
Other accrued expenses	192,726	50,355
Other Payables	11,191	22,146
Total	2,055,247	892,434

**8. PROVISIONS**

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Annual leave (1)	266,487	298,508
Long service leave (1)(2)	322,206	399,530
Total	588,693	698,038
<u>Non-Current</u>		
Long service leave (2)	916	440

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

**(1) Movements in provisions**

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

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Annual leave</b>		
Carrying amount at start of year	298,508	288,122
Charged/(credited) to profit or loss		
-additional provisions recognized	261,354	134,198
Amounts used during the year	(293,375)	(123,812)
Carrying amount at end of year	266,487	298,508
<b>Long service leave</b>		
Carrying amount at start of year	399,970	321,119

Charged/(credited) to profit or loss	(103,363)	
-additional provisions recognized	26,515	78,851
Carrying amount at end of year	323,122	399,970
<b>TOTAL</b>	<b>589,609</b>	<b>698,478</b>

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

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

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

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Long service leave obligation expected to be settled after 12 months	916	197,940

**9. COMMITMENTS AND CONTINGENCIES**

There are no contingent assets or liabilities at the date of this report. The Company is not involved in any legal or arbitration proceedings and, so far as management is aware, no such proceedings are pending or threatened against the Company. As at balance sheet date, the Company had a bank guarantee of A\$41,701 in relation to the head office lease.

In respect of expenditure commitments, refer to Note 14.

**10. ISSUED CAPITAL**

**(a) Issued Capital**

	Notes	<b>Years Ended June 30,</b>		
		<b>2018</b>	<b>2017</b>	<b>2016</b>
533,891,470 (2017: 533,891,470) fully paid ordinary shares	10(b)	143,910,328	144,018,006	144,177,570
Nil (2017: Nil) options for fully paid ordinary shares	10(c)	-	-	2,701,644
		<u>143,910,328</u>	<u>144,018,006</u>	<u>146,879,214</u>

**(b) Movements in Issued Shares**

	<b>2018</b>		<b>June 30, 2017</b>		<b>2016</b>	
	<b>No.</b>	<b>A\$</b>	<b>No.</b>	<b>A\$</b>	<b>No.</b>	<b>A\$</b>
Beginning of the year	533,891,470	144,018,006	533,891,470	144,177,570	533,891,470	144,194,070
Movement during the year	-	(107,678)	-	(159,564)	-	(16,500)
End of the year	533,891,470	143,910,328	533,891,470	144,018,006	533,891,470	144,177,570

Details of share issuances are as follows:

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number</b>	<b>Issue Price</b>	<b>A\$</b>
Year ended June 30, 2015			45,244,510	-	6,886,299
July 1, 2015	Reverse proposed issue to a consultant		-	-	(16,500)
Year end June 30, 2016			-	-	(16,500)
June 30, 2017	Security issuance costs		-	-	(159,564)
Year end June 30, 2017			-	-	(159,564)
June 30, 2018	Security issuance costs		-	-	(107,678)
Year end June 30, 2018			-	-	(107,678)

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

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

Given the extended period of consultants' involvement and associated milestones, the Company determined there were no comparable service examples against which to benchmark the value of the consultants' services. Additionally, there was no distinction between the portion of the services which gave rise to

the cash entitlements and the portion that gave rise to share entitlements. As the Company could not reliably estimate the fair value of the services received, the Company determined that it was appropriate to measure the services at the fair value of the underlying equity instruments issued.

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**10. ISSUED CAPITAL (continued)**

**(c) Movements in Options**

	2018		June 30, 2017		2016	
	Number of Options	A\$	Number of Options	A\$	Number of Options	A\$
Beginning of the year	-	-	-	2,701,644	-	2,701,644
Reclassify expired options to accumulated losses	-	-	-	(2,701,644)	-	-
End of the year*	-	-	-	-	-	2,701,644

\* In 2017 expired options were reclassified to accumulated losses. There was no movement in options during the financial years ended June 30, 2018 and 2016.

**(d) Terms and Conditions of Issued Capital**

Ordinary shares

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

Options

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

**(e) Shares Issued after Reporting Date**

Subsequent to the end of the current financial year, on July 12, 2018, 3,083,580 new ordinary shares were issued.

**11. RESERVES**

	Notes	Years Ended June 30,		
		2018	2017	2016
<b>(a) Share Based Payments</b>				
25,216,490 (2017: 26,826,063) options for fully paid ordinary shares	13(b)	1,753,954	2,320,480	7,394,184
Nil (2017: Nil) options for ADRs	13(c)	-	-	1,515,434
Nil (2017: Nil) warrants for ADRs	13(d)	-	-	453,563
		1,753,954	2,320,480	9,363,181

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

**(b) Movements in Options for Fully Paid Ordinary Shares**

	2018		Years Ended June 30, 2017		2016	
	Number of Options	Comp. Expense (A\$)	Number of Options	Comp. Expense (A\$)	Number of Options	Comp. Expense (A\$)
Beginning of the year	26,826,063	2,320,480	19,395,582	2,320,480	19,395,582	7,394,184
Issued during the year	12,100,000	764,539	8,550,000	-	-	-
Expired during the year	(11,349,573)	(1,126,843)	(1,119,519)	-	-	-
Forfeited during the year	(2,360,000)	(204,221)	-	-	-	-
Exercised during the year	-	-	-	-	-	-
End of the year	25,216,490	1,753,954	26,826,063	2,320,480	19,395,582	7,394,184

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**11. RESERVES (continued)**

Details of option grants are summarized as follows.

