

Prana Biotechnology Limited

Board Charter



Amended 27 July 2005

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1. INTRODUCTION

Prana Biotechnology (the "Company") is a biotechnology company. The principal listing of the Company's ordinary shares and listed options to purchase its ordinary shares is on the Australian Stock Exchange ("ASX") and its American Depository Receipts are traded on the NASDAQ SmallCap Market. The Company develops therapeutic drugs designed to treat the underlying causes of degeneration of the brain and the eye as the aging process progresses, initially focusing on Alzheimer's disease.

The Board of Directors of the Company (the "Board") has the ultimate responsibility to its shareholders for the strategy and performance of the Company in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes .

Good governance policies and processes are critical for ensuring that the Company is governed in the best interests of the Company as a whole. With this point in mind, the Board has decided to articulate and formalise the corporate governance framework within which the Company operates.

This document outlines the Company's corporate governance policy in the form of a Board Charter, which is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting the direction, management and the control of the organisation. As such, it establishes the guidelines within which the directors and officers are to operate as they carry out their respective roles. It does not in anyway constitute legal advice or act as a substitute for legal advice.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

The Charter is structured in accordance with the Company's view of a Corporate Governance Charter.

While it is acknowledged that good governance is an important component of a successful Company, it is also recognised that it is contingent upon the context in which it is practiced. Therefore, corporate governance needs to be an evergreen process, and as a result this Board Charter is a living document. The Board Charter will need to be regularly reviewed and updated to reflect changes in the legal framework within which the Company operates, and amendments and developments in Board policies and procedures. It is the responsibility of the Company Secretary to ensure that the Board is consulted regarding any changes and updates, that the Charter is kept current and is reviewed and amended on a yearly basis, and that all Board Members are provided with the latest versions of the Charter.

Nothing in this Charter must conflict with the Company's Constitution ("Constitution") or any applicable law. If such a conflict occurs, the Constitution or applicable law shall prevail.

Any reference to gender in this Charter should be interpreted as applicable to both males and females.

The Company's Board Charter has four major sections:

- Part A – Defining Governance Roles;
- Part B – Board Processes;
- Part C – Key Board Functions; and
- Part D – Continuing Improvement.



Geoffrey Kiel and Gavin Nicholson,
Boards that Work: A New Guide for Directors, Sydney: McGraw-Hill, 2003.

PART A – DEFINING GOVERNANCE ROLES

2. THE ROLE OF THE BOARD

The Board is ultimately responsible for all matters relating to the running of the Company, except as otherwise provided by applicable law.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Thus, except when dealing with specific management delegations of individual directors (particularly executive directors), it is misleading to refer to the management function of the Board.

The Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board and subject to the requirements of applicable law, the principal functions and responsibilities of the Board include the following:

- Providing leadership to the Company by:
 - Guiding the development of an appropriate culture and values for the Company through the establishment and review of Codes of Conduct, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
 - Always acting in a manner consistent with the Company's culture and Codes of Conduct;
- Overseeing the development and implementation of an appropriate strategy by:
 - Working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
 - Regularly reviewing and amending or updating the Company's strategic direction and goals;
 - Ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
 - Overseeing planning activities including the development and approval of strategic plans, annual plans; annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
 - Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;

- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings of shareholders and, through the Chairman of the Company, being the key interface between the Company and its shareholders;
- Overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- Ensuring robust and effective risk and compliance management and control systems (including legal compliance) are in place and operating effectively;
- Delegate powers to the Remuneration Committee to oversee and recommend to the Board appropriate action in respect to the following:
 - Directly managing the Chief Executive Officer ("CEO") including:
 - responsible for the appointment of the CEO and recommending to the Board for determination the terms and conditions thereof, including (without limitation) compensation of the CEO. The CEO may not be present during the voting and deliberations regarding his or her compensation;
 - providing advice and counsel to the CEO including formal reviews and feedback on his or her performance;
 - overseeing the development or removal of the CEO, where necessary;
 - Responsible for the appointment of the Chief Financial Officer ("CFO") and/or Company Secretary, and recommending to the Board for determination the terms and conditions of such appointments, including (without limitation) compensation, and, where appropriate, removal;
 - Responsible for recommending to the Board for determination the compensation of all other executive officers (in addition to the CEO, CFO and/or Company Secretary);
 - Ensuring that an appropriate succession plan for the CEO, CFO and Company Secretary is in place;
 - Ensuring appropriate human resource systems (including Occupational Health and Safety systems) are in place to ensure the well-being and effective contribution of all employees; and
 - Establishing and maintaining appropriate remuneration levels and policies, including incentive policies for directors, senior executives and employees

The Board has overall responsibility for the Company's senior management and personnel.

- Ensuring that Board membership and structure is suitable to the current circumstances of the Company; having in place effective succession planning procedures and evaluating performance where possible.

- Delegating appropriate powers to the CEO, Management and Committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- Subject to any other approvals required by applicable law, making all decisions outside the scope of these delegated powers including:
 - Approving the details of all items of capital expenditure in excess of \$100,000; and
 - Approving all operational expenditures more than 10% outside the approved budget and
 - Approving all mergers, acquisitions or property disposals in excess of \$100,000; and
 - Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The implementation of some Board functions will be handled through Board Committees. However, subject to applicable law, in general the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

3. BOARD STRUCTURE

3.1 Number of Directors

The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of at least three (3) directors, or such other number of directors as determined by the Board and subject to the Constitution and applicable law. The Company intends to appoint over time such number of independent directors, within the meaning of ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* (2003), that is appropriate to provide proper non-executive influence for decision making purposes.

The Board's long term policy is that the majority of directors shall be independent, within the meaning of the ASX Governance Council, non-executive directors, depending on the future needs of the Company, its ability to identify and attract suitable candidates and to financially be able to afford such a structure in light of finite financial resources. This ensures that all Board discussions or decisions have the benefit of outside views and experience.

The Company's Board of Directors, Audit Committee and Remuneration Committee are subject to additional standards of independence under the requirements of the U.S. Securities and Exchange Commission (the "SEC") and NASDAQ Stock Market. However, in accordance with NASDAQ Marketplace Rules, the Company has provided NASDAQ with a notice that to the extent that the Company does not comply with the NASDAQ Marketplace Rule requiring that a majority of the board of directors be comprised of independent directors within the meaning of NASDAQ Marketplace Rules, and the NASDAQ Marketplace Rule requiring that audit committee member's meet the independence requirement defined under NASDAQ Marketplace Rules, the Company follows Australian law and practice.

The independence of the Company's non-executive directors will be assessed on an ongoing basis.

3.2 Appointment of Directors

Directors are elected by the Company's shareholders.

The Board may at any time appoint a person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but so that the total number of directors does not at any time exceed the maximum number specified by the Company's Constitution. Any director so appointed holds office only until the next following annual general meeting of shareholders and is then eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation (if any) at that meeting.

Director nominees for election at the annual general meetings of shareholders, as well as candidates to fill any vacancies on the Board or as an addition to existing directors, are identified and recommended to the Board by a nominations committee comprised solely of independent directors within the meaning of NASDAQ Marketplace Rules (the "Nominations Committee").

Any person seeking election as a director (other than a director seeking re-election) may submit their application and signed nomination at least six (6) weeks before the annual general meeting of shareholders, to the registered office of the Company. All nominations shall then be treated in accordance with the Company's Constitution and applicable laws.

3.4 Skills Required on the Board

In the opinion of the Board, all directors should bring specific skills and experience that add value to the Company. The balance of skills and experience of the Board is to be regularly reviewed by the Nominations Committee.

The Board, through the Nominations Committee, will maintain a regularly reviewed capabilities matrix. This matrix shall include technical skills, director capabilities and personal attributes. It will normally review the Board's composition against this matrix and recommend any changes in Board composition on at least an annual basis. One of the essential components of this matrix is the time availability of directors.

When considering the potential reappointment of an existing director or filling a vacancy on the Board, the Nominations Committee will take into account the individual's performance as well as the combination of skills and experience required by the Board.

3.5 Duration of Appointment

Subject to Australian law and the Company's Constitution, the term of office of the directors are staggered, such that at every annual general meeting of shareholders one-third, or the nearest whole number, of the directors, except a managing director, must retire from office and may offer himself/herself for re-election.

3.6 Vacation of Office

Directors shall continue to serve on the Board until required to vacate the office by law or as detailed in the Constitution. The terms and conditions for directors are contained in their letter of appointment.

4. THE ROLE OF INDIVIDUAL DIRECTORS

As members of the peak decision-making body in the Company, directors share ultimate responsibility for the Company's overall success. Therefore, directors have an individual responsibility to ensure that the Board is fulfilling its responsibilities required as set forth under Section 2 hereof and required by applicable laws. Directors must ensure that the Board is providing:

- leadership to the Company, particularly in the areas of ethics and culture;
- a clear and appropriate strategic direction;
- accountability to key stakeholders, particularly shareholders;
- oversight of policies;
- oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance;
- an effective senior management team and appropriate personnel policies; and
- timely and effective decisions on matters reserved to it.

