PRANA BIOTECHNOLOGY LIMITED
ABN 37 080 699 065

APPENDIX 4E
PRELIMINARY FINANCIAL REPORT

for the period ending 30 June 2003

COMMENTARY ON RESULTS

Your directors submit the preliminary financial report of the Company for the year ended 30 June 2003.

Directors

The names of directors who held office during or since the end of the year were:

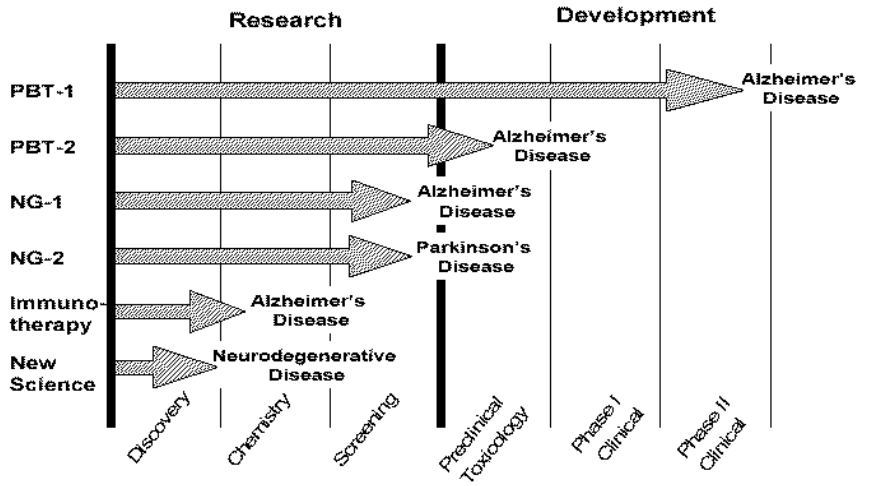
Geoffrey Kempler	Executive Chairman
Colin Masters	Executive Director
Brian Meltzer	Non-Executive Director
George Mihaly	Non-Executive Director

Review of Operations

Prana's Operations is managed by the Chief Operating Officer Dr Ross Murdoch. Dr Murdoch has almost 15 years of experience in the local and international pharmaceutical industry and has extensive experience in all the scientific, operational and commercial aspects of drug research and development. Ms Dianne Angus is responsible for the management of Prana's Intellectual Property and licensing. Ms Angus has over 10 years directing technology evaluation and acquisition and product licensing in the commercial biotechnology sector. Working together over the past 12 months they have moved Prana from solely a primary research company to one focussed on formalised drug creation and development.

Status Update (July 2002 – Jun 2003):

- Drug Development:
  - PBT-1: Double blind proof-of-concept clinical trial and extension clinical trial complete. Publication submitted to key International peer review journal.
  - PBT-2: Proprietary lead molecule selected and formal development initiated. Clinical trial targeted for 2004
  - Design and synthesis is underway for next generation compounds for Alzheimer's Disease (NG-1) and Parkinson's Disease (NG-2).
  - Immunotherapy: Awarded an AusIndustry BIF grant. Research Program initiated.
  - Chemistry and Discovery program: Over 300 MPACs (metal-protein attenuating compounds) now designed, synthesised and tested in preclinical models. AusIndustry Start Grant milestones met 6 months ahead of schedule. Research effort enhanced through collaborations with Schering A.G. and extension of University of Melbourne/MHRI agreement.



- Intellectual Property:
  - Prana successfully defended an opposition to it's European patent covering the use of "zinc binding agents for the treatment of Alzheimer's Disease"
  - 3 Patent applications entered International phase prosecution
  - Patent applications submitted for 6 new MPAC chemical classes

- Licensing:
  - Research collaboration worth up to $7.3 million plus milestones and royalties signed with Schering A.G. and Neuroscience Victoria (NSV).
  - MPAC technology: potential partners identified and preliminary discussions initiated.

- Management:
  - Dr Ross Murdoch employed as full time Chief Operating Officer and head of R&D in August 2002.
  - Ms Dianne Angus employed as Vice President of IP and Licensing in August 2002.

- Publications:
  - Over 24 key publications and articles submitted for inclusion in key International peer reviewed journals
  - The publication associated with the PBT-1 clinical trial submitted and awaiting publication.