**Year ended June 30, 2016:**

None

**Year ended June 30, 2017:**

- On June 7, 2017, the Company granted options to purchase 8,550,000 options to employees, consultants and officers under the 2004 Plan (see Note 15) in recognition of services rendered to the Company. The options are exercisable at A\$0.07 consideration and expire on June 6, 2022. The fair value of the options is A\$0.03.
- On March 20, 2017 1,119,519 options expired.

**Year ended June 30, 2018:**

- On October 10, 2017, 2,360,000 options were forfeited upon resignation of an employee.
- On December 13, 2017, 8,500,00 options expired.
- On January 18, 2018, the Company issued 12,100,000 options to directors and employees under the 2004 Plan (see Note 15) in recognition of services rendered to the Company. The options are exercisable at A\$0.11 consideration and expire on December 14, 2022. The fair value of the option is A\$0.047.
- On April 6, 2018, 1,200,000 options expired.
- On June 25, 2018, 1,649,573 options expired.

**(c) Movements in Options for ADRs**

	Years Ended June 30,					
	2018		2017		2016	
	Number of Options	Comp. Expense (A\$)	Number of Options	Comp. Expense (A\$)	Number of Options	Comp. Expense (A\$)
Beginning of the year	-	-	-	1,515,434	-	1,515,434
Expiration of options (1)	-	-	-	(1,515,434)	-	-
End of the year	-	-	-	-	-	1,515,434

(1) Options exercisable at US\$5.00 on or before December 17, 2012. These options are convertible to ADRs, 1 ADR = 60 ordinary shares. At time of issue, 1 ADR = 10 ordinary shares. These options expired without being exercised on December 17, 2012.

**(d) Movement in Warrants for ADRs**

	Years Ended June 30,					
	2018		2017		2016	
	Number of Warrants	Comp. Expense (A\$)	Number of Warrants	Comp. Expense (A\$)	Number of Warrants	Comp. Expense (A\$)
Beginning of the year (1)	-	-	-	453,563	-	453,563
Beginning of the year (2)	-	-	-	-	612,397	-
Expired	-	-	-	(453,563)	(612,397)	-
End of the year	-	-	-	-	-	453,563

(2) Warrants exercisable at A\$0.17 on or before February 25, 2016. These warrants expired without being exercised on February 25, 2016.

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**11. RESERVES (continued)**

**(e) Terms and Conditions of Reserves**

Options and warrants

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

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

**(f) Options and Warrants Issued after Reporting Date**

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

**12. ACCUMULATED DEFICIT DURING DEVELOPMENT STAGE**

	Years Ended June 30,		
	2018	2017	2016
Balance at beginning of year	122,648,452	(124,875,182)	(117,145,631)
Net loss for the year	8,265,737	(7,542,076)	(7,729,551)
Reclassify expired options from contributed equity	-	2,701,644	-
Reclassify expired options from reserves	(1,331,064)	5,098,165	-
Reclassify expired options from reserves	-	1,968,997	-
Balance at end of year	<u>129,583,125</u>	<u>(122,648,452)</u>	<u>(124,875,182)</u>

**13. CASH FLOW INFORMATION**

	Years Ended June 30,		
	2018	2017	2016
<b>(a) Reconciliation of Net Loss to Net Cash Flows From Operations</b>			
Net loss	(8,265,737)	(7,542,076)	(7,729,551)
<b>Non-cash items</b>			
Depreciation of property and equipment	21,799	21,328	22,810
Non-cash issue of equity in consideration of operating expenses	764,539	24,460	(16,500)
Foreign exchange (gain) loss	278,117	656,019	(950,720)
<b>Changes in assets and liabilities</b>			
Decrease (increase) in trade and other receivables	(116,837)	1,746,152	1,734,389
Decrease (increase) in other current assets	18,988	(4,069)	(115,643)
(Decrease) increase in trade and other payables	1,162,812	(856,131)	(403,449)
(Decrease) in other current liabilities	-	-	(12,076)
Increase in provision for employee entitlements	(108,869)	89,237	52,214
Net cash flows used in operating activities	<u>(6,245,188)</u>	<u>(5,865,080)</u>	<u>(7,418,526)</u>
<b>(b) Reconciliation of Cash and Cash Equivalents</b>			
Cash and cash equivalents balance comprises:			
- cash and cash equivalents on hand	<u>15,235,556</u>	<u>21,884,957</u>	<u>28,593,538</u>
Closing cash and cash equivalents balance	<u>15,235,556</u>	<u>21,884,957</u>	<u>28,593,538</u>



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**13. CASH FLOW INFORMATION (continued)**

**(c) Non-Cash Financing and Investing Activities**

There were no non-cash financing and investing activities during the years ended June 30, 2018, 2017 and 2016.

**14. EXPENDITURE COMMITMENTS**

The Company has non-cancelable operating leases contracted for but not capitalized in the financial statements. The Company has commitments under these contracts within one year of A\$115,885 and greater than one year but less than three years of A\$111,121. The property lease comprises of two a non-cancellable leases with an 36 and 24 months term, respectively, and with rent payable monthly in advance. These leases commenced on September 18, 2017 and November 1, 2017, respectively and expired on September 17, 2020 and October 31, 2019, respectively.