4.1 Directors' Code of Conduct

In accordance with legal requirements and agreed ethical standards, directors and key executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;*
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed Company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as directors and key executives;*
- will not disclose non-public information except where disclosure is authorised or legally mandated;†

- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;*
- will not take improper advantage of the position of Director* or use the position for personal gain or to compete with the Company;†
- will not take advantage of Company property or use such property for personal gain or to compete with the Company; †
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes; †
- will not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company;*
- have an obligation to be independent in judgment and actions and directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;*
- will encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees;†
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;†
- will abide by the Company's Share Trading Policy attached hereto as Attachment A;
- will give their specific expertise generously to the Company; and
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.*

(*From the *AICD Code of Conduct*)

(†From the ASX Corporate Governance Council's *Principles of Good Corporate Governance*)

In addition to the foregoing, the Company has adopted and implements a Code of Business Conduct and Ethics Policy that governs the conduct of all directors, officers, employees and agents of the Company. The Code of Business Conduct and Ethics Policy is administered by the Audit Committee (or by a committee appointed by the Audit Committee for such purpose) and is attached as Appendix 3 to the Audit Committee Charter.

4.2 Expectations of Directors in Board Process

Since the Board needs to work together as a group, the Board is responsible for establishing standards for Board meetings. Directors of the Company shall, in good faith, act in a manner that is consistent with generally accepted procedures for the conduct of Board meetings at all meetings of the Board. This will include, but shall not be limited to:

- acting in a manner consistent with the letter and spirit of the Company's Codes of Conduct;

- acting in a businesslike manner;
- acting in accordance with the Constitution, Board policies and applicable laws;
- addressing issues in a confident, firm and friendly manner;
- preparing thoroughly for each Board or Board committee event;
- using judgment, commonsense and tact when discussing issues;
- minimising irrelevant conversation and remarks;
- ensuring that others are given a reasonable opportunity to put forward their views;
- refraining from interruption or interjection when a speaker has the floor; and
- being particularly sensitive in interpreting any request or direction from the Chairman that aims to ensure the orderly and good-spirited conduct of the Board meeting.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, and fully canvas all aspects of any issue confronting the Company, and cast their vote on any resolution according to their own judgment.

Outside the Board meetings directors will support the letter and spirit of Board decisions in discussions with all stakeholders including any shareholders, special interest groups, customers, staff, suppliers and any other parties, except as otherwise provided by applicable law.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a director in the course of the exercise of the director's duties remains the property of the Company and is not to be discussed outside the scope of Board meetings. It is improper to disclose such confidential information, or allow it to be disclosed, without the Company's appropriate authorisation, unless such disclosure is required by law or legal process.

4.3 Conflict of Interest and Related Party Transactions

4.3.1 Conflicts of Interest

Directors must act in good faith and with the conscientiousness, fairness, morality and honesty that the law requires of fiduciaries.

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the director and the interests of the Company. Whether an interest is material or not will vary depending on individual circumstances. Directors are expected to know when a matter is, or might reasonably be thought to be, material and accordingly would declare any material conflict.

On appointment, directors will have an opportunity to declare any actual or potential conflicts of interests and they will be entered into a Register of Ongoing Conflicts of Interests that is maintained by the Company Secretary. Directors should update this disclosure by notifying the Company Secretary in writing as soon as they become aware of any conflicts. Directors are also expected to indicate to the Chairman of the Board any

actual or potential conflict of interest situation as soon as it arises. To ensure directors have an opportunity to disclose new conflicts of interest, the first agenda item for each Board meeting will be the disclosure of any conflicts of interest. Any amendments to disclosures are to be documented at this time and entered into the Register of Ongoing Conflicts of Interest.

The Board can request a director to take reasonable steps to remove the conflict of interest. If a director cannot or is unwilling to remove a conflict of interest then the director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the director concerned will be recorded by the Company Secretary in the minutes of the Board meeting. Directors do not have to absent themselves when either (a) conflict of interest relates to an interest common to all Company members/shareholders, or (b) the Board adopts a resolution that identifies the director, the nature and extent of the director's interest and clearly states that the other directors are satisfied that the interest should not disqualify the director concerned from discussion and/or voting on the matter.

4.3.2 Related Party Transactions

Related party transactions include any material transaction between a director or officer and the Company and will be reported in writing to each Board meeting.

In general, the Australian Corporations Act requires related party transactions to be approved by the shareholders of a company; the Board cannot approve these transactions. Under such Act, an exemption to this requirement occurs where the benefit underlying the transaction is given on arm's length terms.

Related party for this purpose also means:

- (a) a spouse or de facto spouse of the director or officer; or
- (b) a parent, son or daughter of the director or officer or their spouse or de facto spouse; or
- (c) an entity over which the director or officer or a related party defined in (a) or (b) has a controlling interest.

The Company Secretary will maintain a Register of Related Parties Transactions, which as well as a register of Declared Interests.

5. THE ROLE OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board is considered the "lead" director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes.

There office of Chairman of the Board is comprised of two main aspects: duties of the Chairman at Board meetings and duties of the Chairman outside Board meetings.

5.1 Duties of Chairman at Board Meetings

During Board meetings, the Chairman is required to:

1. Establish the agenda for Board Meetings in consultation with the CEO;

2. Chair Board meetings. If the Chairman is not present within fifteen (15) minutes after the time appointed for the holding of the meeting, a director chosen by a majority of the directors present at the meeting shall assume the role:
3. Be clear on what the Board has to achieve, both in the long and short term;
4. Provide guidance to other Board members about what is expected of them;
5. Ensure that Board meetings are effective in that:
 - the right matters are considered during the meeting (for example, strategic and important issues);
 - matters are considered carefully and thoroughly;
 - all directors are given the opportunity to effectively contribute; and
 - the Board comes to clear decisions and resolutions are noted;
6. Brief all directors in relation to issues arising at Board meetings;
7. Ensure that the decisions of the Board are implemented properly;
8. Ensure that the Board acts in accordance with the Director's Code of Conduct set forth in Section 4.1 hereinabove and Code of Business Conduct and Ethics Policy; and
9. Commence the annual process of Board and director evaluation.

5.2 Duties of Chairman outside Board meetings

Outside Board meetings, the Chairman is required to:

1. In conjunction with the CEO, undertake appropriate public relations activities;
2. Be the spokesperson for the Company at the annual general meeting of shareholders and in the reporting of performance and profit figures;
3. Be the major point of contact between the Board and the CEO;
4. Be kept fully informed of current events by the CEO on all matters which may be of interest to directors;
5. Regularly review with the CEO, and such other senior officers as the CEO recommends, progress on important initiatives and significant issues facing the Company;
6. Provide mentoring for the CEO; and
7. Initiate and oversee the annual CEO evaluation process.

6. THE ROLE OF THE COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Company's corporate governance processes and for overseeing the implementation of the Board processes and procedures in an efficient and effective manner. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all directors have as of right access to the Company Secretary.

The duties of the Company Secretary shall include:

6.1 Board Meetings and Minutes

- notifying the directors in writing in advance of a meeting of the Board as specified in the Constitution;
- ensuring that the agenda and all Board papers are prepared and forwarded to Directors prior to the Board meeting in accordance with the requirements set forth in Part B hereof;
- recording, maintaining and distributing the minutes of all Board and Board committee meetings;
- maintaining a complete set of any Board papers at the Company's main office.
- preparing for and attending all annual and extraordinary general meetings of the Company's shareholders; and
- recording, maintaining and distributing the minutes of all general meetings of the Company's shareholders.

6.2 Compliance

- assist the Board in overseeing the implementation of the Company's compliance program and compliance with the Company's legislative obligations;
- assist the Board in ensuring compliance with the requirements of the Australian Securities and Investments Commission (ASIC), ASX, Australian Taxation Office (ATO), SEC and NASDAQ Stock Market and any other regulatory body; and
- in consultation with the Company's legal counsel, providing counsel on corporate governance principles and director liability.

6.3 Governance Administration

- maintaining the Register of Declared Interests and the Register of Related Party Transactions;
- maintaining the policies contained in this Board Charter, as approved and may be amended by the Board from time to time;
- maintaining, updating and ensuring that all Directors have an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of the delegations of authority;
- reporting at each Board meeting the documents executed under a power of attorney, documents executed in accordance with Section 127 of the Australian Corporations Act, and reporting on the use of the seal register; and
- any other services the Chairman or Board may require to assist in overseeing Board duties.

7. THE ROLE OF THE CEO

The Chief Executive Officer (CEO) is responsible for the general and active management of the property, business and affairs of the Company, and the implementation of the Company's strategies, policies, programs and performance requirements approved and prescribed by the Board. The CEO is subject to the supervision and control of the Board and reports directly to the Board.

The CEO's primary objective is to assist the Company to ensure its ongoing success through being responsible for all aspects of the management and development of the Company. The CEO is of critical importance to the Company in guiding the Company to develop new and imaginative ways of winning and conducting business. The CEO must have the industry knowledge and credibility to fulfil the requirements of the role.

The CEO will manage a team of executives responsible for all functions contributing to the success of the Company.

The CEO's specific responsibilities will include:

- Develop, in conjunction with the Board, the Company's vision, values, and goals;
- Responsibility for the implementation of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Preparation of business plans and reports with the senior management; developing with the Board the definition of ongoing corporate strategy; implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Develop proposals for major capital expenditure that are in alignment with corporation strategy and justification on economic grounds;
- Act to achieve and sustain the Company's competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
- Establish and maintain effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Undertake the role of key Company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place;
- Develop and motivate direct reports and their respective teams;
- Select and appoint key staff (direct reports); and

- Ensure there is an appropriate staff appraisal system in place in the Company.