Background:

Prana Biotechnology Limited ("Prana") was listed on the Australian Stock Exchange in March 2000 and on NASDAQ in September 2002. The Company's platform technology is focussed on developing treatments for neurodegenerative diseases, having been developed with the financial support of various grants and private equity. The primary application of Prana's platform technology remains Alzheimer's Disease , however very positive recent research findings has encouraged the company to apply its technology to other age-related degenerative disorders where the pathology of the disease is based on the interrelationship between certain metals and particular proteins (especially Parkinson's Disease).

Prana scientists discovered that the toxicity seen with many neurological diseases is associated with the interaction of key metals and disease specific target proteins. Prana's chemistry program is directed to the development of new chemical entities termed "MPACs" (metal-protein attenuating compounds) designed to reduce this toxic metal-protein interaction. The body of evidence supporting the development of MPACs for the treatment of Alzheimer's Disease, Parkinson's Disease and other major neurological and non-neurological diseases, continues to grow. This effort has seen Prana discover, optimise and patent MPAC molecules designed to attenuate the interaction of the protein beta-amyloid with copper and zinc for Alzheimer's Disease and to attenuate the interaction of the protein alpha-synuclein with the endogenous metal iron for Parkinson's Disease. Prana has adopted an aggressive intellectual property strategy under which it has developed protection of its platform technology and drug assets through broad strategic "composition of matter" patents designed to limit opportunities for competition.

Research Institutions

Prana's research alliances have involved several world class, internationally recognised, core institutional research facilities:

- The Massachusetts General Hospital, Genetics and Aging Unit in Boston, Boston USA
- The University of Melbourne, Department of Pathology, Melbourne Australia
- The Mental Health Research Institute of Victoria, Melbourne Australia

MPAC Platform Technology

Prana's MPAC "platform technology" addresses the causes of a broad spectrum of age related diseases based on the interrelationship of specific metals, present in all cells, with particular aggregated proteins. The most advanced of Prana's therapeutics is for the treatment of Alzheimer's Disease; however research both within Prana and by outside leaders in the field of research indicates that the platform technology may also be applicable for:

- Parkinson's Disease
- Age related Cataracts
- Creutzfeldt-Jakob Disease (CJD or Mad Cow Disease)
- Motor Neuron Disease
- Huntington's Disease

Prana's MPAC "platform technology" although primarily focussed on neurodegenerative disease has also attracted attention of groups outside of neurodegeneration such as oncology and cardiovascular disease. The applicability of Prana's technology in these areas remains to be validated.

Management Activities

To support the ongoing research and development and the further expansion of the company, Prana employed two new full time senior managers in 2002-03. Dr Ross Murdoch was employed full-time in July 2002 (part-time from May 2002) as Chief Operating Officer and Head of Research and Development and Ms Dianne Angus was employed in August 2002 as Vice President: Intellectual Property and Licensing. These appointments operationalized a fundamental change in Prana's approach to building value within the company. Over the past 12 months Prana has moved its focus and investment from primary research alone, to more formalised drug creation and development. Under Dr Murdoch, Prana expanded and accelerated its chemistry and drug development effort, which has resulted in the creation of almost 300 novel MPAC molecules and the progression of Prana's first proprietary MPAC (PBT-2) into formal development for Alzheimer's Disease. This work, supported by an

AusIndustry Start Grant was expected to take until the end of 2003, however was achieved in July 2003, almost 6 months ahead of schedule. It is expected that this MPAC (PBT-2) will be ready for clinical trials in late 2004. Further proprietary molecules from different classes are undergoing optimisation for Alzheimer's Disease and other neurological diseases. To ensure that all Prana's proprietary assets are protected, Ms Angus has implemented an aggressive patent strategy to protect both Prana's proprietary drugs and drug screening technology. This has expanded Prana's patent portfolio to cover 19 patent families and over 57 patent applications.

