SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

For the month of February 2017

PRANA BIOTECHNOLOGY LIMITED
(Name of Registrant)

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

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

Form 20-F X **Form 40-F __**

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

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

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

Yes __ **No X**

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

This Form 6-K is not being incorporated by reference into the Registrant's Registration Statements on Form F-3 (File No. 333-199783) and Form S-8 (File No. 333-153669).

PRANA BIOTECHNOLOGY LIMITED
(a development stage enterprise)

The following exhibits are submitted:

99.1	Condensed Consolidated Financial Statements of Prana Biotechnology Limited and Subsidiaries (a development stage enterprise) as of December 31, 2016 and for the Six Months ended December 31, 2016 and December 31, 2015
99.2	Operating and Financial Review and Prospects for the Six Months ended December 31, 2016 and December 31, 2015

SIGNATURE

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

Prana Biotechnology Limited

By: Geoffrey P. Kempler
Chief Executive Officer

Date: February 24, 2017

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.1	Condensed Consolidated Financial Statements of Prana Biotechnology Limited and Subsidiaries (a development stage enterprise) as of June 30, 2016 and December 31, 2016 and for the Six Months ended December 31, 2015 and 2014
99.2	Operating and Financial Review and Prospects for the Six Months ended December 31, 2016 and December 31, 2015

EXHIBIT 99.1

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PRANA BIOTECHNOLOGY LIMITED AND SUBSIDIARIES (A DEVELOPMENT STAGE ENTERPRISE), OR THE GROUP AS OF DECEMBER 31, 2016 IN AUSTRALIAN DOLLARS

INDEX

Page

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 1
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 2
CONSOLIDATED STATEMENT OF CASH FLOWS 3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 4
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in Australian dollars)

	Note	Unaudited December 31, 2016	Audited June 30, 2016
ASSETS			
Current Assets			
Cash and cash equivalents		28,341,761	28,593,538
Trade and other receivables		1,846,562	4,786,765
Other current assets		142,808	276,504
Total Current Assets		30,331,131	33,656,807
Non-Current Assets			
Plant and equipment		35,867	24,224
Other non-current assets		43,988	43,988
Total Non-Current Assets		79,855	68,212
Total Assets		30,410,986	33,725,019
LIABILITIES			
Current Liabilities			
Trade and other payables		2,119,795	1,748,566
Provisions		729,722	608,771
Total Current Liabilities		2,849,517	2,357,337
Non-Current Liabilities			
Provisions		463	469
Total Non-Current Liabilities		463	469
Total Liabilities		2,849,980	2,357,806
Net Assets		27,561,006	31,367,213
Equity			
Contributed equity	8	146,724,852	146,879,214
Reserves	9	9,363,181	9,363,181
Accumulated losses		(128,527,027)	(124,875,182)
Total Equity		27,561,006	31,367,213

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

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

		Six months ended December 31,	
	Note	**2016**	**2015**
Revenue from ordinary activities	5	72,883	77,328
Other income	5	1,830,734	2,779,394
Intellectual property expenses		(108,402)	(120,170)
General and administration expenses	6	(2,029,682)	(1,959,153)
Research and development expenses	6	(3,832,414)	(4,918,889)
Other operating expenses		(80,983)	(32,334)
Other gains and losses	6	496,019	1,318,999
Loss for the period		(3,651,845)	(2,854,825)
Total comprehensive loss for the period		(3,651,845)	(2,854,825)
Loss per share for loss attributable to the ordinary equity holders of the Group:		**Cents**	**Cents**
Basic and diluted loss per share (in cents per share)	4	(0.68)	(0.53)

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

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

	Note	Six months ended December 31, 2016	2015
Cash Flows related to Operating Activities			
Payments to suppliers and employees		(5,456,038)	(7,507,761)
Interest received		81,439	73,221
R&D tax refund		4,753,646	-
Grants		-	56,000
Net Operating Cash Flows	11	(620,953)	(7,378,540)
Cash Flows related to Investing Activities			
Payment for purchase of plant and equipment		(22,159)	(1,736)
Net Investing Cash Flows		(22,159)	(1,736)
Cash Flows related to Financing Activities			
Transaction costs relating to equity issuances		(154,362)	-
Net Financing Cash Flows		(154,362)	-
Net increase (decrease) in cash and cash equivalents		(797,474)	(7,380,276)
Cash and cash equivalents at the beginning of reporting period		28,593,538	34,909,574
Reclassification of security deposit		-	152,603
Effects of exchange rate changes on cash and cash equivalents		545,697	1,377,245
Cash and cash equivalents at the end of reporting period		28,341,761	29,059,146