PART B – BOARD PROCESSES

8. BOARD MEETINGS

Board meetings are a fundamental component of governance processes. Each Board Meeting is critical, as it is the main opportunity for directors to:

- obtain and exchange information with the senior management team;
- obtain and exchange information with each other; and
- make decisions.

The Board meeting agenda is equally as important because it shapes the information flow and subsequent discussion.

8.1 Meeting Frequency

The Board will meet approximately eight (8) times per year, but no less than six (6) times per year.

Independent directors, within the meaning of NASDAQ Marketplace rules, must have regularly scheduled meetings with only independent directors present, in accordance with such Rules. These executive meetings should occur at least twice a year, in conjunction with regularly scheduled meetings of the entire Board.

Committees will meet on a basis as outlined in their respective Charters.

Where Board and Committee Meetings are scheduled for the same month, where possible, Committee Meetings will precede the Board Meeting by a least one week to allow the circulation of the Minutes of the Committee Meeting prior to the Board Meeting.

8.2 Meeting Time and Location

The Board usually meets at Company's registered office located at Suite 2, 1233 High Street, Armadale Vic 3143. Board Meetings usually commence at 10:00 am but this may vary depending on the agenda of each individual meeting, the availability of key participants and the location in which the meeting is taking place.

8.3 Meeting Cycle

To assist the smooth running of Board processes, the Board has adopted an indicative monthly cycle as follows. The indicative cycle gives Board members seven days to review the agenda and Board papers to save valuable time at meetings by being prepared for discussions and allowing them to seek clarification or further information in advance on ambiguous items.

Under normal circumstances, Board Meetings shall follow the following monthly schedule:

ITEM	DAY*
Draft agenda prepared by the Company Secretary	-12
Company Secretary updates actions arising from the previous meeting	-7
Company Secretary reviews the proposed agenda with the Chairman	-7
Board papers and agenda are finalised	-7
Board papers are printed	-7
All Board papers are circulated to Board meeting attendees	-7
Board meeting	0
Draft Minutes sent to Chairman	3 to 5
Draft Minutes sent to directors	6 to 10

* All days indicated are calculated in relation to the Board Meeting day (day zero).

This foregoing is only an indicative schedule only. The actual timing of events in the lead up to and follow up from Board meetings will be dependent upon the circumstances surrounding each individual meeting.

8.4 Conduct of Meeting

The Chairman will determine the degree of formality required at each meeting, while maintaining the decorum of such meetings. As such, the Chairman will:

- ensure that all participants are heard;
- retain sufficient control to ensure that the authority of the Chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- ensure that the decisions are properly understood and well recorded; and
- ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

8.5 Quorum and Voting at Meetings

In order for a decision of the Board to be valid, a quorum of directors must be present. In accordance with the Company's Constitution a quorum for the purpose of Board meetings is two (2) directors present at the meeting, in person or via telecommunications device, and entitled to vote at the meeting. Proposed resolutions arising at Board meetings are to be approved by a majority of votes of directors who are present at the meeting, in person or via telecommunications device, and entitled to vote on the matter.

8.6 Written Resolutions without a Meeting

As provided by the Constitution, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if a written resolution or circular resolution is signed by all current directors. Such written or circular resolution shall have

the same force and effect as if adopted and done at a duly called meeting of the Board and shall be filed with the minutes of proceedings of the Board.

9. BOARD MEETING AGENDA

9.1 Agenda Content

An agenda will be prepared for each Board and committee meeting.

9.2 Agenda Preparation

The Company Secretary, in consultation with the Chairman and the CEO is responsible for preparing an agenda for each Board Meeting. However, any director may request items to be added to the agenda for upcoming Meetings. The Company Secretary shall circulate the agenda to all directors together with any Board papers at least seven (7) days prior to each meeting.

10. BOARD PAPERS

10.1 Preparation and Circulation of Board Papers

The Company Secretary together with the CEO is responsible for the preparation and circulation of Board papers. The Board papers will be circulated to directors prior to the Board meeting. If a Board paper relates to a matter in which there is a known conflict of interest with a particular director, then the relevant Board paper will be removed by the Company Secretary, on the instructions of the Chairman, from the set of Board papers sent to that director. In the case of the Chairman having a conflict of interest, the Board will appoint another director to make final decisions on the forwarding of Board papers to the Chairman.

10.2 Retention of Board Papers

The Company Secretary is responsible for maintaining a complete set of Board papers at the Company's headquarters. However, individual directors may retain their own Board papers in a secure location.

11. BOARD MINUTES

Minutes are to be a concise summary of the matters discussed at a Board Meeting. Minutes will contain a brief reference to relevant Board papers tabled plus any official resolutions adopted by directors. All decisions will be recorded in the minutes by means of a formal resolution.

12. BOARD CALENDAR

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board calendar. The Board calendar will include a schedule of all proposed Board and committee meetings, as well as major corporate and Board activities, such as strategic planning and the CEO's evaluation, to be carried out in particular months. The schedule will be updated and approved prior to the start of each calendar year.

13. BOARD COMMITTEES

The Board has established the following committees:

(i) ***Audit Committee***: comprised solely of independent directors, within the meaning of the SEC rules. In accordance with NASDAQ Marketplace Rules, the Company has provided NASDAQ with a notice that to the extent that the Company does not comply with the NASDAQ Marketplace Rule requiring that audit committee members meet the independence requirement defined under NASDAQ Marketplace Rules, the Company follows Australian law and practice.

In accordance with NASDAQ rules, the Board is required to ensure that the Company has at least one "audit committee financial expert" on its Audit Committee, within the meaning of applicable law.

The Audit Committee Charter, attached hereto as Attachment B, has been approved and adopted by the Board. The Audit Committee Charter reflects the requirements regarding audit committees and its members of the Australian Corporations Law and Listing Rules of the ASX, and also incorporates the requirements of the SEC and NASDAQ.

(ii) ***Remuneration Committee***: comprised solely of independent directors, within the meaning of NASDAQ Marketplace Rules. The Remuneration Committee is responsible for reviewing the compensation (salaries, incentives compensation and other benefits) of the CEO and all other executive officers, and for recommending to the Board for determination the compensation of the CEO and all other executive officers, which is to be determined in accordance with the Company's Senior Executive Remuneration Policy. The CEO may not be present during the voting and deliberations regarding his or her compensation. The Remuneration Committee is also responsible for overseeing and advising the Board on the adoption of policies that govern the Company's compensation programs, including share and American Depositary Receipts ("ADRs") option and employee benefit plans. Additionally, the Remuneration Committee will act on behalf of the Board as the "Committee" established to administer the Company's share and ADRs option plans and any other employee benefit plans, and as such will discharge any responsibilities imposed on the Committee under those plans, including making and authorizing option awards, in accordance with the terms and conditions of those plans, subject to additional board and shareholder approval if required by applicable law.

The Remuneration Committee Charter, attached hereto as Attachment C, and the, Senior Executive Remuneration Policy, attached hereto as Attachment D, have each been approved and adopted by the Board.

(iii) *Nominations Committee* comprised solely of independent directors, within the meaning of NASDAQ Marketplace Rules. The Nominations Committee is responsible for identifying and recommending to the Board director nominees for election at the annual meetings of shareholders, as well as candidates to fill any vacancies on the Board or as an addition to existing directors.

The Nominations Committee Charter, attached hereto as Attachment E has been approved and adopted by the Board.

The Board has the authority to alter the duties of the foregoing committees as it sees fit.

PART C – KEY BOARD FUNCTIONS

14. THE BOARD AND STRATEGY

Each year the Board will approve a formal strategic planning process that articulates the respective roles and levels of involvement of the Board, Senior Management and other employees and will review the strategic plan for the Company Group.

15. CONTACTS AND ADVISORY ROLE

15.1 CEO Advisory Role

It is recognised that a key directorial duty is providing a sounding board for CEO ideas and challenges. Recognising that the CEO-Board relationship is critical to effective corporate governance, directors should provide frank and honest advice to the CEO. It is expected that the Chairman will play a key part of this role and will maintain regular contact with the CEO.

All advice should be constructive in nature and provided in a positive manner. Where appropriate, directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

15.2 Protocol for Interaction with Internal and External Parties

15.2.1 Media Contact and Comment

The Board has designated the CEO or the Chairman (where appropriate) to speak to the press on matters associated with the Company. In speaking to the press, the CEO or the Chairman will not comment on price sensitive information that has not already been disclosed to the ASX, NASDAQ or SEC, in accordance with applicable law; however, they may clarify previously released information. To assist in safeguarding against the inadvertent disclosure of price sensitive information the CEO and the Chairman will be informed of what the Company has previously disclosed to the market on any issue prior to briefing anyone outside the Company.

There will be times when Directors and employees will be approached by the media for public comment. On such occasions the director(s) should comply, and shall have taken such actions that are required to ensure that employee(s) comply, with the following:

1. refer the person to the CEO or Chairman of the Board, as appropriate, for comment;
2. refrain from disclosing any information, documents or other forms of data to the person without the prior consent of the CEO or the Chairman of the Board;
3. report the person who contacted the director or employee, the reason (explicit or inferred) for the contact and a summary of any other relevant information as soon as possible to the CEO or the Chairman of the Board.