Rational Drug Design
Prana continues to utilise rational drug design techniques to design its proprietary "MPAC NCEs (New Chemical Entities)". To date Prana's medicinal chemistry team has focussed on Alzheimer's Disease treatments, developing over 300 MPACs across several different chemical classes which target the interaction of specific metals and □-Amyloid protein. All of these have now undergone extensive laboratory testing utilising both public and proprietary screening techniques and the most promising (now called PBT-2) has been progressed into formal development, with human testing expected to start in late 2004. Work to date indicates that PBT-2 has superior attributes to that of PBT-1 in *in-vitro* tests and *in-vivo* testing in transgenic animal models of Alzheimer's Disease. In line with best practice in drug development, further proprietary "follow-up" compounds from different chemical classes are also under investigation for progression to formal development for the treatment of Alzheimer's Disease in early 2004. The design of MPACs for other diseases (specifically Parkinson's Disease) is now also integrated into Prana's drug discovery pipeline.

Clinical Trials
Based on the effectiveness of Prana's prototype compound PBT-1 in laboratory models, a Phase II human clinical trial (coded PBT1-011) to evaluate PBT-1 in patients with Alzheimer's disease commenced in August 2000 and concluded in early 2002. The double-blind placebo-controlled clinical trial was conducted at Prana's sponsored facilities at the Mental Health Research Institute and the Royal Melbourne Hospital. Prescribed dosages of PBT-1 were administered to 18 of the 36 study patients, with the remaining 18 receiving a placebo. All subjects perform various prescribed cognitive tests and underwent blood tests to determine if treatment with PBT-1 has a demonstrable effect as compared to those subjects receiving the placebo. The statistical analysis has been completed and the clinical report written and submitted to a leading international peer-reviewed specialty medical journal. Publication is expected in late 2003/early 2004. The trial demonstrated that in certain patient groups PBT-1 had clinically significant positive effects on cognition and on the levels of the protein and metals involved in Alzheimer's Disease.

All patients that completed the clinical trial were invited to take part in an extension study (coded PBT1-011ADEX). This open-label extension study provided further evidence that PBT-1 is well tolerated in Alzheimer's Disease patients when taken for as long as 84 weeks and provided evidence that it may be useful in not only the later stages of the disease (as demonstrated in PBT1-011) but also in the earlier stages of the disease. The positive results from both PBT1-011 and PBT1-011ADEX trials has raised broad interest within the research community and Prana has initiated discussion with several international public research bodies about the possibility of their assistance in conducting further clinical trials in 2004. The further steps in the clinical development of PBT-1 are being designed. Currently there is no treatment or prevention for Alzheimer's Disease nor any successful treatment for any of the neurodegenerative diseases in Prana's therapeutic field.

It is estimated that a successful drug for the treatment of Alzheimer's Disease could command annual global sales in excess of US$5 billion. Over the final months of 2003-03 several key scientific groups produced data that cast doubt on the feasibility of several competing approaches to the treatment of Alzheimer's Disease. Evidence has emerged which has shifted scientific thinking about the desirability and feasibility of developing a vaccine for □-Amyloid and/or inhibitors of certain of the enzymes responsible for its production. Prana and its Scientific Advisory Board believe that its technology is now positioned very competitively and that the company has the opportunity to develop one of the first truly effective, disease modifying therapeutic medicines to treat Alzheimer's Disease.

Collaborations and Grants
In July 2001, Prana announced a $1.74 million Start Grant from the Australian Industry Research and development Board (IR&D) to expand the company's platform for drug treatment of neurodegenerative diseases. Prana achieved the aims of the grant early through its accelerated rational drug design program and will conclude the grant in July 2003. The grant allowed for a substantial expansion and acceleration of Prana's business strategy.

In March 2003, Prana announced a substantial expansion of its existing University of Melbourne agreement to lengthen the collaboration by two years to 2006. This is designed to intensify research into new drug targets enabling Prana to increase its research base leading to the development of assets available for partnership and from which returns to shareholders can be gained.

In March 2003, Prana announced a research collaboration with Schering A.G., the international Pharmaceutical Company headquartered in Germany. Schering A.G. through Neurosciences Victoria (NSV) agreed to provide up to $7.3 million to fund and license discovery research within Prana on new drug targets, especially in the area of diagnostics. The agreement also includes additional milestone payments and royalties from discoveries.

In May 2003, Prana announced receiving a Biotechnology Innovation Fund (BIF) Grant from the Industry Research & Development (IR & D) Board of AusIndustry to support a project to develop the company's proprietary position around an immunotherapy for Alzheimer's Diseases. This grant will provide 50% of the $0.46 million funding required to develop the project to "proof of principle" by the end of 2004.