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in Australian dollars)

	Note	Contributed equity	Reserve	Accumulated Losses	Total
As at June 30, 2015		**146,895,714**	**9,363,181**	**(117,145,631)**	**39,113,264**
Transactions with owners in their capacity as owners:					
Reversal of equity to be issued	8	(16,500)	-	-	(16,500)
		(16,500)	**-**	**-**	**(16,500)**
Loss for the period		-	-	(2,854,825)	(2,854,825)
Total comprehensive loss for the period		**-**	**-**	**(2,854,825)**	**(2,854,825)**
As at December 31, 2015		**146,879,214**	**9,363,181**	**(120,000,456)**	**36,241,939**
Loss for the period		-	-	(4,874,726)	(4,874,726)
Total comprehensive loss for the period		**-**	**-**	**(4,874,726)**	**(4,874,726)**
As at June 30, 2016		**146,879,214**	**9,363,181**	**(124,875,182)**	**31,367,213**
Transactions with owners in their capacity as owners:					
Transaction costs	8	(154,362)	-	-	(154,362)
		(154,362)	**-**	**-**	**(154,362)**
Loss for the period		-	-	(3,651,845)	(3,651,845)
Total comprehensive loss for the period		**-**	**-**	**(3,651,845)**	**(3,651,845)**
As at December 31, 2016		**146,724,852**	**9,363,181**	**(128,527,027)**	**27,561,006**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in Australian dollars)

Note 1: Basis of Preparation

This condensed consolidated interim report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This interim financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This condensed consolidated interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Prana Biotechnology Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Note 2: Significant estimates and assumptions

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

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

(a) Going concern

The Group is a development stage medical biotechnology company and as such expects to be utilising cash until the results of its research activities have become marketable. For the six months ended 31 December 2016, the Group incurred an operating loss of $3,651,845 (2015: $2,854,825) and an operating cash outflow of $620,953 (2015: $7,378,540). As at 31 December 2016 the net assets of the Group stood at $27,561,006 (30 June 2016: $31,367,213) and the cash position has decreased to $28,341,761 from $28,593,538 at 30 June 2016.

Cash on hand at 31 December 2016 plus projected operating inflows are considered sufficient to meet the Group's forecast cash outflows for at least 12 months from the date of this report. While there is an inherent uncertainty in the Group's cash flow forecast in relation to the proposed expenditure on research and development which may impact the forecast cash position, the Directors believe the Group will be able to maintain sufficient cash reserves through a range of options, including:

- The Group continues to pursue raising additional funds through alternative funding structures and has a strong history of raising capital. The Group had an existing "at the market" (ATM) facility through which it could raise additional funds of up to US$44.5 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 November, 2014 has been a successful source of raising funds. In prior reporting periods, the Group has raised A$46.5 million (US$42.5 million) under this and a previous ATM facility.

- The Group has on issue a total of 19.4 million unlisted, unexercised options. The options have exercise prices ranging from A$0.25 to A$1.12. If all unlisted options were exercised, the Group would receive consideration of A$7.5 million in total. Although the exercise of options may be available, it is not in the Group’s control to receive this consideration.

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

Additionally, the Group has recorded a receivable at 31 December 2016 in the amount of $1,830,734 from the Australian Tax Office in respect of its 2017 research and development tax incentive claim. The Group expects to receive this amount during the next 12 months.

On this basis, the Directors are satisfied that the Group is a going concern and at this time and are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Consolidated Statement of Financial Position as at 31 December 2016.

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

(b) R&D Tax Incentives

The Australian Government replaced the research and development tax concession with the research and development tax incentive from 1 July 2011. The provisions provide refundable or non-refundable tax offsets. The research and development tax incentive applies to expenditure incurred and the use of depreciating assets in an income year commencing on or after 1 July 2011. A refundable research and development tax incentive offset of 43.5%, equivalent to a deduction of 150%, will be available to eligible small companies with an annual aggregate turnover of less than $20 million. Eligible companies can receive a refundable research and development tax incentive offset of 43.5% of their research and development spending.

The Group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 31 December 2016 the Group has recorded an item in other income of $1,830,734 (2015: $2,779,343) to recognise this amount which relates to this period.