15.2.1 External Communications including Analyst Briefings and Responses to Shareholder Questions

The Company discloses its financial and operational results to the markets in which its shares are listed or trade, in accordance with the specific requirements of the ASX, NASDAQ and SEC, as well as informing the market of other events throughout the year as they occur and as is required by applicable disclosure requirements. When commenting on market analysts' financial projections, the Company will provide comment only on factual errors in information and underlying assumptions and will not comment on those projections that have been disclosed by the Company to the public.

In addition to the above disclosures, the Company shall conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via an announcement to the ASX, NASDAQ and SEC, in accordance with applicable law. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market via the ASX and the SEC, to the extent required by applicable law.

After the conclusion of each briefing or discussion, it will be reviewed to determine whether any price sensitive information has been inadvertently disclosed. If any price sensitive information was disclosed it will be announced immediately to the ASX, NASDAQ and SEC, in accordance with applicable law.

15.3 Hospitality and Gifts

While the Company recognises the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, directors and officers will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the directors' and officers' conduct in representing the Company.

16. MONITORING

Another essential function of the Board is to monitor the performance of the organisation in implementing its strategy and overall operational performance. This will be done on an annual basis. The Board will meet annually, usually after the annual general meeting of shareholders and review its operations and achievements during the year and critically appraise the achievement of corporate objectives, the performance of management and the board.

17. COMPLIANCE

The Board is responsible for overseeing, reviewing and ensuring the integrity and effectiveness of the Company's compliance systems. The Board has established an Audit Committee, that is responsible, among other things, for overseeing the Company's compliance systems and reporting to the Board on those systems.

18. RISK MANAGEMENT

Since risk management is a complex and critical component of the Company's governance, the Company's Audit Committee assists the Board in overseeing the detail of this topic and providing guidance to the Board in connection therewith. The CEO is responsible for implementing appropriate risk systems within the Company. Aspects of this process may be delegated.

The risk management system is based on the Australian Standard *AS/NZS4360:1999*.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- Senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system covers:

- Operations risk;
- Financial reporting; and
- Compliance.

The Audit Committee reviews all major strategies and purchases for their impact on the risk facing the Company and makes appropriate recommendations to the Board. The Company also undertakes an annual review of operations to update its risk profile. This normally occurs in conjunction with the strategic planning process. .

The Board receives periodic reports on those areas of risk identified by the Audit Committee. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, the CEO and CFO provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

Audit Committee is governed by the Charter of the Audit Committee, attached hereto as Attachment B, which also incorporates the Company's Code of Ethics for Senior Officers, attached as Appendix A to the Audit Committee Charter, which was adopted in accordance with SEC rules, and the Company's General Risk Policy is set forth on Attachment F hereto.

19. DELEGATION OF AUTHORITY

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, subject to applicable law, they decide as a Board what company matters are delegated to either specific directors or management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

As a consequence, individual directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations. The exception to this principle occurs where the Board through resolution duly adopted by the Board explicitly delegates an authority to the director individually. Additionally, it is recognised that all executive directors will carry significant delegated authority by virtue of their management position as outlined in a relevant Board resolution.

Similarly, Board committees and their members have only such specific authorities as delegated to each committee by Board as a whole and set forth in each committee's respective terms of delegation.

19.1 General Delegations

A summary list of delegations and authorities of each of the Company's operating units is provided to all operating units and Company locations, while a complete list is held in the Company's safe custody.

In general, the Board delegates all powers and authorities required to effectively and efficiently carry out the Company's business, except for those powers and actions listed in Section 19.2 hereinbelow, which remain the authority of the Board and are subject to the approval of the Board or appropriate Board committee.

19.2 Decisions Requiring Board Approval

The following actions are subject to Board approval, and where required by applicable law, shall be submitted by the Board to the Company's shareholders for approval:

- Acquiring, selling or otherwise disposing of property in excess of 5% of total assets of the Company;
- Founding, acquiring or selling subsidiaries of, or any company within, the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);
- Acquiring or selling patent rights, rights in registered trade marks, licences or other intellectual property rights of the Company;

- Starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- Approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company;
- Taking or granting loans which exceed \$100,000 (including, without limitation, the placing of credit orders, issuing of promissory notes or loans against IOUs);
- Granting securities of any type;
- Granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;
- Determining the balance sheet strategy for the Company or any part of the Company;
- Entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases, subject to any other prior recommendations that may be required by applicable law;
- Determining the total amount of bonuses and gratuities for Company employees and, pursuant to the recommendation of the Remuneration Committee, officers;
- Determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board of Directors, subject to any other prior recommendations that may be required by applicable law; and
- Granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.

PART D – CONTINUING IMPROVEMENT

20. DIRECTOR PROTECTION

20.1 Information Seeking Protocol

Directors will adhere to the following protocol when seeking information:

1. approach the Company Secretary to request the required data;
2. if the data is not forthcoming, approach the Chairman;
3. if the information is still not forthcoming, write a letter to all Board members and the CEO detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information; and
4. as a last resort, employ the provisions of the Australian *Corporations Act*.

20.2 Access to Professional Advice

A director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, a director may, from time to time, need to seek independent, expert opinion on matters before them.

All directors have the individual authority to commit the Company to up to \$2,000 per annum in professional advice.

Prior to seeking professional advice, a director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

If the cost of professional advice is likely to exceed \$2,000, the director shall seek to obtain the authority from the Chairman prior to engaging an external expert. The Chairman has delegated authority to authorise expenditures up to \$50,000. If the Chairman withholds authorisation, the director has the right to seek authority from the Board at the next Board meeting.

If the cost of professional advice is likely to exceed \$50,000, then the engagement of an external expert is subject to the prior approval of the Board.

Advice so received should be received on behalf of the Board as a whole.

20.3 Access to Board Papers

The directors have the right to access Board papers as granted by the Australian Corporations Act.

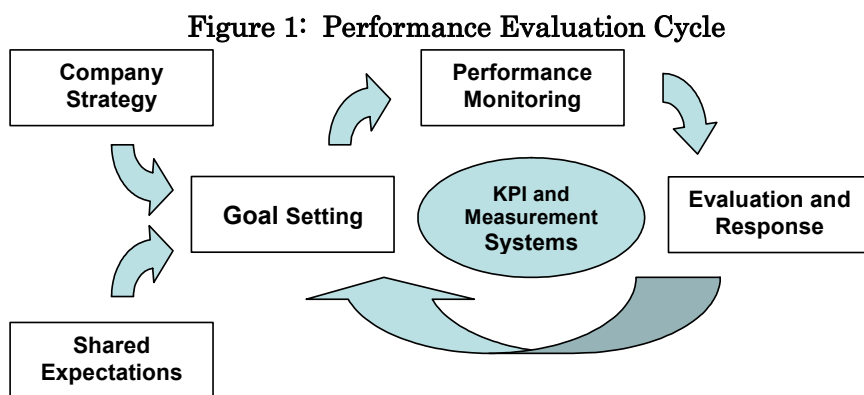
20.4 Insurance

The Company maintains and shall continue to maintain a directors & officers liability insurance policy.

21. BOARD AND SENIOR EXECUTIVE EVALUATION

21.1 Evaluation Process

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The common process that guides evaluation at the Company is set out in Figure 1 below and ensures that those evaluated clearly understand performance expectations prior to the evaluation period.



21.2 Board and Director Evaluations

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an annual evaluation of Board and director performance. The review is based on a number of goals for the Board and individual directors that are established at the start of the year. The goals are based on corporate requirements and any areas for improvement identified in previous reviews.

21.3 Board Committee Evaluations

At the end of each year, the Board reviews the performance of the Board committees and itself against set expectations. Based upon the review, individuals and groups are provided with feedback on their performance. The results of the review are a key input into the expectations set by the Board.

21.4 Senior Executive Evaluations

All senior executives of the Company are subject to an annual performance evaluation. Each year, senior executives (including the CEO) establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the CEO, these targets are negotiated between the CEO and the Remuneration Committee and are recommended by the Remuneration Committee to the Board for approval.

An informal assessment of progress is carried out half year. A full evaluation of the executive's performance against the agreed targets takes place at the end of the year. This will normally occur in conjunction with goal setting for the coming year. Since the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are dependent on the outcome of the evaluation.

22. NON-EXECUTIVE DIRECTOR REMUNERATION

22.1 Fees

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. The sum each non-executive director is paid is determined by the Remuneration Committee (or full Board in the absence of a Remuneration Committee) from time to time. Additional fees are paid for participation in Board committees; however, the total fees paid to non-executive directors, including fees paid for participation in Board committees, shall not exceed the total amount approved by the Company's shareholders.

22.2 Performance-Based Bonus

Non-executive directors do not receive performance-based bonuses.

22.3 Equity-Based Remuneration

Non-executive directors may choose to receive shares in the Company as part of their remuneration instead of receiving cash. However, Non-executive directors may not participate in equity schemes of the Company, such as option schemes, that are designed to encourage enhanced performance of the participant.