Recent Key Publications
Prana scientists have submitted over 24 key publications and articles for inclusion in key international peer reviewed journals and texts. A list of the key publications is available on the Prana website – www.pranabio.com.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities	up	128.78%	to	1,816,478
Profit (loss) from ordinary activities after tax attributable to members	down	15.86%	to	(4,584,438)
Net profit (loss) for the period attributable to members	down	15.86%	to	(4,584,438)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	n/a

Explanation of the above information:

The increase in revenues from ordinary activities has been caused by the receipt of reimbursements from NASDAQ in relation to listing costs, funding received via the start grant and funds received under the agreement with Neuroscience Victoria.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

Year ended 30 June 2003	Note	COMPANY	
		2003	2002
		$	$
Revenues from Ordinary Activities	2(a)	**1,816,478**	793,970
Personnel expenses	2(b)	**(1,328,309)**	(980,198)
Research & Development expenses	2(b)	**(1,717,770)**	(1,906,751)
Intellectual Property expenses	2(b)	**(992,186)**	(1,594,766)
Administration & Finance expenses		**(282,850)**	(260,582)
Amortisation expense	2(b)	**(1,100,002)**	(1,100,004)
Computer expenses		**(29,460)**	(5,637)
Insurance expenses		**(62,403)**	(41,158)
Office expenses		**(141,388)**	(65,674)
PR & Marketing expenses		**(198,832)**	(71,690)
Travelling Expenses		**(295,257)**	(78,483)
Depreciation expenses	2(b)	**(85,971)**	(60,591)
Other expenses from ordinary activities		**(166,488)**	(76,903)
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(4,584,438)**	(5,448,467)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	**-**	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		**(4,584,438)**	(5,448,467)
NET (LOSS)		**(4,584,438)**	(5,448,467)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		**(4,584,438)**	(5,448,467)
BASIC EARNINGS PER SHARE (cents per share)	15	**(7.50)**	(9.5)
DILUTED EARNINGS PER SHARE (cents per share)	15	**(7.50)**	(9.5)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

As at 30 June 2003	Note	COMPANY	
		2003	2002
		$	$
CURRENT ASSETS			
Cash assets	4	**3,463,783**	3,585,014
Receivables	5	**143,823**	107,936
Other	6	**52,362**	60,367
TOTAL CURRENT ASSETS		**3,659,968**	3,753,317
NON-CURRENT ASSETS			
Plant & Equipment	7	**141,611**	139,653
Intangible assets	8	**12,588,347**	13,688,349
TOTAL NON-CURRENT ASSETS		**12,729,958**	13,828,002
TOTAL ASSETS		**16,389,926**	17,581,319
CURRENT LIABILITIES			
Payables	9	**541,217**	912,333
Provisions	10	**23,831**	-
TOTAL CURRENT LIABILITIES		**565,048**	912,333
NON-CURRENT LIABILITIES			
Provisions	10	**1,175**	-
TOTAL CURRENT LIABILITIES		**1,175**	-
TOTAL LIABILITIES		**566,223**	912,333
NET ASSETS		**15,823,703**	16,668,986
EQUITY			
Contributed equity	11	**16,740,623**	13,001,468
Reserves	12	**14,661,942**	14,661,942
Accumulated losses	13	**(15,578,862)**	(10,994,424)
TOTAL EQUITY		**15,823,703**	16,668,986

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2003

Year ended 30 June 2003	Note	COMPANY	
		2003	2002
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(5,293,086)**	(4,885,444)
Interest received		**106,835**	242,215
Grants received		**836,335**	843,714
NASDAQ Reimbursements received		**253,054**	-
Neuroscience Victoria monies received		**506,250**	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	14(a)	**(3,590,612)**	(3,799,515)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of plant and equipment		**(87,930)**	(50,689)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(87,930)**	(50,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**3,713,792**	580,345
Payment of share issue costs		**(144,000)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**3,569,792**	580,345
NET INCREASE/(DECREASE) IN CASH HELD		**(108,750)**	(3,269,859)
Opening cash brought forward		**3,585,014**	6,854,873
Exchange rate adjustments on the balance of cash held in foreign currencies		**(12,481)**	-
CLOSING CASH CARRIED FORWARD	14(b)	**3,463,783**	3,585,014

The accompanying notes form part of these financial statements.

