



Prana Biotechnology Auditors Provide Going Concern Notice

- PBT2's Advance to Phase IIa European Clinical Trials Requires Additional Funding -

Melbourne, Australia – October 13, 2006: Prana Biotechnology Limited (NASDAQ: PRAN, ASX: PBT), in compliance with NASDAQ Marketplace Rule IM-4350-6, today announced that the Company's independent registered public accountants included a going concern explanatory paragraph in its report on Prana Biotechnology's consolidated financial statements as of and for the fiscal year ended June 30, 2006, contained in the Company's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

The Company ended June 30, 2006 with approximately A\$10 million (US \$7.5 million) in cash and cash equivalents.

On October 5, Prana announced that it received regulatory approval from Sweden's Medical Products Agency to start a Phase IIa clinical trial of its proprietary lead compound, PBT2, in patients with early Alzheimer's disease. As a result of obtaining regulatory approval to initiate the Phase IIa study, the Company will need to raise additional cash.

For more information regarding this matter, please see the Prana Biotechnology Annual Report on Form 20-F filed with the Securities and Exchange Commission on September 29, 2006, which is available at <http://www.sec.gov>.

About Prana Biotechnology Limited

Prana Biotechnology was established to commercialise research into Alzheimer's disease and other major age-related neuro-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, a teaching hospital of Harvard Medical School, discovered Prana's technology.

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

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. The Company has tried to identify such forward-looking statements by use of such words as "expects," "intends," "hopes," "anticipates," "believes," "could," "may," "evidences" and "estimates," and other similar expressions, but these words are not the exclusive means of identifying such statements. Such statements include, but are not limited to any statements relating to the Company's drug development program, including, but not limited to the initiation, progress and outcomes of clinical trials of the Company's drug development program, including, but not limited to, PBT2, and any other statements that are not historical facts. Such statements involve risks and uncertainties, including, but not limited to, those risks and uncertainties relating to the difficulties or delays in financing, development, testing, regulatory approval, production and

marketing of the Company's drug components, including, but not limited to, PBT2, the ability of the Company to procure additional future sources of financing, unexpected adverse side effects or inadequate therapeutic efficacy of the Company's drug compounds, including, but not limited to, PBT2, that could slow or prevent products coming to market, the uncertainty of patent protection for the Company's intellectual property or trade secrets, including, but not limited to, the intellectual property relating to PBT2, and other risks detailed from time to time in the filings the Company makes with Securities and Exchange Commission including its annual reports on Form 20-F and its reports on Form 6-K. Such statements are based on management's current expectations, but actual results may differ materially due to various factors including those risks and uncertainties mentioned or referred to in this press release. Accordingly, you should not rely on those forward-looking statements as a prediction of actual future results.

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