The majority of our contracts for research and development programs have a termination notice period of 30 days. As at June 30, 2018, we had research and development termination commitments approximating A\$1.8 million. No liability has been recognized within our financial statements for this period. In addition, we have the ability to scale down our operations and prioritize our research and development programs in neurology to reduce expenditures.

Details in relation to commitments under employee service agreements with Directors and Key Management Personnel are outlined in Note 18.

**15. SHARE BASED PAYMENTS**

**(a) Employee and Consultant Plans**

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

At 30 June 2018 equity, had been issued to 5 Directors, 2 Key Management Personnel, 11 employees and 9 consultants under the Australian Plan.

At 30 June 2017 equity, had been issued to 1 previous Director, while a Director, under the US plan and 5 Directors, 3 Key Management Personnel, 9 employees and 10 consultants under the Australian Plan.

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.

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

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

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

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**15. SHARE BASED PAYMENTS (continued)**

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

	Years Ended June 30,					
	2018		2017		2016	
	Number of Options	Weighted Average Exercise Price (A\$)	Number of Options	Weighted Average Exercise Price (A\$)	Number of Options	Weighted Average Exercise Price (A\$)
Beginning of the year	26,826,063	0.29	19,395,582	0.38	19,395,582	0.38
Issued during the year	12,100,000	0.11	8,550,000	0.07	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	(11,349,573)	0.31	(1,119,519)	0.25	-	-
Lapsed during the year	(2,360,000)	0.19	-	-	-	-
Outstanding at year end	25,216,490	0.19	26,826,063	0.29	19,395,582	0.38
Exercisable at year end	25,216,490	0.19	26,826,063	0.29	19,395,582	0.38

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

Series	Grant Date	Expiry Date	Exercise Price \$A	Share options 2018	Share options 2017
PBTAA	October 25, 2013	October 24, 2018	0.61	200,000	200,000
PBTAB	October 3, 2014	October 2, 2018	0.34	-	1,000,000
PBTAC	June 26, 2013	June 25, 2018	0.37	-	1,649,573
PBTAD	November 4, 2013	November 3, 2018	0.73	200,000	360,000
PBTAE	December 13, 2013	December 11, 2018	1.04	1,200,000	1,200,000
PBTAF	February 7, 2014	February 5, 2019	1.12	100,000	100,000
PBTAG	April 7, 2014	April 6, 2018	0.25	-	1,200,000
PBTAH	February 19, 2015	February 18, 2020	0.26	2,000,000	2,000,000
PBTAQ	December 12, 2012	December 13, 2017	0.33	-	8,500,000
PBTAR	May 27, 2015	May 25, 2020	0.27	1,400,000	1,400,000
PBTAY	August 5, 2013	August 4, 2018	0.66	306,490	306,490
PBTAZ	October 2, 2013	October 1, 2018	0.66	360,000	360,000
PBTAS	June 7, 2017	June 6, 2022	0.07	7,350,000	8,550,000
PBTAAA	18-Dec-17	December 14, 2022	0.11	12,100,000	-
			Total	25,216,490	26,826,063

Weighted average remaining contractual life of options outstanding at end of period 3.56 years 2.34 years

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

*Dividend yield* – Prana has never declared or paid dividends on its ordinary shares and does not anticipate paying any dividends in the foreseeable future.

*Expected volatility* – Prana estimates expected volatility based on historical volatility over the estimated life of the option and other factors. 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.

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

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**15. SHARE BASED PAYMENTS (continued)**

*Model inputs –*

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

Series	Grant Date	Exercise Price per Share A\$	Share Price at Grant Date A\$	Expected Share Price Volatility	Years to Expiry	Dividend Yield	Risk-free Interest Rate
PBTAY	August 5, 2013	0.66	0.38	62.00%	5.00	0%	3.05%
PBTAZ	October 2, 2013	0.66	0.41	61.00%	5.00	0%	3.24%
PBTAA	October 25, 2013	0.61	0.38	63.60%	5.00	0%	3.31%
PBTAD	November 4, 2013	0.73	0.44	68.80%	5.00	0%	3.46%
PBTAE	December 13, 2013	1.04	0.69	70.70%	5.00	0%	3.45%
PBTAF	February 7, 2014	1.12	1.18	58.50%	5.00	0%	3.44%
PBTAG	April 7, 2014	0.25	0.23	289.40%	4.00	0%	3.02%
PBTAB	October 3, 2014	0.34	0.22	130.50%	4.00	0%	2.71%
PBTAH	February 19, 2015	0.26	0.16	74.80%	5.00	0%	2.00%
PBTAR	May 27, 2015	0.27	0.17	69.40%	5.00	0%	2.25%
PBTAS	June 7, 2017	0.07	0.05	100.00%	5.00	0%	1.97%
PBTAAA	December 18, 2017	0.11	0.07	100%	5.00	0%	2.38%
PBTAI	February 1, 2018	0.08	0.06	100%	5.00	0%	2.24%

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

	Years Ended June 30,		
	2018	2017	2016
	Number of Shares	Number of Shares	Number of Shares
Beginning of the year	13,277,715	13,277,715	13,277,715
Issued during the year	-	-	-
End of the financial year	13,277,715	13,277,715	13,277,715

No shares were granted during the year ended June 30, 2018, 2017 and 2016.