22.4 Other Benefits

Non-executive directors are entitled to statutory superannuation. In addition, non-executive directors do have their indemnity insurance paid by the Company.

23. DIRECTOR DEVELOPMENT

The Company is committed to continuing development of its directors and executives. In line with this commitment, there is an expectation that all directors and senior executives will commit to at least two (2) days of professional development each year. The Board allocates an annual budget of \$10,000 to encourage directors to participate in training and development programs. Any director wishing to undertake either specific directorial training or personal development courses is expected to approach the Chairman for approval of the proposed course. Development may be in both governance and governance processes or in the Company's industry.

24. DIRECTOR INDUCTION

New directors will undergo an induction process in which they will be given a full briefing on the Company. This will include meeting with key executives, tours of the premises, an induction package and presentations. Information conveyed to a new director will include:

- details of the roles and responsibilities of a director, with an outline of the qualities required to be a successful director;
- formal policies on director appointment as well as conduct and contribution expectations;
- general overview of all relevant legal requirements, including:
 - Australian *Corporations Act*;
 - Tax Office requirements;
 - ASX, NASDAQ and SEC requirements; and
 - other major statutory bodies;
- a copy of the Board Charter;

- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board, including anticipated regulatory changes;
- background information on and contact information for key people in the organisation ,including an outline of their roles and capabilities;
- an analysis of the Company including:
 - core competencies of the Company;
 - an industry background briefing;
 - a recent competitor analysis;
 - details of past financial performance;
 - current financial structure; and
 - any other important operating information;
- a synopsis of the current strategic direction of the Company, including a copy of the current strategic plan and annual budget;
- a copy of the Constitution of the Company; and
- Directors Deed of Indemnity and Right of Access to Documents, if applicable.

ATTACHMENTS

Attachment A... Share Trading Policy

Attachment B... Audit Committee Charter

Attachment C... Remuneration Committee Charter

Attachment D... Senior Executive Remuneration Policy

Attachment E... Nominations Committee Charter

Attachment F... Risk Management Policy

Attachment A

Share Trading Policy

This share trading policy sets out the policy of Prana Biotechnology Limited (the Company") regarding the trading in Company securities, which includes shares, options, warrants, debentures and any other security on issue from time to time.

This policy applies to all directors and employees of the Company and their associates as well as contractors, consultants, advisers and auditors of the Company ("Designated Officers").

It is illegal to trade in the Company's securities while in possession of unpublished price sensitive information concerning the Company. Under the Australian Corporations Act a person with inside information must not, and must not procure another person, to deal in the securities of a body corporate or enter into an agreement to deal in the securities of a body corporate. Inside information is defined in the Corporations Act as information that:

- is not generally available; and
- if generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the body corporate.

General Prohibition on Insider Trading

All Designated Officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. In addition, while in possession of unpublished price sensitive information Designated Officers must not advise others to trade in the Company's securities or communicate the information to another person knowing that the person may use the information to trade in, or procure someone else to trade in, the Company's securities.

Unpublished price sensitive information is information regarding the Company, of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities, and includes:

- a proposed major acquisition or disposition;
- a significant business development or a proposed change in the nature of the Company's business;
- details of material contracts that are being negotiated by the Company;
- potential litigation that would have a substantial effect on the Company;
- a proposed change in the share capital structure of the Company;
- a proposed change in the Company's dividend policy; and
- a major change to the Board or senior management.

Notification of Trade in Company Securities

Directors must also notify the Company Secretary of any trade in the Company's securities within two days of such trade occurring so that the Company Secretary can comply with the Australian Stock Exchange ("ASX") Listing Rule 3.19A requirement to notify the ASX of any change in a notifiable interest held by a director.

The Company Secretary will maintain a register of all trades and holdings in Company securities by Directors.

Attachment B

AUDIT COMMITTEE CHARTER

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PRANA BIOTECHNOLOGY LIMITED

Audit Committee Charter

This Charter of the Audit Committee of the Board of Directors of Prana Biotechnology Limited (the “Company”) has been adopted by the Board of Directors of the Company.

I. Purpose

The Audit Committee (the “Committee”) is established for the primary purpose of assisting the Board of Directors (the “Board”) in overseeing the:

- integrity of the Company’s financial statements;
- independent auditor’s qualifications, independence and performance;
- Company’s financial reporting processes and accounting policies;
- Performance of the Company’s internal audit function; and
- Company’s compliance with legal and regulatory requirements.

While the Committee has the duties and responsibilities set forth in this Charter and applicable law, the function of the Committee is oversight, except as otherwise set forth in applicable law and this Charter. Consequently, in carrying out its oversight function, the Committee is not providing any expert or special assurance regarding the Company’s financial statements or any professional certification regarding the independent auditor’s work or independence. Each member of the Committee is entitled to rely on the integrity of persons and organisations from whom the Committee receives information and the accuracy of such information, absent actual knowledge to the contrary.

II. Composition and Authority

By July 31, 2005 and thereafter, the Company will comply with the following:

1. The members of the Committee will be appointed by the Board **annually**, or until their successors are duly appointed and qualified.
2. The Committee will be comprised of **at least three directors** as determined by the Board, each of whom will be independent, within the meaning of the rules of (as defined by applicable laws, rules and regulations), free from any relationship (including affiliations or compensatory arrangements disallowed under applicable laws, rules and regulations) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee and have not participated in preparing the Company’s financial statements within the past three years. Notwithstanding the foregoing, in accordance with NASDAQ Marketplace Rules, the Company has provided NASDAQ with a notice that to the extent that the Company does not comply with the NASDAQ Marketplace Rule

requiring that requiring that audit committee member's meet the independence requirement defined under NASDAQ Marketplace Rules, the Company follows Australian law and practice. Committee Members may accept compensation from the Company in exchange for their service as independent Board members or members of the Committee, subject to applicable laws.

3. All members of the Committee will be financially literate, having a basic understanding of financial controls and reporting, provided that at least one member of the Committee will be an Audit Committee financial expert under applicable rules and regulations. The Board will determine whether **at least one member** of the Committee qualifies as an “audit committee financial expert” under applicable rules and regulations.

Committee Members may enhance their familiarity with financial and accounting matters generally by participating in educational programs conducted by the Company or by outside experts.

4. The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisers as deemed appropriate to perform its duties and responsibilities, and the Company will provide funding, as determined by the Committee, for compensation of the independent auditor and any advisers that the Committee engages and for ordinary administrative expenses of the Committee.
5. The Committee will have full access to the books, records, facilities and personnel of the Company and any subsidiary of the Company that are necessary or appropriate for the Committee to perform its duties and responsibilities.
6. The Committee will primarily fulfill its duties and responsibilities by carrying out the activities enumerated in **Article IV** of this Charter.

III. Meetings

1. Unless a Chairperson is elected by the Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee membership.
2. The Committee will meet **at least four times** each year, or more frequently as circumstances dictate. The Committee may meet in executive session at such times and on such terms and conditions as the Committee may determine.
3. The Committee should meet periodically with management, internal audit personnel and the independent auditor in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately.
4. Minutes of the Committee’s meetings will be kept and submitted to the Board for approval.
5. The Committee will give the Company’s internal auditor prior written notice of each meeting of the Committee and the Company’s internal auditor will be entitled to participate in such meetings. The Company’s internal auditor is entitled to request the Chairman of the Committee to convene a meeting of the Committee for reasons

stated in such request, and the Chairman of the committee will convene such meeting within a reasonable period, if he deems there is reason for the same.

6. A notice of a meeting of the Committee during which matters regarding the audit of the Company's financial statements are to be discussed shall be given to the Company's independent auditor auditing the financial statements, and the Company's independent auditor will be entitled to participate in such meetings.

IV. Duties and Responsibilities

To fulfil its duties and responsibilities, the Audit Committee will:

1. *financial statements Review*

- (i) Review and discuss with management and the independent auditor:
 - the Company's annual audited financial statements;
 - the Company's quarterly financial statements;
 - the management's discussion and analysis and management's certifications accompanying the Company's financial statements;
 - the Company's internal audit reports (or summaries thereof);and
 - relevant reports or other communications provided by the independent auditor (or summaries thereof).
- (ii) Receive at **least annually** from the independent auditor and discuss with it a written statement delineating all relationships between the independent auditor and the Company, consider any disclosed relationships or services that could affect the independent auditor's objectivity and independence, and assess and take other appropriate action to oversee the independence of the auditor.
- (iii) Review with the independent auditor the **annual management letter** of accounting recommendations, and management's response.
- (iv) Discuss with management the **annual and quarterly** earnings news releases of the Company, including information relating to non- generally accepted accounting principles, or "GAAP", financial measures, and any financial information and earnings guidance provided to analysts and rating agencies. These discussions may be general in nature and concern the type of information to be disclosed and the manner of presentation. The Committee may designate one member to represent the Committee for purposes of these discussions.