NOTES TO ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a)

The preliminary financial report has been prepared in accordance with ASX listing rules and the disclosures required of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the 2002 Annual Report.

(b) Going Concern

As at 30 June 2003, the company had cash assets of $3,463,783, recorded a net loss of $4,584,438 and a net cash outflow from operating activities of $3,590,612. Notwithstanding the net loss and negative cash from operations, the directors consider that the going concern basis of accounting is appropriate for the following reasons:

- the most recently prepared cash flow forecasts prepared by management and reviewed by the directors indicate that the company will have sufficient cash to meet their operating requirements until at least the date of signing the directors' declaration for the year ending 30 June 2004;
- On 4 September 2003, the company announced to the market that it had raised $5 million before allowing for associated costs through the issue of 7.15 million new shares via private placement to institutions and eligible sophisticated investors who are clients of Peregrine Corporate Limited.
- the company has 20,125,000 share options on issue with an exercise price of $0.50 which expire 1 December 2004. As the exercise price is significantly lower than the company's current and recent share price (being $0.56 at 30 June 2003) the directors are confident that these options will be exercised, resulting in expected cash inflows of $10,062,500 (included within the company's cash flow forecasts);
- the company expects to place further shares with strategic investors within the next 6-12 months. The directors are confident that a share placement will be achieved if required, based on strong interest from investors and the company's track record in successfully placing shares with US and Australian investors.

	COMPANY	
	2003	2002
	$	$
2. PROFIT/LOSS FROM ORDINARY ACTIVITIES		
(a) Revenues from Operating Activities		
Interest – other persons/corporations	**111,686**	226,720
Research Grant	**945,250**	567,250
Reimbursements of NASDAQ Listing Costs	**253,054**	-
Neurosciences Victoria - funding for research activities	**506,250**	-
Other	**238**	-
Total revenues	**1,816,478**	793,970
(b) Expenses from Operating Activities		
Profit/Loss from ordinary activities before income tax has been determined after including the following expenses:		
Depreciation of non-current assets		
- Plant and equipment	**73,407**	58,330
- Computer equipment	**12,028**	2,261
- Furniture & Equipment	**536**	-
Total Depreciation	**85,971**	60,591

	COMPANY	
	2003	2002
	$	$
Amortisation of non-current assets		
- Core Intellectual Property	**1,100,002**	1,100,004
Total Amortisation	**1,100,002**	1,100,004
Intellectual Property expenses		
- Legal Fees – Overseas	**768,238**	771,565
- Legal Fees - Local	**223,948**	823,201
Total Intellectual Property expenses	**992,186**	1,594,766
Personnel expenses		
- Employees	**760,980**	348,727
- Consultants	**567,329**	631,471
Total Personnel expenses	**1,328,309**	980,198
Foreign Exchange Loss	**12,481**	-
Research and Development expenses		
- Kendle Pty Ltd	**478,877**	607,245
- MHRI	**280,661**	-
- University of Melbourne	**727,332**	994,506
- Other	**230,900**	305,000
Total Patents, research and development expenses	**1,717,770**	1,906,751

	COMPANY	
	2003	2002
	$	$
3. INCOME TAX EXPENSE		
(a) The prima facie tax payable on profit/loss from ordinary activities before income tax is reconciled to the income tax provided in the accounts as follows:		
Prima facie tax payable on operating profit/loss before income tax at 30%	**1,375,331**	1,634,540
Tax Effect of Permanent Differences		
- Amortisation of intangibles	**(330,001)**	(330,001)
- Entertainment Costs	**(2,656)**	(3,664)
- Patent Costs	**(297,656)**	(165,864)
Future tax benefits not brought to account	**(745,018)**	(1,135,011)
Income Tax Expense	**-**	-
(b) The directors estimate that the potential future income tax benefit at 30 June 2003 not brought to account is:		
Tax losses – revenue	**3,005,406**	2,269,938
Timing differences	**9,551**	7,500
	3,014,957	2,277,438

This benefit for tax losses will only be obtained if:
(i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
(ii) the company continues to comply with the conditions for deductibility imposed by tax legislation, and
(iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

The company has no franking credits available at year end.