(c) Share-based payments

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

Note 3: Segment information

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

Note 4: Loss per share

(a) Basic loss per share

	Six months ended December 31,	
	2016 (cents)	**2015 (cents)**
From continuing operations attributable to the ordinary equity holders of the Group	0.68	0.53

(b) Diluted loss per share

	Six months ended December 31,	
	2016 (cents)	**2015 (cents)**
From continuing operations attributable to the ordinary equity holders of the Group	0.68	0.53

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

		Six months ended December 31,	
		2016	**2015**
Basic earnings per share			
Loss attributable to the ordinary equity holders of the Group used in calculating basic loss per share:	5	3,651,84	2,854,825
Diluted earnings per share			
Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share	5	3,651,84	2,854,825
Adjustments		-	-
Loss attributable to the ordinary equity holders of the Group used in calculating diluted loss per share	5	3,651,84	2,854,825

(d) Weighted average number of shares used as denominator

	Six months ended December 31,	
	2016 Number	**2015 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	533,891,470	533,891,470

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

Note 5: Revenue and other income

	Six months ended December 31,	
	2016	**2015**
Revenue from ordinary activities		
Interest	72,883	77,328
	72,883	77,328
Other income		
R&D tax incentive	1,830,734	2,779,343
Other grants	-	51
	1,830,734	2,779,394

Note 6: Loss for the period

	Six months ended December 31,	
	2016	**2015**
Loss before income tax includes the following specific expenses:		
General and administration expenses		
Depreciation on fixed assets	10,516	12,764
Employee expenses (non R&D related)	578,134	490,946
Consultant and director expenses	383,963	361,170
Audit, internal control and other assurance expenses	107,240	108,226
Corporate compliance expenses	212,316	209,267
Office rental	99,150	98,227
Other administrative and office expenses	638,363	678,553
	2,029,682	1,959,153
Research and development expenses		
Employee expenses	849,366	867,033
Other research and development expenses	2,983,048	4,051,856
	3,832,414	4,918,889
Other gains and losses		
Foreign exchange gain	(496,019)	(1,318,999)

Note 7: Net tangible assets

	As at	
	December 31, 2016	**June 30, 2016**
Net tangible assets	27,561,006	31,367,213
No. of shares	533,891,470	533,891,470
Net tangible assets per share (in cents)	5.16	5.88

Note 8: Contributed equity

		As at			
		December 31, 2016		June 30, 2016	
	Note	No.	A$	No.	A$
Fully paid ordinary shares	(a)	533,891,470	144,023,208	533,891,470	144,177,570
Options for fully paid ordinary shares	(b)	-	2,701,644	-	2,701,644
		533,891,470	146,724,852	533,891,470	146,879,214

(a) Fully paid ordinary shares

At the beginning of reporting period	533,891,470	144,177,570	533,891,470	144,177,570
Transaction costs relating to share issues	-	(154,362)	-	-
At the end of reporting period	533,891,470	144,023,208	533,891,470	144,177,570

(b) Options for fully paid ordinary shares

At the beginning of reporting period	-	2,701,644	-	2,701,644
At the end of reporting period	-	2,701,644	-	2,701,644

Note 9: Reserves

		As at			
		December 31, 2016		June 30, 2016	
	Note	No.	A$	No.	A$
Options over fully paid ordinary shares	(a)	19,395,582	7,394,184	19,395,582	7,394,184
Options over ADRs	(b)	-	1,515,434	-	1,515,434
Warrants over ADRs	(c)	-	453,563	-	453,563
		19,395,582	9,363,181	19,395,582	9,363,181

(a) Options over fully paid ordinary shares

At the beginning of reporting period	19,395,582	7,394,184	19,395,582	7,394,184
Movement during the period	-	-	-	-
At the end of reporting date	19,395,582	7,394,184	19,395,582	7,394,184

(b) Options over ADRs

At the beginning of reporting period	-	1,515,434	-	1,515,434
Movement during the period	-	-	-	-
At the end of reporting date	-	1,515,434	-	1,515,434

(c) Warrants over ADRs

At the beginning of reporting period	-	453,563	-	453,563
Movement during the period	-	-	-	-
At the end of reporting date	-	453,563	-	453,563