2. *Independent Auditor*

- (i) Subject to shareholder approval, where required by Australian law, appoint, engage and establish the compensation of, the independent auditor for each year's audit.
- (ii) Review the independent **auditor's plans** for the audit, its scope and approach and the staffing of the audit.
- (iii) Oversee the work performed by the independent auditor for the purpose of preparing and issuing an audit report or related work. Review the performance of the independent auditor and recommend removal of the

independent auditor if circumstances warrant. Require the independent auditor to report directly to the Committee, and oversee the resolution of disagreements between management and the independent auditor

- (iv) Review with the independent auditor any problems or difficulties in auditing the Company's annual financial statements or in reviewing the Company's quarterly financials and statements, and management's response.
- (v) Discuss the following matters with the independent auditor prior to filing the Company's Annual Report on Form 20-F:
 - the appropriateness of the accounting principles used in the financial statements and the reasonableness of significant judgments and estimates made;
 - the critical accounting policies and practices of the Company;
 - alternative treatments of material items of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and
 - other material written communications between the independent auditor and management, including the schedule of any audit adjustments proposed by the independent auditor.
- (vi) Review the experience and qualifications of senior personnel of the independent auditor, including partner rotation requirements, and the hiring of employees or former employees of the independent auditor in an accounting role or financial reporting oversight role for the Company.
- (vii) At least **annually**, obtain and review a report by the independent auditor describing:
 - the Company's internal quality control procedures;
 - any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years relating to one or more independent audits carried out by the firm, and any steps taken to deal with any relevant issues arising therefrom; and
 - all relationships between the independent auditor and the Company in order to assess the auditor's independence.

Based on this report and other information such as the Committee's familiarity with the independent auditor's work throughout the year and the opinions of management and the Company's personnel responsible for the internal audit function, the Committee should evaluate the independent auditor's qualifications, performance and independence and present its conclusions with respect to the independent auditor to the Board.

- (viii) Review and pre-approve the audit services and permitted non-audit services to be provided by the independent auditor in such manner, including pre-

approval policies and budgets, as the Committee may determine in compliance with applicable rules and regulations.

3. Financial Reporting Processes and Accounting Policies

- (i) In consultation with management and the independent auditor, review the disclosures made by the chief executive and financial officers of the Company in the certifications included in the Company's Annual Reports on Form 20-F regarding:
 - the Company's disclosure controls and procedures and the Company's internal control over financial reporting;
 - their conclusions regarding the effectiveness of the Company's disclosure controls and procedures;
 - any material change in the Company's internal control over financial reporting;
 - any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that adversely affects the Company's ability to record, process, summarize and report financial information; and
 - any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
- (ii) At such time as the relevant rules and regulations apply to the Company, review with management and the independent auditor the annual report by management on the Company's internal control over financial reporting to be included in the Company's Annual Report on Form 20-F, and the independent auditor's attestation report on management's assessment of internal control over financial reporting.
- (iii) Review with management and the independent auditor any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
- (iv) Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- (v) Review with management and the independent auditor the effect of accounting and regulatory initiatives, as well as any off-balance sheet transactions or arrangements, on the financial statements of the Company.

4. Internal Audit

- (i) Recommend to the Board the appointment of the internal auditor, subject to independence requirements required by applicable laws, rules and regulations. If determined by the Company's Constitution or by the Board, the internal auditor will submit to the Committee a proposal for an annual or

periodic plan for the internal audit and the Committee will approve the plan, subject to changes deemed required. Review the organization and activities of the Company's internal audit function and the qualifications of its senior personnel.

- (ii) Review periodically with the internal audit personnel any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal audit function.
- (iii) Review periodically with the independent auditor, the budget, staffing and responsibilities of the internal audit function.

5. *Compliance and Risk Management*

- (i) Assess compliance by the Company's executive officers and the senior financial officers with the Company's code of business practices applicable to them.
- (ii) Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal control or auditing matters, and for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters. In addition, the Committee will review and discuss any reports received from attorneys concerning securities law violations or breaches of fiduciary duties or similar violations which were reported to the Company's general counsel or the chief executive officer and not resolved to the satisfaction of the reporting attorney.
- (iii) Review periodically with management and legal counsel the Company's compliance with laws and regulations, including corporate securities trading policies, and any legal matter, litigation or other contingency that could have a significant impact on the Company's financial statements.
- (iv) Discuss with management the Company's policies and guidelines with respect to risk assessment and risk management, including the Company's major financial and accounting risk exposures and the steps management has undertaken to monitor and control them.

6. *Other Responsibilities*

- (i) Related party transactions shall be approved by the Committee.
- (ii) Report regularly to the Board regarding the execution of the Committee's duties and responsibilities.
- (iii) Review this Charter annually and recommend to the Board any necessary amendments.
- (iv) Prepare any report required by the Committee in connection with the Company's public reporting obligations.
- (v) Perform annually a self-assessment relating to the Committee's purpose, duties and responsibilities outlined in this Charter.
- (vi) Perform any other activities consistent with this Charter, the Company's Constitution and governing law, as the Committee or the Board deems necessary or appropriate.

V. Amendment of this Charter

The Board may make, repeal, alter, amend or rescind any or all of the provisions of this Charter.

Exhibits:

- Appendix 1: Audit and Non-Audit Services Pre Approval Policy**
- Appendix 2: Code of Ethics for Senior Officers**
- Appendix 3: Code of Business Conduct and Ethics**
- Appendix 4: Complaint Procedures for Accounting & Audit Matters**
- Appendix 5: Sample Minutes:- Pre-Approval of Audit Services**

Appendix 1

Audit and Non-Audit Services Pre - Approval Policy

This Audit and Non-Audit Services Pre - Approval Policy of the Audit Committee of the Board of Directors of Prana Biotechnology Limited has been adopted by the Audit Committee and ratified by the Board of Directors of our Company in accordance with the requirements set forth in the Sarbanes-Oxley Act of 2002, or the “Act,” and the rules of the Securities and Exchange Commission, or the “SEC,” regarding auditor independence.

This Policy is designed to (i) detail the particular services to be provided by our independent auditor, (ii) to ensure that the Audit Committee is informed of each service provided by our independent auditor and (iii) to ensure that the policies and procedures set forth in this Policy do not include delegation of the Audit Committee’s responsibilities under the Securities Exchange Act of 1934 or the Securities Act of 1933 to management.

I. Statement of Principles

1. The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent auditor. For purposes of this Policy, “independent auditor” is the audit firm that issues an opinion on the Company’s consolidated financial statements.
2. The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence from the Company, all in accordance with the procedures and the conditions set forth in this Policy and subject to the Act. Principles of independence with respect to services provided by auditors are largely predicated on three basic principles, violations of which would impair the auditor’s independence:
 - (i) an auditor cannot function in the role of management,
 - (ii) an auditor cannot audit his or her own work and
 - (iii) an auditor cannot serve in an advocacy role for his or her client.
3. A proposed service may either be (i) pre-approved by the Audit Committee without consideration of specific case-by-case services, or (ii) shall require the specific pre-approval of the Audit Committee. Unless a service to be provided by the independent auditor has received general pre-approval of the Audit Committee, it will require specific approval by the Audit Committee. Any proposed services exceeding pre-approved levels will also require specific pre-approval by the Audit Committee.
4. For both types of pre-approval, the Audit Committee will consider:
 - (i) whether the proposed services are consistent with the applicable rules on auditor independence and whether the provision of such services by the independent auditor would impair the independent auditor’s independence;
 - (ii) whether the independent auditor is best positioned to provide the most effective and efficient service to the Company, for reasons such

as its familiarity with the Company's business, employees, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Company's ability to manage or control risk or improve audit quality; and

- (iii) the relationship between fees for audit and non-audit services. The Audit Committee may choose to determine, for a particular calendar year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit services classified as all other services.

All of the above factors will be considered as a whole, and no one factor should necessarily be determinative.

- 5. The term of any general pre-approval is twelve (12) months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee may add to or deduct from the list of general pre-approved services from time to time, based on subsequent determinations.

II. Audit Services

1. *Annual Audit Services*

The annual audit services engagement terms and fees require the specific pre-approval of the Audit Committee (subject to any other approvals required by applicable law). For this purpose, "audit services" include (i) the annual financial statement audit (including required quarterly reviews), subsidiary audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. Such "other procedures" include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations related to the audit or quarterly reviews; and (ii) the attestation engagement for the independent auditor's report on management's report on internal controls for financial reporting.

The Audit Committee will monitor the audit services engagement on a quarterly basis and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

2. *Other Audit Services*

The Audit Committee may grant general pre-approval to other audit services. For this purpose, "other audit services" are those services that only the independent auditor can reasonably provide and may include, among others, statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

III. Audit-Related Services

The Audit Committee believes that the provision of audit-related services does not impair independence of the auditor in accordance with independence requirements required by applicable laws, rules and regulations. Therefore, the Audit Committee may grant general pre-approval to audit-related services.

For this purpose, “audit-related services” are assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements or that are traditionally performed by the independent auditor and include, among others, due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as “audit services”; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; and agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters.

IV. Tax Services

The Audit Committee believes that the independent auditor can, if requested, provide tax services to our Company, such as tax compliance, representation in audits by taxing authorities, tax planning and advice, without impairing the auditor’s independence in accordance with independence requirements required by applicable laws, rules and regulations.

V. Other Services

The Audit Committee believes that, in addition to the services discussed above, the independent auditor may provide certain non-audit services without impairing the independent auditor’s independence in accordance with independence requirements required by applicable laws, rules and regulations. Any non-audit services to be provided to the Company by the independent auditor must be specifically pre-approved by the Audit Committee.