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**16. SUBSEQUENT EVENTS**

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 Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

**17. LOSS PER SHARE**

	Years Ended June 30,		
	2018	2017	2016
Basic and diluted loss per share (cents per share)	(1.55)	(1.41)	(1.45)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share	533,891,470	533,891,470	533,891,470

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

**18. KEY MANAGEMENT PERSONNEL COMPENSATION**

	Years Ended June 30,		
	2018	2017	2016
Short-term employee benefits	1,522,777	1,537,198	1,429,615
Post-employment benefits	44,389	87,465	95,117
Long-term benefits	(1,061)	28,600	13,817
Share-based payments	608,179	16,307	-
	<b>2,174,284</b>	<b>1,669,570</b>	<b>1,538,549</b>

**19. AUDITORS' REMUNERATION**

	Years Ended June 30,		
	2018	2017	2016
- audit and review fees: current year financial reports	252,960	260,645	166,479
- audit and review fees: internal controls	-	20,590	38,297
	<b>252,960</b>	<b>281,235</b>	<b>204,776</b>

PricewaterhouseCoopers was appointed as the Company's principal independent registered public accounting firm on November 30, 2006. Australian law does not require the Company's Auditors to be appointed at the Company's annual general meeting of shareholders. There is an annual engagement letter which is signed, subject to the Company's audit committee approval, with PricewaterhouseCoopers for audit and review work. No non-audit services were provided by PricewaterhouseCoopers during the 2018, 2017 and 2016 fiscal years.

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**20. RELATED PARTY TRANSACTIONS**

**a. Equity Interests in Subsidiaries**

Prana Biotechnology Limited owns 100% of its subsidiaries, Prana Biotechnology Inc. and Prana Biotechnology UK Ltd.

**b. Key Management Personnel Remuneration**

The Directors of Prana during the year:

Geoffrey Kempler	Executive Chairman
Lawrence Gozlan	Non-Executive Independent Director
Brian Meltzer	Non-Executive Independent Director
George Mihaly	Non-Executive Independent Director
Peter Marks	Non-Executive Independent Director
Ira Shoulson	Non-Executive Director

The Key Management Personnel of the Company during the year:

Dianne Angus*	Chief Operating Officer
Dr. David Stamler	Chief Medical Officer and Senior Vice President Clinical Development
Kathryn Andrews	Chief Financial Officer

\* Dianne Angus resigned from the Company on 10 October 2017

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

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

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

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

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

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

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

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

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

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
(unless otherwise noted)

**20. RELATED PARTY TRANSACTIONS (continued)**

	<b>Short Term Benefits</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Bonus</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2018</b>	<b>A\$</b>	<b>A\$</b>	<b>Contribution</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Directors' remuneration</b>				<b>Leave</b>		
Geoffrey Kempler (1)(3)	381,340	-	20,049	7,763	235,000	644,152
Lawrence Gozlan (3)	60,000	-	-	-	58,750	118,750
Brian Meltzer (3)	82,500	-	-	-	58,750	141,250
George Mihaly (3)	77,500	-	-	-	58,750	136,250
Peter Marks (3)	60,000	-	-	-	58,750	118,750
Ira Shoulson (2)	78,885	-	-	-	-	78,885
	<u>740,225</u>	<u>-</u>	<u>20,049</u>	<u>-</u>	<u>470,000</u>	<u>1,238,037</u>

(1) Base Fee includes movements in the annual leave provision relating to Mr. Geoffrey Kempler.

(2) Includes consulting fees paid to Dr. Ira Shoulson in the amount of A\$12,021.

(3) The Directors received unlisted options during the year. The option prices were calculated using the Black-Scholes Model applying the inputs as disclosed in note 15.

	<b>Short Term Benefits</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Bonus</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2017</b>	<b>A\$</b>	<b>A\$</b>	<b>Contribution</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Directors' remuneration</b>				<b>Leave</b>		
Geoffrey Kempler (1)	419,313	-	26,411	8,146	-	453,870
Lawrence Gozlan (2)	140,000	-	-	-	-	140,000
Brian Meltzer	55,833	-	29,167	-	-	85,000
George Mihaly	75,000	-	-	-	-	75,000
Peter Marks	60,000	-	-	-	-	60,000
Ira Shoulson (2)	268,137	-	-	-	-	268,137
	<u>1,018,283</u>	<u>-</u>	<u>55,578</u>	<u>8,146</u>	<u>-</u>	<u>1,082,007</u>

(1) Base Fee includes movements in the annual leave provision relating to Mr. Geoffrey Kempler.

(2) Includes consulting fees paid to an associated entity of Mr. Lawrence Gozlan, and Dr. Ira Shoulson in the amount of \$80,000 and \$223,201, respectively

	<b>Short Term Benefits</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Bonus</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2016</b>	<b>A\$</b>	<b>A\$</b>	<b>Contribution</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Directors' remuneration</b>				<b>Leave</b>		
Geoffrey Kempler (3)	436,132	-	29,990	7,766	-	473,888
Lawrence Gozlan	60,000	-	-	-	-	60,000
Brian Meltzer	50,000	-	35,000	-	-	85,000
George Mihaly	75,000	-	-	-	-	75,000
Peter Marks	60,000	-	-	-	-	60,000
Ira Shoulson (4)	303,474	-	-	-	-	303,474
	<u>984,606</u>	<u>-</u>	<u>64,990</u>	<u>7,766</u>	<u>-</u>	<u>1,057,362</u>

(1) Base Fee includes movements in annual leave provision for Mr. Kempler accrued in accordance with his employment contract.