Note 10: Financial instruments measured at fair value

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

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

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

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

	Six months ended December 31,	
	2016	**2015**
Profit for the period	(3,651,845)	(2,854,825)
Depreciation and amortisation	10,516	13,186
Gain on fair value of financial liabilities	-	(11,487)
Non-cash employee benefits expense - share-based payments	-	(16,500)
Net loss on sale of plant & equipment	-	71
Net gain loss from foreign exchange differences	(545,697)	(1,377,245)
Change in operating assets and liabilities:		
Increase in other provisions	120,945	23,035
Decrease/(increase) in trade debtors	2,940,203	(2,727,764)
Decrease/(increase) in other current assets	133,696	(46,202)
Increase/(decrease) in trade creditors	371,229	(380,809)
Net cash inflow (outflow) from operating activities	(620,953)	(7,378,540)

Note 12: Related party transactions

Prof. Ira Shoulson provides consulting services to Prana Biotechnology Limited in a separate capacity to his position as Non-Executive Director. Prof. Ira Shoulson was appointed as Non-Executive Director on 13 May, 2014. Total cash compensation of A$146,755 was paid to Prof. Ira Shoulson for the period 1 July 2016 to 31 December 2016 (2015: $133,082) in his capacity as a consultant to the Group.

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

Note 13: Events subsequent to reporting date

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

EXHIBIT 99.2

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. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto included in Exhibit 99.1.

BACKGROUND

Prana Biotechnology Limited and Subsidiaries (a development stage enterprise), or the Group, 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 cause of degeneration of the brain and the eye as the aging process progresses. The principal listing of our ordinary shares and listed options to purchase our ordinary shares is on the Australian Securities Exchange, or ASX. Since September 5, 2002, our American Depository Receipts, or ADRs, have traded on the NASDAQ Capital Market under the symbol "PRAN."

Our interim consolidated financial statements appearing in Exhibit 99.1 are prepared in Australian dollars and in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and comply with both IFRS as issued by the IASB and Australian equivalents to International Financial Reporting Standards, or A-IFRS. In this report, all references to "U.S. dollars" or "US$" are to the currency of the United States of America, and all references to "Australian dollars" or "A$" are to the currency of Australia.

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

OVERVIEW

We are a development stage enterprise at an early stage in the development of our pharmaceutical products that are designed to treat the underlying causes of neurodegeneration. We have incurred net losses since inception and expect to incur substantial and increasing losses for the next several years as we expand our research and development activities and move our product candidates into later stages of development. Our product candidates are in early to midstage development and we face the risks of failure inherent in developing drugs based on new technologies. The process of carrying out the development of our products to later stages of development may require significant additional research and development expenditures, including pre-clinical testing, manufacturing and clinical trials, as well as for obtaining regulatory approval. For additional details about our risks see Item 3.D., "Key Information – Risk Factors," of our Form 20-F for the year ended June 30, 2016.

To date, we have funded our operations primarily through the sale of equity securities, proceeds from the exercise of options, government grants, tax incentive payments, licensing and research collaborations and interest income.

Since completing our initial public offering and listing process on the ASX on March 28, 2000, we have concentrated our resources toward the pursuit of our disease targets. We have developed a library of Metal Protein Attenuating Compounds (MPACs) that intercede in the metal mediated toxic gain of function of aggregation prone disease proteins such as beta amyloid, alpha-synuclein and mutant huntingtin proteins. PBT2 is the most advanced of the MPACs in the Prana pipeline for Alzheimer's disease and Huntington disease. Four Phase I studies and four Phase II studies in either Alzheimer's disease or Huntington disease have been completed. PBT434 is our lead next generation MPAC that is being developed for the treatment of Parkinsonian movement disorders. For additional details regarding our clinical trials see Item 4.A., "Information on the Company - History and Development of the Company," of our Form 20-F for the year ended June 30, 2016.

HIGHLIGHTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2016

PBT2 Huntington disease clinical development update

In February 2015, we reported that the U.S. Food and Drug Administration (FDA) had placed PBT2 on Partial Clinical Hold (PCH) based on particular non-clinical neurotoxicology findings in a dog study which limit the dose of PBT2 that we can use in future trials. A Complete Response was filed presenting strong clinical safety information and rationale to continue development into Phase 3. The FDA has maintained its partial clinical hold with the FDA seeking information and data from additional prospective non-clinical investigations in dogs to further characterize the particular neurotoxicity findings in the dog study. In November 2016, we met with two regulatory authorities in Europe, the Medical and Healthcare Regulatory Agency in London and the Medicinal Products Agency in Stockholm, to discuss the steps required to initiate a Phase 3 program. As previously reported both agencies encouraged Prana's planned development program in Huntington disease in view of the very large unmet need in this debilitating disease. Similar to the FDA, both agencies recommended further non-clinical investigations to further characterize the particular neurotoxicity and reversibility of the neurotoxic findings in the dog.