VI. Prohibited Services

The following services may not be provided by the Company’s independent auditor:

- Bookkeeping or other services related to the accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions;
- Human resource;
- Broker-dealer, investment advisor or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other service that the Board of Directors determines, by regulation, is impermissible.

VII. Pre-Approval Fee Levels

Subject to any approvals required by applicable law, the Audit Committee may pre-approve certain services that may be provided by the independent auditor and establish the annual fees for such services. The Audit Committee will consider the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services.

VIII. Procedures

1. All invoices for services provided by the independent auditor for pre-approved services will be submitted to the Company's Secretary and must include a detailed description of the services to be rendered and an estimated cost of such services. The Company's Secretary will determine whether such services are included within the types of services that have received the general pre-approval of the Audit Committee, and in the event of doubt, the Company's Secretary will consult with the Audit Committee which shall resolve such inquiry. The Audit Committee will be informed on a quarterly basis of any such pre-approved services rendered by the independent audit.
2. Requests or applications to provide services that require specific approval by the Audit Committee will be submitted by the Company's Secretary to the Audit Committee.

The Audit Committee will take additional measures on an annual basis to meet its responsibility of overseeing the work of the independent auditor and to assure the auditor's independence from the Company, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with applicable laws, rules and regulations, and discussing with the independent auditor its methods and procedures for ensuring independence.

Appendix 2

Code of Ethics for Senior Officers

The value of uncompromising integrity, strict compliance with applicable laws and full, fair, accurate and timely disclosure are the foundations of Prana Biotechnology Limited's relationships with our customers, business partners, shareholders and among one another.

It is our policy that our employees, directors and officers are held to the highest standards of honest and ethical conduct when conducting the affairs of our Company and any subsidiary of our Company. This Code of Ethics for Senior Officers, which we refer to as the "Code," sets forth the particular ethical standards to which we hold our chief executive officer, and all senior financial officers of our Company, including the chief financial officer, chief accounting officer or controller, or persons performing similar functions, all of which are referred to in this Code as "Senior Officers".

In particular, the purpose of this Code is to establish policies and guidelines that ensure and/or promote:

- I. Honest and ethical conduct, including the ethical handling of conflicts of actual or apparent conflicts of interest between personal and professional relationships;
- II. Full, fair, accurate, timely and understandable disclosure in reports and documents required to be filed by us with, or submitted to, the Securities and Exchange Commission, or the SEC, and in other public communications required to be filed by us;
- III. Compliance with applicable laws, rules and regulations;
- IV. Prompt internal reporting of violations of this Code; and
- V. Accountability for adherence to this Code.

Honest and Ethical Conduct

Senior Officers will:

- Conduct their personal and professional affairs in a way that avoids both actual and apparent conflicts of interest between their interests and the interests of the Company.
- Refrain from engaging in any activity that would compromise their professional ethics or otherwise prejudice their ability to carry out their duties on behalf of the Company.
- Provide a mechanism for members of the finance organization to inform senior management of deviations in practice from policies and procedures governing honest and ethical behaviour.

- Demonstrate their personal support for such policies and procedures through periodic communication reinforcing these ethical standards throughout the finance organization.
- Refrain from disclosing confidential information acquired in the course of their work except where authorized, unless legally obligated to do so.
- Refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage, either personally or indirectly through others.

Full and Fair Disclosure in Financial Records and Reports

Public communications about material events or developments concerning our Company are required to be complete, fair, accurate and broadly disseminated to the public in accordance with all applicable legal and regulatory requirements. In order to achieve these goals, Senior Officers are required to comply with the following:

If a Senior Officer becomes aware of material information that affects the disclosures made or to be made by the Company in its SEC filings or submissions or other public communications, he or she should promptly bring such information to the attention of the Company personnel responsible for preparing such disclosures.

Senior Officers should oversee the establishment and management of the Company's internal controls and disclosure controls and procedures to enable and ensure that:

- (a) material financial and non-financial information concerning the Company and/or any subsidiary of the Company be (i) fully and accurately disclosed on a timely basis and (ii) broadly disseminated in accordance with all applicable legal and regulatory requirements.
- (b) the Company's consolidated financial statements and the notes thereto present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of and for the period(s) indicated in conformity with accounting principles generally accepted and established Company financial policy; and
- (c) Senior Officers bring to the attention of our Audit Committee any information, of which they are aware, concerning (i) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial and non-financial information concerning the Company or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's reporting, disclosures or internal controls.

Compliance with Applicable Laws, Rules and Regulations

All of our employees and agents are required to comply and strictly adhere to all applicable laws, rules and regulations. To ensure such compliance, Senior Officers will establish and maintain mechanisms to:

- Educate members of our accounting divisions(s) about any law, regulation or administrative procedure that affects the operation of the finance organization and the Company generally.
- Monitor the compliance of the finance organization with any applicable law, regulation or administrative procedure.

Prompt Internal Reporting of Violations of this Code

Senior Officers are required to identify, promptly report and correct, any violation of this Code, the Company’s Code of Business Conduct and Ethics relating to all employees, Directors and officers, or any law, rule or regulation applicable to the Company or the operation of its business. Senior Officers must report any such violations to the Company’s Audit Committee.

Accountability for Adherence to this Code

The Company will take appropriate disciplinary actions for violations of this Code. Such disciplinary actions include, but are not limited to, penalties and demotions and even dismissals.

Amendments and Waivers of this Code

Any change to or waiver of this Code may only be made with the approval of the Board of Directors of Prana Biotechnology Limited, or a committee designated thereby. Any such change or waiver shall be disclosed to the public.

Appendix 3

Code of Business Conduct and Ethics

Purpose

This Code of Business Conduct and Ethics of Prana Biotechnology Limited, which we refer to as the “Code,” contains the specific policies adopted by our Board of Directors that relate to the legal and ethical standards of business conduct of directors, officers, employees and agents of our Company. For this purpose, the term “Company” shall also include any subsidiary of our Company.

The purpose of this Code is to provide a general statement regarding our Company’s expectations as to the legal and ethical nature of business conduct of its Directors, officers, employees and agents while acting on our behalf and to provide for the administration of this Code.

Moreover, this Code has been designed to be generally effective in preventing and detecting criminal conduct.

Policy

A. Standards of Business Conduct and Ethics

This Code sets forth specific policies governing the manner in which business should be conducted by our Company and by all of our directors, officers, employees and agents and of our affiliates. These policies were developed and are intended to be applied in good faith with reasonable business judgment to enable our Company to achieve its operating and financial goals within the framework of applicable laws and ethical conduct.

It is the personal responsibility of each director, officer, employee and agent of our Company to adhere to the standards and restrictions, whether imposed by law or this Code, applicable to his or her assigned duties and responsibilities and to conduct himself or herself accordingly. Such standards and restrictions require each director, officer, employee and agent to avoid any activities which would involve us in any practice which is not in compliance with applicable laws or this Code. Any director, officer, employee or agent who does not adhere to such standards and restrictions is acting outside the scope of his or her employment or agency.

It is our Company’s policy to observe and comply with all laws applicable to it or the conduct of its business wherever located. In some situations the applicable laws of one jurisdiction may conflict with the applicable laws of another jurisdiction. In such cases the Company will endeavour to resolve such conflict following the guidance of its legal counsel.

Beyond legal compliance, all of our directors, officers, employees and agents are expected to observe high standards of business and personal ethics in the execution of their assigned duties and responsibilities. This requires the practice of honesty and integrity in every aspect of dealing with other employees, the public, the business community, shareholders, customers, suppliers and governmental and regulatory authorities.

Our policy prohibits unlawful discrimination against employees, shareholders, directors, officers, customers or suppliers on account of race, colour, age, sex, religion or national origin. All persons will be treated with dignity and respect and they will not be unreasonably interfered with in the conduct of their duties and responsibilities.

No employee should be misguided by any sense of loyalty to our Company or a desire for profitability that might cause him or her to disobey any applicable law or Company policy. Violation of Company policy will constitute grounds for disciplinary action, including, when appropriate, termination of employment.

Company policy prohibits our directors, officers, employees and agents from entering into certain transactions described in this Code. If such a transaction occurs, the Company and its officers, directors and employees directly involved may be subject to fines, imprisonment and civil litigation. The following ethical business practices have been adopted by our Company:

Commercial Bribery

Company policy prohibits payment of any form of commercial bribes, kickbacks and other similar payoffs and benefits to any suppliers or customers.

Accounting Controls, Procedures & Records

Applicable laws and Company policy require the Company to maintain books and records that accurately and fairly reflect its transactions and the dispositions of its assets. False and misleading entries in our books and records are strictly prohibited.

Use and Disclosure of Inside Information

Company policy prohibits disclosure of material inside information to anyone other than persons within the Company whose positions require them to know such information. For this purpose, “inside information” is information that has not been made available to the public (for example, information that was not subject of a Company press release or other disclosure document). “Material” information is any information relating to our Company’s business and affairs (or any subsidiary of our Company) about which there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy or sell our Company’s shares. Examples of material inside information include, but are not limited to, major corporate acquisitions or take-over bids, financial forecasts and possible award of significant contracts.

Confidential or Proprietary Information

Our policy prohibits employees from disclosing confidential or proprietary information outside the Company, either during or after employment, without Company authorization to do so.