(2) Includes consulting fees paid to Dr. Ira Shoulson in the amount of \$258,474.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
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**20. RELATED PARTY TRANSACTIONS (continued)**

	<b>Short Benefits Term</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Other</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2018</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Executives' Remuneration</b>				<b>Leave</b>		
Dianne Angus (1) (2)	81,589	-	5,736	(8,920)	(3,433)	74,972
Kathryn Andrews (1) (3)	196,689	-	18,604	96	15,735	231,124
Dr. David Stamler (1) (3)	504,274	-	-	-	125,877	630,151

- (1) Base Fee includes movements in annual leave provision for Ms Dianne Angus ,Ms Kathryn Andrews and Mr David Stamler accrued in accordance with their employment contracts.
- (2) The remuneration for Ms. Dianne Angus covers the period from 1 July 2017 to 10 October 2017, being the last day of her employment with the Company. The amount also includes payments of unused leave balances.
- (3) The equity component of Kathryn Andrews' and David Stamler's remuneration represents the portion of unlisted options granted in prior year but vested during the current year.

	<b>Short Benefits Term</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Other</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2017</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Executives' Remuneration</b>				<b>Leave</b>		
Dianne Angus (1)	328,799	-	19,616	20,354	3,433	372,202
Kathryn Andrews (1)	131,826	-	12,271	101	1,430	145,628
Dr. David Stamler (1) (2)	58,290	-	-	-	11,443	69,733
	518,915	-	31,887	20,455	16,306	587,563

- (1) Base Fee includes movements in annual leave provision for Ms Dianne Angus , Ms Kathryn Andrews and Mr David Stamler accrued in accordance with their employment contracts.
- (2) Dr David Stamler was appointed as Chief Medical Officer and Senior Vice President Clinical Development on 15 May 2017.

	<b>Short Benefits Term</b>		<b>Post-Employment</b>	<b>Long Term</b>	<b>Equity</b>	
	<b>Base Fee</b>	<b>Other</b>	<b>Superannuation</b>	<b>Benefits</b>	<b>Options</b>	<b>Total</b>
<b>2016</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>Long-service</b>	<b>A\$</b>	<b>A\$</b>
<b>Executives' Remuneration</b>				<b>Leave</b>		
Dianne Angus (1)	329,690	-	19,307	6,051	-	355,049
Kathryn Andrews (1)	115,319	-	10,820	-	-	126,139
	445,009	-	30,127	6,051	-	481,188

- (1) Base Fee includes movements in annual leave provision for Ms Dianne Angus and Ms Kathryn Andrews accrued in accordance with their employment contracts.

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**20. RELATED PARTY TRANSACTIONS (continued)**

The following Director was under contract during the year ended June 30, 2018:

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

The following Senior Executives were under contract during the year ended June 30, 2018:

<b>Key management personnel</b>	<b>Duration</b>	<b>Notice Requirements</b>	<b>Termination</b>
Kathryn Andrews	Until termination by either party. Signed 11 November 2014	Ms Andrews may terminate with 30 days' notice, or Without Cause the Company may terminate with 30 days' notice, or With Cause the Company may terminate without notice	Accrued entitlements including all unreimbursed business expenses Permitted to keep and/or exercise options that have vested at the time of termination
David Stamler	Until termination by either party. Signed 18 April 2017.	Each party is required to provide 3 months' notice, increasing to 6 months' notice after 18 months of employment, unless otherwise agreed in writing	Accrued entitlements including all unreimbursed business expenses
		With Cause, the Company may terminate at any time upon written notice	Unexercised options shall be exercisable within 30 days after the date of termination Accrued entitlements including all unreimbursed business expenses Unexercised options shall be exercisable within 30 days after the date of termination



**PRANA BIOTECHNOLOGY LIMITED**  
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**20. RELATED PARTY TRANSACTIONS (continued)**

**c. Key Management Personnel Equity Holdings**

Fully Paid Ordinary Shares of the Company	Balance July 1, 2017 No.	Received as Remuneration No.	Received on Exercise of Options No.	Net Change Other No.	Balance June 30, 2018 No.
Geoffrey Kempler	18,011,000	-	-	-	18,011,000
Lawrence Gozlan	-	-	-	-	-
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Ira Shoulson	-	-	-	-	-
Dianne Angus (1)	146,128	-	-	(146,128)	-
Kathryn Andrews	-	-	-	-	-
David Stamler	-	-	-	-	-
	<u>18,753,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,607,443</u>

(1) Forfeited on termination

**PRANA BIOTECHNOLOGY LIMITED**  
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**20. RELATED PARTY TRANSACTIONS (continued)**