	COMPANY	
	2003	2002
	$	$
4. CASH ASSETS		
Cash at bank	**2,045,118**	385,014
Term deposits	**1,200,000**	3,200,000
US dollar bank accounts	**218,665**	-
	3,463,783	3,585,014
5. RECEIVABLES (CURRENT)		
Sundry debtors	**18,223**	-
Other receivables	**113,764**	21,510
Goods and services tax	**11,836**	86,426
	143,823	107,936

	COMPANY	
	2003	2002
	$	$
6. OTHER CURRENT ASSETS		
Prepayments	**52,362**	60,367
	52,362	60,367
7. PLANT & EQUIPMENT		
Plant and Equipment, at cost	**320,083**	267,273
Less Accumulated depreciation	**(215,725)**	(142,318)
Total Plant & Equipment	**104,358**	124,955
Computer Equipment, at cost	**42,420**	16,959
Less Accumulated depreciation	**(14,289)**	(2,261)
Total Computer Equipment	**28,131**	14,698
Furniture & Fittings, at cost	**9,658**	-
Less Accumulated depreciation	**(536)**	-
Total Furniture & Fittings	**9,122**	-

Reconciliations
Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

2003	**Plant & Equipment** $	**Computer Equipment** $	**Furniture & Fittings** $	**Total** $
Carrying amount at 1 July 2002	**124,955**	**14,698**	**-**	**139,653**
Additions	**52,810**	**25,461**	**9,658**	**87,929**
Disposals	**-**	**-**	**-**	**-**
Depreciation Expense	**(73,407)**	**(12,028)**	**(536)**	**(85,971)**
Carrying amount at 30 June 2003	**104,358**	**28,131**	**9,122**	**141,611**

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

8. INTANGIBLE ASSETS		
Core Intellectual property – at cost	**16,500,000**	16,500,000
Less Accumulated amortisation	**(3,911,653)**	(2,811,651)
	12,588,347	13,688,349

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

	COMPANY	
	2003	2002
	$	$
9. PAYABLES		
Trade creditors	**151,755**	518,375
Other creditors/accrued expenses	**340,002**	324,040
Amounts payable to Director-related entity	**49,460**	69,918
	541,217	912,333

10.PROVISIONS

Employee Benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Provision for employee benefits:		
Current		
- Annual Leave	**23,831**	-
Non-Current		
- Long Service Leave	**1,175**	-
	25,006	-
Number of Employees:	6	4

11.CONTRIBUTED EQUITY

(a) Issued and paid up capital		
Ordinary shares fully paid	**16,732,623**	12,993,468
Options	**8,000**	8,000
	16,740,623	13,001,468

	2003		2002	
	No of Shares	**$**	No of Shares	$
(b) Movements in shares on issue				
Beginning of the financial year	**58,612,750**	**12,993,468**	57,260,266	12,268,892
Issued during the year				
- exercise of options (i)	**7,427,584**	**3,713,792**	1,160,690	580,346
- less underwriting costs	**-**	**(144,000)**	-	-
- issues to consultants (ii)	**146,969**	**169,363**	191,794	144,230
End of the financial year	**66,187,303**	**16,732,623**	58,612,750	12,993,468

(i) 2002-2003	Details	Number	Exercise Price $	$
8 July 2002	Exercise of Options (PBTO)	4,000	0.50	2,000
10 July 2002	Exercise of Options (PBTAO)	13,274	0.50	6,637
18 September 2002	Exercise of Options (PBTO)	32,000	0.50	16,000
30 September 2002	Exercise of Options (PBTO)	25,000	0.50	12,500
15 October 2002	Exercise of Options (PBTO)	20,081	0.50	10,040
20 November 2002	Exercise of Options (PBTO)	113,000	0.50	56,500.
22 November 2002	Exercise of Options (PBTO)	33,072	0.50	16,536
25 November 2002	Exercise of Options (PBTO)	7,000	0.50	3,500
12 December 2002	Exercise of Options (PBTAK)	50,000	0.50	25,000
8 January 2003	Exercise of Options (PBTAK)	50,000	0.50	25,000
22 January 2003	Exercise of Options (PBTO)	2,620	0.50	1,310
30 January 2003	Exercise of Options (PBTO)	9,700	0.50	4,850
14 February 2003	Exercise of Options (PBTO)	499,403	0.50	249,702
20 February 2003	Exercise of Options (PBTO)	483,746	0.50	241,873
28 February 2003	Exercise of Options (PBTO)	2,530,483	0.50	1,265,242
15 March 2003	Exercise of Options (PBTO)	3,107,891	0.50	1,553,945
15 March 2003	Exercise of Options (PBTAK)	25,000	0.50	12,500
3 April 2003	Exercise of Options (PBTO)	421,314	0.50	210,657
		7,427,584		3,713,792