Further analysis on the nature of the cognitive improvement observed in the Phase 2 'Reach2HD' study was presented in July 2016 at the International Movement Disorders Conference in Berlin, Germany and at the American Neurological Association Annual meeting in Baltimore, Maryland in the United States. This analysis reviewed the Patient Reported Outcomes from the Phase 2 Huntington disease trial 'HD-PROP' and showed that self reported improvement was strongly associated with PBT2 administration.

PBT434 Movement Disorder clinical candidate update

It has been previously reported that PBT434 is neuroprotective having demonstrated significant preservation of the *substantia nigra*, a brain region containing dopaminergic neurons responsible for motor coordination. This has translated into improved motor function, coordination and cognition in multiple mouse models of Parkinson's disease. In addition to exploring Parkinsonian Movement Disorders, Prana has advanced this program with 'proof of concept' mouse models of atypical Parkinsonian conditions. Specifically, in synucleinopathies or tauopathies including conditions such as Multiple System Atrophy, Dementia with Lewy Bodies, Corticobasal Degeneration and Progressive Supranuclear Palsy. PBT434 has been shown to decrease insoluble forms of α-synuclein, prevent the phosphorylation of tau protein and promote neuronal preservation with consequent improvement in motor and cognitive function.

A comprehensive International Council for Harmonisation of Technical Requirements for Human Use (ICH) compliant IND-enabling non-clinical program has been conducted to evaluate PBT434's pharmacologic, pharmacokinetic and toxicological profile. PBT434 has been shown to be well tolerated with limited toxicity. A pre-IND dossier was submitted to the FDA to obtain preliminary advice from the Agency on the suitability of the non-clinical package and manufacturing of PBT434 to support Phase I studies. The written response from the FDA did not identify any substantive issues ahead of us submitting our full non-clinical and manufacturing package for approval to enable Phase 1 studies.

Pipeline development from translational Biology Program

New development candidates from Prana's Metal-Protein Attenuating Compounds (MPACs) have emerged over the reporting period. These MPACs have demonstrated a number of key attributes required to tackle neurodegenerative processes including: the ability to reduce metal mediated oxidative and nitrosative stress, inhibit target protein oligomer aggregation and restore neuronal interconnections. The new candidates arose from novel discovery chemistry to create new chemical entities within new generation MPAC chemical scaffolds that are orally bioavailable and brain penetrable.

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

Cash

The Group's cash on hand as at December 31, 2016 totaled A$28.3 million. In addition, the Group has recorded a trade receivable at December 31, 2016 of A$1.83 million from the Australian Tax Office. This amount is in respect of the 2017 R&D tax incentive claim. The Group expects to receive payment during the 12 months ended June 30, 2018.

SIX MONTHS ENDED DECEMBER 31, 2016 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2015

Revenue from ordinary activities

Revenue from ordinary activities, consisting of interest income, decreased to A$72,883 for the six months ended December 31, 2016 from A$77,328 for the six months ended December 31, 2015, a decrease of A$4,445, or 5.75%. The decrease in interest income is primarily attributable to decreased amounts of cash being carried in interest bearing accounts.

Other income

Other income of A$1,830,734 for the six months ended December 31, 2016 consist of the Group's estimate of R&D tax incentives claimable from the Australian Tax Office. This amount was calculated based on the tax incentive policy introduced by the Australian Government on July 1, 2011. The Group is entitled to 43.5% of tax incentives based on the total eligible research and development expenditure incurred during the period. This amount decreased by A$948,609, or 34.13% from A$2,779,343 for the six months ended December 31, 2015. This decrease is primarily caused by the decrease in total R&D expenditure for the period and the decrease in the tax incentive rate from 45% to 43.5%.

General and administration expenses

General and administration expenses increased to A$2,029,682 for the six months ended December 31, 2016 from A$1,959,153 for the six months ended December 31, 2015, which represented an increase of A$ 70,529, or 3.60%. The increase in general and administration expenses was mainly caused by the overall increase in CPI.