**c. Key Management Personnel Equity Holdings (continued)**

<b>Fully Paid Ordinary Shares of the Company</b>	<b>Balance July 1, 2016 No.</b>	<b>Received as Remuneration No.</b>	<b>Received on Exercise of Options No.</b>	<b>Net Change Other No.</b>	<b>Balance June 30, 2017 No.</b>
Geoffrey Kempler	18,011,000	-	-	-	18,011,000
Lawrence Gozlan	-	-	-	-	-
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Ira Shoulson	-	-	-	-	-
Dianne Angus	146,128	-	-	-	146,128
Kathryn Andrews	-	-	-	-	-
David Stamler (1)	-	-	-	-	-
	<u>18,753,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,753,571</u>
<b>Fully Paid Ordinary Shares of the Company</b>	<b>Balance July 1, 2015 No.</b>	<b>Received as Remuneration No.</b>	<b>Received on Exercise of Options No.</b>	<b>Net Change Other No.</b>	<b>Balance June 30, 2016 No.</b>
Geoffrey Kempler	18,011,000	-	-	-	18,011,000
Lawrence Gozlan	-	-	-	-	-
Brian Meltzer	326,666	-	-	-	326,666
George Mihaly	226,666	-	-	-	226,666
Peter Marks	43,111	-	-	-	43,111
Ira Shoulson	-	-	-	-	-
Dianne Angus	146,128	-	-	-	146,128
Kathryn Andrews	-	-	-	-	-
	<u>18,753,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,753,571</u>

(1) Opening balance on appointment as Senior Vice President Development and Chief Medical Officer on 15 May 2017.

(2) Balance at date of appointment, November 4 2014.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
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**20. RELATED PARTY TRANSACTIONS (continued)**

**c. Key Management Personnel Equity Holdings (continued)**

Share Options of the Company	Balance July 1, 2017 No.	Granted as Remuneration No.	Options Exercised No.	Options Expired No.	Options Forfeited No.	Net Change Other	Options Vested During 2018 fiscal year	Balance June 30, 2018 No.	Total Vested and Exercisable June 30, 2018 No.	Total Unvested June 30, 2018 No.
Geoffrey Kempler	4,000,000	5,000,000	-	(4,000,000)	-	-	-	5,000,000	5,000,000	-
Lawrence Gozlan	1,000,000	1,250,000	-	(1,000,000)	-	-	-	1,250,000	1,250,000	-
Brian Meltzer	1,000,000	1,250,000	-	(1,000,000)	-	-	-	1,250,000	1,250,000	-
George Mihaly	1,000,000	1,250,000	-	(1,000,000)	-	-	-	1,250,000	1,250,000	-
Peter Marks	1,000,000	1,250,000	-	(1,000,000)	-	-	-	1,250,000	1,250,000	-
Ira Shoulson	-	-	-	-	-	-	-	-	-	-
Dianne Angus (1)	2,360,000	-	-	-	(2,360,000)	-	-	-	-	-
Kathryn Andrews	500,000	-	-	-	-	-	500,000	500,000	500,000	-
Dr. David Stamler	4,000,000	-	-	-	-	-	4,000,000	4,000,000	4,000,000	-
	<u>14,860,000</u>	<u>10,000,000</u>	<u>-</u>	<u>(8,000,000)</u>	<u>(2,360,000)</u>	<u>-</u>	<u>4,500,000</u>	<u>14,500,000</u>	<u>14,500,000</u>	<u>-</u>

(1) Ms Angus resigned effective October 10, 2017.

Share Options of the Company	Balance July 1, 2016 No.	Granted as Remuneration No.	Options Exercised No.	Options Expired No.	Options Forfeited No.	Net Change Other	Options Vested During 2017 fiscal year	Balance June 30, 2017 No.	Total Vested and Exercisable June 30, 2017 No.	Total Unvested June 30, 2017 No.
Geoffrey Kempler	4,000,000	-	-	-	-	-	-	4,000,000	4,000,000	-
Lawrence Gozlan	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Brian Meltzer	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
George Mihaly	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Peter Marks	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Ira Shoulson	-	-	-	-	-	-	-	-	-	-
Dianne Angus	1,317,819	1,200,000	-	(157,819)	-	-	-	2,360,000	1,160,000	1,200,000
Kathryn Andrews	-	500,000	-	-	-	-	-	500,000	-	500,000
Dr. David Stamler	-	4,000,000	-	-	-	-	-	4,000,000	-	4,000,000
	<u>9,317,819</u>	<u>5,700,000</u>	<u>-</u>	<u>(157,819)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,860,000</u>	<u>9,160,000</u>	<u>5,700,000</u>

**PRANA BIOTECHNOLOGY LIMITED**  
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**20. RELATED PARTY TRANSACTIONS (continued)**

**c. Key Management Personnel Equity Holdings (continued)**

Share Options of the Company	Balance July 1, 2015 No.	Granted as Remuneration No.	Options Exercised No.	Options Expired No.	Options Forfeited No.	Net Change Other	Options Vested During 2016 fiscal year	Balance June 30, 2016 No.	Total Vested and Exercisable June 30, 2016 No.	Total Unvested June 30, 2016 No.
Geoffrey Kempler	4,000,000	-	-	-	-	-	-	4,000,000	4,000,000	-
Lawrence Gozlan	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Brian Meltzer	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
George Mihaly	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Peter Marks	1,000,000	-	-	-	-	-	-	1,000,000	1,000,000	-
Ira Shoulson	-	-	-	-	-	-	-	-	-	-
Dianne Angus	1,317,819	-	-	-	-	-	-	1,317,819	1,317,819	-
Kathryn Andrews	-	-	-	-	-	-	-	-	-	-
	<u>9,317,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,317,819</u>	<u>9,317,819</u>	<u>-</u>