(ii) 2002-2003	Details	Number	Issue Price $	$
12 July 2002	Issue to consultants	13,550	2.02	27,372
4 December 2002	Issue to consultants	15,318	1.74	26,252
30 January 2003	Issue to consultants	118,101	0.98	115,738
		146,969		169,363

(i) 2001-2002	Details	Number	Exercise Price $	$
4 February 2002	Exercise of Options	134,000	0.50	67,000
12 February 2002	Exercise of Options	2,000	0.50	1,000
22 February 2002	Exercise of Options	76,000	0.50	38,000
27 February 2002	Exercise of Options	40,000	0.50	20,000
6 March 2002	Exercise of Options	90,000	0.50	45,000
12 March 2002	Exercise of Options	82,690	0.50	41,346
12 March 2002	Exercise of Options	190,000	0.50	95,000
14 March 2002	Exercise of Options	10,000	0.50	5,000
20 March 2002	Exercise of Options	12,000	0.50	6,000
21 March 2002	Exercise of Options	100,000	0.50	50,000
25 March 2002	Exercise of Options	3,000	0.50	1,500
9 April 2002	Exercise of Options	8,000	0.50	4,000
9 April 2002	Exercise of Options	24,500	0.50	12,250
10 April 2002	Exercise of Options	2,500	0.50	1,250
11 April 2002	Exercise of Options	2,500	0.50	1,250
11 April 2002	Exercise of Options	100,000	0.50	50,000
10 May 2002	Exercise of Options	100,000	0.50	50,000
23 May 2002	Exercise of Options	180,000	0.50	90,000
16 June 2002	Exercise of Options	3,500	0.50	1,750
		1,160,690		580,346

(ii) 2001-2002	Details	Number	Issue Price $	$
8 March 2002	Issue to consultants	164,835	0.70	115,384
8 March 2002	Issue to consultants	26,959	1.07	28,846
		191,794		144,230

	2003		2002	
	No of Options	**$**	No of Options	$
(c) Movements in options on issue				
Beginning of the financial year	**27,894,310**	**8,000**	28,655,000	8,000
- Issued during the year (i)	**613,274**	-	400,000	-
- Exercised during the year (refer above)	**(7,427,584)**	-	(1,160,690)	-
- Issued to consultants (ii)	**5,000**	-	-	-
End of the financial year	**21,085,000**	**8,000**	27,894,310	8,000

(i) 2002-2003	**Details**	**Number**	**Issue Price $**	**Exercise Price $**
10 July 2002	Issued during the year (PBTAO)	113,274	-	0.50
31 October 2002	Issued during the year (PBTAO)	100,000	-	0.50
31 October 2002	Issued during the year (PBTAQ)	200,000	-	0.50
6 June 2003	Issued during the year (PBTAO)	145,000	-	0.50
1 March 2002	Issued during the year (PBTO)	55,000	-	0.50
		613,274		

(ii) 2002-2003	**Details**	**Number**	**Issue Price $**	**Exercise Price $**
6 June 2003	Issue to consultants	5,000	-	0.50
		5,000		

(i) 2001-2002	**Details**	**Number**	**Issue Price $**	**Exercise Price $**
23 January 2002	Issued during the year	200,000	-	0.50
7 March 2002	Issued during the year	200,000	-	0.50
		400,000		

(d) Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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 one vote, either in person or by proxy, at a meeting of the Company.

Options

Optionholders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company.

	COMPANY	
	2003	2002
	$	$
12. RESERVES		
Asset Revaluation Reserve	**14,661,942**	14,661,942

The asset revaluation reserve arose as a result of the revaluation of intangibles during the year ended 30 June 1999. Following the adoption in the year ended 30 June 2001 of AASB 1041 'Revaluation of Non-Current Assets'; the company has reverted to the cost basis of accounting for intangibles and no further revaluations have been made.