Research and development expenses

Research and development expenses decreased to A$3,832,414 for the six months ended December 31, 2016 from A$4,918,889 for the six months ended December 31, 2015, which represented a decrease of A$1,086,475, or 22.09%. The decrease in research and development expenses in the six months ending December 31, 2016 is attributable to the U.S. Food and Drug Administration's placement of PBT2 on Partial Clinical hold.

Other gains and losses

Other gains and losses consist of gains from foreign exchange for the periods. Gains from foreign exchange decreased to A$496,019 for the six months ended December 31, 2016 from A$1,318,999 for the six months ended December 31, 2015, a decrease of A$822,980, or 62.39%. The decrease in gains from foreign exchange between the two periods was primarily caused by the lower degree of fluctuation between U.S. dollars and Australian dollars during the current period as compared to the prior period.

INFLATION AND SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

We are a development stage company and have had no sales income to date, and as of December 31, 2016 our accumulated deficit totaled A$128,527,027. From inception until our initial public offering in March 2000 we financed our operations primarily through borrowings from two of our then directors, which were repaid from the proceeds of such offering. Since our initial public offering, we have financed our operations primarily through sales of equity securities, proceeds from the exercise of options, government grants, tax incentive payments, licensing and research collaborations and interest earned on investments. Please see our Annual Report on Form 20-F for the year ended June 30, 2016 for a discussion of our financing efforts prior to June 30, 2016.

We had A$28,341,761 of cash and cash equivalents at December 31, 2016 compared to A$28,593,538 at June 30, 2016.

The Group continues to pursue raising additional funds through alternative funding structures and has a strong history of raising capital. The Group had an existing "at the market" (ATM) facility through which it could raise additional funds of up to US$44.5 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 November, 2014, has been a successful source of raising funds. In prior reporting periods, the Group has raised A$46.5 million (US$42.5 million) under this and a previous ATM facility.

The Group has on issue a total of 19.4 million unlisted, unexercised options. The options have exercise prices ranging from A$0.25 to A$1.12. If all unlisted options were exercised, the Group would receive consideration of A$7.5 million in total. Although the exercise of options may be available, it is not in the Group's control to receive this consideration.

Capital expenditures for the six months ended December 31, 2016 were A$22,159 and capital expenditures for the six months ended December 31, 2015 were A$1,736. These expenditures were principally for computer equipment. We currently do not have significant capital spending or purchase commitments, but we expect to continue to engage in capital spending consistent with the level of our operations.

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

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

Under the research and development incentive scheme, entities with an aggregated turnover for the income year of less than A$20 million will be entitled to a 43.5% (2015: 45%) refundable tax offset. In the half-year ended December 31, 2016, we recorded A$1,830,734 in other income with respect to funds we will receive in relation to the 2017 financial year under the research and development incentive scheme. In the half-year ended December 31, 2015, we recorded A$2,779,343 in other income with respect to funds we received in relation to the 2016 financial year under the research and development incentive scheme.

Our management believes that the going concern basis of preparation of our consolidated financial statements for the six months ended December 31, 2016 is appropriate given our cash position.

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

Cash Flows

Net cash used in operating activities decreased to A$620,953 for the six months ended December 31, 2016 from A$7,378,540 for the six months ended December 31, 2015. Net cash used in operating activities primarily consists of payments to suppliers and employees. The decrease in net cash used in the 2016 period was primarily due to the reduction in research & development activities and the receipt of the R&D tax incentive payment for the fiscal year 2016 during the period.

Net cash used by investing activities increased to A$22,159 for the six months ended December 31, 2016 from A$1,736 for the six months ended December 31, 2015. Cash flows used for investing activities was primarily attributable to payments for the purchase of computer and office equipment in both periods.

Net cash used in financing activities increased to A$154,362 for the six months ended December 31, 2016 from A$nil for the six months ended December 31, 2015. The increase is attributable to compliance costs associated with the ATM facility.

We realized a foreign exchange gain of A$545,697 for the six months ended December 31, 2016 compared to a gain of A$1,377,245 for the six months ended December 31, 2015 due to the lower degree of fluctuation between U.S. dollars and Australian dollars during the current period as compared to prior period.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONDITIONS IN AUSTRALIA

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

RISK FACTORS

There have been no material changes in our risk factors reported in our Annual Report on Form 20-F for the year ended June 30, 2016.