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

**21. SEGMENT INFORMATION**

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

**22. FINANCIAL INSTRUMENTS**

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

**(a) Market Risk**

**(i) Foreign Currency Risk**

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

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

	<b>Consolidated Entity</b>	
	<b>2018</b>	<b>2017</b>
	<b>A\$</b>	<b>A\$</b>
Cash and cash equivalents (USD)	6,309,829	17,508,482
Cash and cash equivalents (€EUR)	173	164
Cash and cash equivalents (£GBP)	428	1,421
Trade and other payables (USD)	(607,150)	(6,509)
Trade and other payables (€EUR)	(1,439)	-
Trade and other payables (£GBP)	(39,167)	-
<b>Total exposure</b>	<b>5,662,674</b>	<b>17,503,558</b>

The Company has conducted a sensitivity analysis of its exposure to foreign currency risk. The Company is currently exposed to the US dollar (USD), Euro (EUR) and British Pound (GBP). The sensitivity analysis below is conducted on a currency by currency basis using the sensitivity analysis variable, which has been based on the average annual movement in the AUD/USD, AUD/GBP and AUD/EUR exchange rates over the past 5 years based on the year-end spot rates, which is 7.18% (2017: 7.96%). The variables for USD, GBP and EUR being 10%, 11% and 13% respectively. All the amounts in the table below are displayed in Australian Dollars (A\$).

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened/strengthened by 7.18% (2017: 7.96%) against the USD with all other variables held constant, the Company's post-tax profit for the year would have been A\$409,391 lower/higher (2017: \$1,392,754 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. The Company's exposure to other foreign exchange movements is not material.

The Company realized a foreign exchange loss of A\$270,860 for the year ended June 30, 2018 compared to a foreign exchange gain of A\$656,019 for the year ended June 30, 2017 and a foreign exchange loss of A\$950,720 for the year ended June 30, 2016. In 2018, the Australian dollar depreciated against the U.S. dollar by 7.18%. In 2017, the Australian dollar depreciated against the U.S. dollar by 4.12%, while in 2016, the Australian dollar depreciated against the U.S. dollar by 8%.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

**22. FINANCIAL INSTRUMENTS (continued)**

(ii) Interest Rate Risk

The Company has an exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

The Company's exposure to interest rate risk has not changed since the prior year.

At June 30, 2018, the Company had the following cash accounts:

- A\$ 2,552,615 in an Australian dollar transaction account at an interest rate of 0.60% as of June 2018;
- A\$63,791 in an Australian dollar transaction account at an interest rate of 0.05% as of June 2018;
- A\$114,990 in an Australian dollar transaction account at an interest rate of 0.00% as of June 2018;
- A\$135 in an Australian Trust account at an interest rate of 0% as of June 2018;
- US\$4,675,242 (A\$6,308,538) in U.S. checking accounts at an interest rate of 0.03% as of June 30, 2018;
- A\$3,000,000 in a three month term deposit at a fixed interest rate of 2.40% which matures on September 25, 2018;
- A\$3,000,000 in a three month term deposit at a fixed interest rate of 2.40% which matures on August 3, 2018;
- A\$42,713 in a three month term deposit at a fixed interest rate of 2.40% which matures on September 7, 2018;
- A\$150,000 in a three month term deposit at a fixed interest rate of 2.40% which matures on September 11, 2018.

At June 30, 2017, the Company had the following cash accounts:

- A\$1,099,932 in an Australian dollar transaction account at an interest rate of 0.60% as of June 2017;
- A\$73,301 in an Australian dollar transaction account at an interest rate of 0.05% as of June 2017;
- A\$49,081 in an Australian dollar transaction account at an interest rate of 0.00% as of June 2017;
- A\$34 in an Australian Trust account at an interest rate of 0% as of June 2017;
- US\$13,438,903 (A\$17,535,100) in U.S. checking accounts at an interest rate of 0.00% as of June 30, 2017;
- A\$2,000,000 in a two month term deposit at a fixed interest rate of 1.70% which matures on July 2, 2017;
- A\$43,988 in a one year term deposit at a fixed interest rate of 2.55% which matures on March 7, 2018;
- A\$150,000 in a three month term deposit at a fixed interest rate of 2.10% which matures on September 11, 2017;
- A\$1,000,000 in a two month term deposit at a fixed interest rate of 2.15% which matures on July 19, 2017.

At June 30, 2016, the Company had the following cash accounts:

- A\$95,890 in an Australian dollar transaction account at an interest rate of 0.05% as of June 2016;
- A\$36,361 in an Australian dollar transaction account at an interest rate of 0.00% as of June 2016;
- A\$419,324 in an Australian Business Cash High Interest account at an interest rate of 1.50% as of June 2016;
- A\$154 in an Australian Trust account at an interest rate of 0% as of June 2015;
- US\$16,267,416 (A\$21,888,345) in U.S. checking accounts at an interest rate of 0.03% as of June 30, 2016;
- A\$6,000,000 in a three month term deposit at a fixed interest rate of 3.00% which matures on August 11, 2016;
- A\$150,000 in a six month term deposit at a fixed interest rate of 2.92% which matures on September 11, 2016;
- A\$43,988 in a twelve month term deposit at a fixed interest rate of 2.85% which matures on March 7, 2017;
- A\$1,300 in petty cash which does not earn any interest;
- US\$1,608 (A\$2,164) in petty cash which does not earn any interest.

The weighted average interest rate is 0.12% for cash and cash equivalents and 2.40% for terms deposits over three months and apart from usual variances in general rates of interest the Company is not exposed to any significant interest rate risk.

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
(unless otherwise noted)

**22. FINANCIAL INSTRUMENTS (continued)**

Receivables and payables are non-interest bearing.