	COMPANY	
	2003	2002
	$	$
13. ACCUMULATED LOSSES		
Balance at beginning of year	**(10,994,424)**	(5,545,957)
Net loss for the period	**(4,584,438)**	(5,448,467)
Balance at end of year	**(15,578,862)**	(10,994,424)
14. STATEMENT OF CASH FLOWS		
(a) Reconciliation of Cash Flows from Operating Activities with Operating Loss after Income Tax		
Operating Loss after Income Tax	**(4,584,438)**	(5,448,467)
Non Cash Movements		
- Amortisation	**1,100,002**	1,100,004
- Depreciation	**85,971**	60,591
- Non-cash share issue in consideration of operating expenses	**169,363**	144,230
- Foreign Exchange Losses	**12,481**	-
Changes in assets and liabilities		
- Increase/(decrease) in payables	**(371,116)**	29,644
- (Increase)/decrease in receivables	**(35,887)**	218,117
- (Increase)/decrease in prepayments	**8,006**	105,974
- Increase/(decrease) in provision for employee entitlements	**25,006**	(9,608)
Cash Flows from Operating Activities	**(3,590,612)**	(3,799,515)
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:		
- cash on hand $A	**2,045,118**	385,014
- cash on hand $US	**218,665**	-
- cash at call (term deposits)	**1,200,000**	3,200,000
	3,463,783	3,585,014

(c) Non-cash Financing and Investing Activities
See note 11 for details regarding issues of shares to contractors in lieu of payment for services.

	COMPANY	
	2003	2002
	$	$
15.EARNINGS PER SHARE	**Cents**	Cents
Basic earnings/(loss) per share	**(7.50)**	(9.5)
Diluted earnings/(loss) per share	**(7.50)**	(9.5)
The following reflects the income and share data used in the calculations of basic and diluted earnings/loss per share. Net loss used in calculation of basic & diluted EPS.	**(4,584,438)**	(5,448,467)
Weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings/(loss) per share	**61,131,313**	57,623,389

Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

The options on issue do not have the effect to dilute the earnings per share. Therefore they have been excluded from the calculation of diluted earnings per share.

16.SUBSEQUENT EVENTS

On 4 September 2003, the company announced to the market that it had raised $5 million before allowing for associated costs through the issue of 7.15 million new shares via private placement to institutions and eligible sophisticated investors who are clients of Peregrine Corporate Limited. The subscription price is 70 cents per share. Funds raised will be predominantly applied towards accelerating the Company's development objectives, specifically the commencement of toxicology and clinical trials relating to Prana's proprietary suite of metal protein attenuating compounds and for working capital purposes.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operation of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

17.CONTINGENT LIABILITIES

Prana is involved in a patent dispute, limited to only one of its molecules PBT-1. In particular, with a company called P.N. Gerolymatos S.A. The results of these proceedings are yet to be determined. Prana is confident of its just entitlement to any necessary rights to all patents required to commercialise its discoveries. Recently Prana announced that a new molecule, PBT-2 has entered into formal development. PBT-2 is viewed by Prana as providing a significantly superior commercial opportunity and, therefore, the significance of the dispute with P.N. Gerolymatos is greatly reduced.

Apart from this matter, the Company is not involved in any legal or arbitration proceedings and, so far as Directors are aware, no such proceedings are pending or threatened against the Company.

ANALYSIS

	2003	2002
Dividends:	-	-
Statement of Retained Earnings	$	$
Opening Balance	(10,994,424)	(5,545,957)
Movements	(4,584,438)	(5,448,467)
Closing Balance	(15,578,862)	(10,994,424)
NTA		
Net Assets	$15,823,703	$16,668,986
Intangible Assets	$12,588,347	$13,688,349
Number of Shares on Issue	66,187,303	58,612,750
Net Tangible Asset Backing (cents)	4.89	5.08
Controlled Entities Gained/Lost	-	-
Associates & Joint Venture Entities	-	-

Foreign Accounting Standards
No foreign accounting standards have been used in preparing the 4E

AUDIT INFORMATION/ALERT

The audit is in process.