



**-CONFIDENTIAL DRAFT-
Prana Settles Clioquinol Patent Litigation**

Conference Call To Be Hosted

Melbourne, Australia – August 9, 2004: **Prana Biotechnology Limited (NASDAQ: PRAN, ASX: PBT)** today announced that Prana and Massachusetts General Hospital have agreed to settle all outstanding litigation with P.N Gerolymatos S.A. (P.N.G.) regarding the exploitation rights to certain patents relating to pharmaceutical compositions and uses of clioquinol (also known as PBT-1). Accordingly, all patent oppositions in Europe and Australia are being withdrawn and the law suits pending before the U.S. District Court for the District of Columbia and the Court of Athens in Greece are being dismissed.

As a result of the settlement, Prana and P.N.G. have agreed to recognize the rights of each other to develop clioquinol in their respective territories. Prana will hold the rights to clioquinol in the United States and Japan, while P.N.G. will hold the rights for European and other territories. Prana has agreed to allot 1.35 million shares which will be held in escrow for twelve months and pay a royalty to P.N.G. on sales in the USA and Japan, Prana will receive a percentage of PNG's income for the other territories.

Mr. Geoffrey Kempler, Executive Chairman of Prana commented, "Prana now holds issued patents in the US on clioquinol (PBT-1), a drug which has already demonstrated that it can slow down the progression of the disease in a group of moderate to severe Alzheimer's disease patients. In December 2003, promising Phase II clinical trial results evaluating clioquinol in Alzheimer's disease were published in the *Archives of Neurology*. This settlement heralds a very important opportunity for Prana, its an important part of our drug pipeline and allows Prana to undertake further clinical development of clioquinol."

"Furthermore, the assignment of these patents also complements the position of our newer drugs, including PBT-2, which is now in the final months of toxicology testing before entering Phase 1 clinical trials," said Mr. Kempler.

Commenting on the settlement, Mr. Panayotis Gerolymatos, President and Chief Executive Officer of P.N. Gerolymatos S.A. stated: "We are pleased to put this litigation behind us. The amicable settlement makes possible the further development of clioquinol and we look forward to working jointly with Prana in this regard."

Unlike current approved Alzheimer's therapies that largely treat the symptoms of the disease, clioquinol, PBT-2 and Prana's other MPAC's (Metal Protein Attenuating Compound) hold promise to help prevent the progression of the disease.

The Company will conduct a teleconference to discuss the patent litigation, Monday, August 9th, at 5:00 PM US Eastern Time or Tuesday, August 10th at 7 AM Australian Eastern Time. To participate in the call, please dial 1-800-792-0846 from the US or Canada (toll free), or +1-800-002-092 from Australia, or +1-706-634-1485 from other locations approximately 5 minutes prior to the starting time. A replay of the call will be available from 5:45pm ET on Wednesday, August 9, 2004, until 11:59pm ET on Tuesday, August 16. To access the replay, please dial 1-800-642-1687, or +1-706-645-9291 from Australia or other locations.

Webcast will be available at www.pranabio.com

About Prana Biotechnology Limited

Prana Biotechnology was established to commercialize research into Alzheimer's disease and other major age-related degenerative disorders. The company was incorporated in 1997 and listed on the Australian Stock Exchange in March 2000 and listed on NASDAQ in September 2002. Researchers at prominent international institutions including the University of Melbourne and Massachusetts General Hospital as a teaching hospital of Harvard Medical School discovered Prana's technology.

This press release contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the Company's business strategy and future plans of operation. Forward-looking statements involve known and unknown risks and uncertainties; both general and specific to the matters discussed in this press release. These and other important factors, including those mentioned in various Securities and Exchange Commission filings made by the Company, may cause the Company's actual results and performance to differ materially from the future results and performance expressed in or implied by such forward-looking statements. The forward-looking statements contained in this press release speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company's expectations or future events.

For further information, please visit our web site at www.pranabio.com.

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