The Company's exposure to interest rates and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

<b>June 30, 2018</b>	<b>Floating Interest Rate (A\$)</b>	<b>Fixed Interest Maturing in (A\$)</b>		<b>Non-Interest bearing (A\$)</b>	<b>TOTAL (A\$)</b>	<b>Average Interest Rate</b>
		<b>1 year or less</b>	<b>1-5 years</b>			
Financial Assets						
Cash and cash equivalents	8,925,124	6,192,713	-	117,718	15,235,555	1.09%
Trade and other receivables	-	-	-	3,152,410	3,152,410	
Other current assets	-	-	-	266,625	266,625	
Other non-current assets	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>8,925,124</b>	<b>6,192,713</b>		<b>3,536,753</b>	<b>18,654,590</b>	<b>1.09%</b>
Financial Liabilities						
Trade and other payables	-	-	-	(2,055,247)	(2,055,247)	
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>		<b>(2,055,247)</b>	<b>(2,055,247)</b>	
<b>June 30, 2017</b>	<b>Floating Interest Rate (A\$)</b>	<b>Fixed Interest Maturing in (A\$)</b>		<b>Non-Interest bearing (A\$)</b>	<b>Total (A\$)</b>	<b>Average Interest Rate</b>
		<b>1 year or less</b>	<b>1-5 years</b>			
Financial Assets						
Cash and cash equivalents	18,680,923	3,150,000	-	54,034	21,884,957	0.33%
Trade and other receivables	-	-	-	3,035,573	3,035,573	
Other current assets	-	43,988	-	285,613	329,601	2.55%
Other non-current assets	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>18,680,923</b>	<b>3,193,988</b>	<b>-</b>	<b>3,375,220</b>	<b>25,250,131</b>	<b>0.88%</b>
Financial Liabilities						
Trade and other payables	-	-	-	892,434	892,434	
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>892,434</b>	<b>892,434</b>	

**PRANA BIOTECHNOLOGY LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – in Australian dollars**  
**(unless otherwise noted)**

**22. FINANCIAL INSTRUMENTS (continued)**

**(b) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has no significant concentration of credit risk and it is not the Company's policy to hedge credit risk.

The Company ensures that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counter party.

There has been no significant change in the Company's exposure to credit risk since the previous year. The carrying amount of the Company's financial assets represents the maximum credit exposure.

**(c) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

<b>Maturities of Financial Liabilities</b>					
	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>Greater than 12 months and less than 5 years</b>	<b>Total contracted cash flows</b>	<b>Carrying amounts</b>
<b>2018</b>					
Trade and other payables	2,055,247	-	-	2,055,247	2,055,247
Total	2,055,247	-	-	2,055,247	2,055,247
	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>Greater than 12 months and less than 5 years</b>	<b>Total contracted cash flows</b>	<b>Carrying amounts</b>
<b>2017</b>					
Trade and other payables	892,434	-	-	892,434	892,434
Total	892,434	-	-	892,434	892,434

**(d) Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of equity attributed to equity holders of the Company, comprising contributed equity, reserves and accumulated losses disclosed in Notes 10, 11 and 12. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Company's Management the Board monitors the need to raise additional equity from the equity markets.

**(e) Fair Value Estimation**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**Financial Instruments measured at Fair Value**

The financial instruments recognized at fair value in the Statement of Financial Position have been analyzed 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).

In 2018 and 2017, none of the Company'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 years.



## SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this report on its behalf.

Prana Biotechnology Limited

By: /s/ Geoffrey P. Kempler  
Geoffrey P. Kempler  
Chief Executive Officer

Dated August 31, 2018

**LIST OF SUBSIDIARIES**

We have the following wholly-owned subsidiaries:

Prana Biotechnology Inc., incorporated in the U.S.

Prana Biotechnology UK plc, incorporated in the United Kingdom.

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended**

I, Geoffrey P. Kempler, certify that:

1. I have reviewed this annual report on Form 20-F of Prana Biotechnology Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2018

/s/ Geoffrey P. Kempler \*  
Geoffrey P. Kempler  
Chief Executive Officer

\* The originally executed copy of this Certification will be maintained at the Registrant's offices and will be made available for inspection upon request.

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended**

I, Kathryn Andrews, certify that:

1. I have reviewed this annual report on Form 20-F of Prana Biotechnology Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2018

/s/ Kathryn Andrews \*  
Kathryn Andrews  
Chief Financial Officer

\* The originally executed copy of this Certification will be maintained at the Registrant's offices and will be made available for inspection upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Prana Biotechnology Limited (the “Company”) on Form 20-F for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Geoffrey P. Kempler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 31, 2018

/s/ Geoffrey P. Kempler \*  
Geoffrey P. Kempler  
Chief Executive Officer

\* The originally executed copy of this Certification will be maintained at the Company’s offices and will be made available for inspection upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Prana Biotechnology Limited (the “Company”) on Form 20-F for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathryn Andrews, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 31, 2018

/s/ Kathryn Andrews \*  
Kathryn Andrews  
Chief Financial Officer

\* The originally executed copy of this Certification will be maintained at the Company’s offices and will be made available for inspection upon request.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-220886) and Form S-8 (No. 333-153669) of Prana Biotechnology Limited of our report dated August 31, 2018 relating to the financial statements, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers  
PricewaterhouseCoopers  
Melbourne, Australia  
August 31, 2018

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