Conflicts of Interest

Our policy prohibits conflicts between the interests of our employees and the Company. A “conflict of interest” occurs when a person’s personal interests interfere or may interfere in any manner, or appear to interfere, with the best interests of our Company.

Fraud and Similar Irregularities

Company policy strictly prohibits fraud and similar irregularities. Section B.9. below sets forth the procedures to be followed concerning the investigation of suspected fraud.

If you have any questions concerning these principles or any ethical or legal issue, the first step is to consult with your supervisor or a higher level manager. If you need additional assistance, or if you are uncomfortable talking to your supervisor or a manager, you may wish to raise the issue with our Company's chief financial officer or outside counsel.

B. Administration of Code of Business Conduct and Ethics

This Code will be administered as follows:

1. Allocations of Responsibility

This Code will be administered by the Audit Committee of our Company, or by a committee appointed by the Audit Committee for such purpose (which committee will consist of such number of members, as may be fixed from time to time by the Audit Committee). For the purpose of Section B of this Code, the Audit Committee of the Company and the aforesaid committee shall be referred to collectively as the "Committee".

The Committee will establish such procedures as it will deem necessary or desirable in order to execute such responsibilities. Such procedures will provide for obtaining advice of legal counsel where appropriate. In executing such responsibilities, the Committee may delegate authority to such committees, officers and other employees and may engage such agents and advisors as it will deem necessary or desirable.

2. Scope of this Code

The Committee will, periodically, in light of the experience of the Company, review this Code, and when necessary or desirable, make recommendations to the Board of Directors to ensure: (i) its continued conformance to applicable law; (ii) that it meets or exceeds industry standards; and (iii) that any weaknesses revealed through monitoring, auditing and reporting systems are eliminated or corrected.

3. Delegation of Substantial Discretionary Authority

No employee of our Company will delegate substantial discretionary authority to any individual who such employee knows, or through the exercise of due diligence should know, has a propensity to engage in illegal activities.

For this purpose, persons with "substantial discretionary authority" include:

- individuals who have substantial control over the Company or who have a substantial role in policy-making within the Company;
- individuals who exercise substantial supervisory authority, such as a plant manager or a sales manager; and
- any other individuals who, although not a part of our Company's management, exercise substantial discretion when acting within the scope of their authority (for example, an individual with authority to negotiate or set price levels or an individual authorized to negotiate or approve significant contracts).

The Committee, in administering this Code, will consider, adopt and promulgate guidelines regarding procedures to ascertain a "propensity to engage in illegal activities."

4. Communication of Policies

To ensure the continued dissemination and communication of this Code, the Committee will take, or cause to be taken, reasonable steps to communicate effectively the standards and procedures included in this Code to directors, officers, employees and agents of the Company.

5. Monitoring and Auditing

The Committee will take reasonable steps to monitor and audit compliance with the Code of Business Conduct, including the establishment of monitoring and auditing systems that are reasonably designed to detect conduct in violation of this Code by directors, officers, employees and agents of the Company.

To the extent so directed by the Committee, the information developed by our independent accountants in performing their engagement by the Company and by its internal auditors in the performance of their assigned responsibilities will be made available to the Committee in its capacity as administrator of this Code as a means of monitoring and auditing compliance with this Code.

6. Report to the Audit Committee of the Board of Directors

The Chief Financial Officer of our Company will report to the Audit Committee, at least once each year, regarding the general effectiveness of this Code.

7. Reporting System

The Committee will establish a reporting system that will allow violations of this Code to be reported and acted upon by officers or other employees of the Company with sufficient authority to deal objectively with the reported matters. The existence and nature of the reporting system will be communicated to all directors, officers, employees and, to the extent appropriate, to agents of the Company.

It will be a violation of this Code to intimidate or impose any form of retribution on any director, officer, employee or agent who utilizes such reporting system in good faith to report suspected violations of applicable laws, rules or regulations, of this Code or other Company policies (except that appropriate action may be taken against such director, officer, employee or agent if such individual is one of the wrongdoers). Every reported allegation of illegal or unethical behaviour will be thoroughly and promptly investigated.

8. Waivers of this Code

Any waiver of this Code for executive officers or directors may only be made with the approval of our Board of Directors and must be promptly disclosed to the public.

Any waiver of this Code for non-executive officers and other employees may only be made with the approval of our Company's Chairman.

9. Investigation of Violations

If, through operation of the Company's compliance monitoring and auditing systems or its violation reporting systems or otherwise, the Company receives information regarding an alleged violation of this Code or applicable laws, the person or persons authorized by the Committee to investigate alleged violations of this Code will, as appropriate, in accordance with procedures established by the Committee:

- a. evaluate such information as to gravity and credibility;
- b. initiate an informal inquiry or a formal investigation with respect thereto;
- c. prepare a report of the results of such inquiry or investigation, including recommendations as to the disposition of such matter;
- d. make the results of such inquiry or investigation available to our Board of Directors and/or the Committee for action (including disciplinary action by the Committee); and
- e. recommend changes in this Code to the extent necessary or desirable to prevent further similar violations.

We may disclose the results of investigations to law enforcement agencies.

10. Disciplinary Measures

We will consistently enforce our Code of Business Conduct and Ethics through appropriate means of discipline. Pursuant to procedures adopted by it, the Committee will determine whether violations of this Code have occurred and, if so, will determine the disciplinary measures to be taken against any director, officer, employee or agent of the Company who has so violated this Code.

The disciplinary measures, which may be invoked at the discretion of the Committee, include, but are not limited to, counselling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures will include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against directors, officers, employees or agents for reporting violations or violators.

11. Documentation

Subject to the applicable document retention program, the Company will document its compliance efforts and results to evidence its commitment to comply with the standards and procedures set forth above in this Code.

Appendix 4

Complaint Procedures for Accounting and Auditing Matters

Objective

Prana Biotechnology Limited is committed to achieving compliance with all applicable laws and regulations regarding accounting standards, internal accounting controls and audit practices.

In order to facilitate reporting of complaints regarding accounting, internal accounting controls, or auditing matters, the Audit Committee of our Company has established the Complaint Procedures for Accounting and Auditing Matters, which we refer to as the “Procedures,” for: (i) the receipt, retention and handling of complaints regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous reporting by employees of their concerns regarding any questionable accounting or auditing matters.

Types of Complaints Covered by these Procedures

Complaints regarding accounting, internal controls or auditing matters covered by these Procedures, include, without limitation, complaints regarding:

- deviation from full and fair reporting of our financial condition;
- fraud or deliberate error in the recording and maintaining of financial records of our Company;
- fraud or deliberate error in the preparation, evaluation, review or audit of any of our financial statements;
- misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of our Company; and
- deficiencies or non-compliance with our internal accounting records.

Receipt, Retention and Handling of Complaints

Our Audit Committee Chairman will supervise the handling of complaints concerning accounting, internal accounting controls or auditing matters.

Any person who has a good faith concern regarding our Company’s accounting, internal accounting controls or auditing matters should immediately report such concerns to the Audit Committee Chairman. Such communications may be on a confidential or on an anonymous basis, and may be reported to the Audit Committee Chairman by phone at 03 - 9824 8166, or submitted in writing to:

Suite 2
1233 High Street
Armadale Victoria 3143

Upon receipt of such a complaint, the Audit Committee Chairman (i) will decide whether the complaint is indeed regarding an accounting, internal controls or auditing matter and (ii) when possible, acknowledge receipt of the complaint to the reporting person.

Complaints regarding accounting, internal controls and auditing matters will be reviewed by our Audit Committee and transferred for professional evaluation to our Securities and Exchange Commission counsel, or such other persons as our Audit Committee determine to be appropriate, and will be subject to the direction and oversight of our independent directors.

Confidentiality will be observed as fully as possible consistent with the need to conduct an adequate review.

Our Audit Committee will take prompt and appropriate corrective action when and as warranted in its judgment.

We will not discharge, demote, suspend, threaten, harass, or in any way discriminate against, any employee in the terms and conditions of employment because he or she provided information, caused information to be provided, or otherwise assisted in an investigation regarding any conduct by Prana Biotechnology Limited that he or she reasonably believes to constitute a violation of laws and regulations regarding accounting, internal accounting controls or auditing matters or otherwise.

Reporting and Retention of Complaints and Investigations

Our Audit Committee Chairman will (i) maintain a record of all complaints received, the monitoring of their receipt, their investigation and resolution and (ii) shall prepare a summary report of the same for our Audit Committee on a quarterly basis.

Our Audit Committee Chairman will ensure that such complaint reporting shall be included as an item on the agenda for our Audit Committee's quarterly meetings.

Copies of any such complaints, records and reports will be filed and maintained with the Audit Committee files.

Appendix 5

Sample Minutes - Pre-Approval Audit Services

PRANA BIOTECHNOLOGY LIMITED
(the "Company")

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

duly convened on *[insert date]*

Members present: *[please list]*

Also attending: *[please list, if applicable]*

Chairperson: *[please insert]*

Agenda: Pre -approval of audit and non-audit services

At the meeting, the Audit Committee approved the following matters:

1. Pre-Approval of Audit Services for Fiscal Year 200[].

The Audit Committee pre-approved the following audit services and fees for the fiscal year 200[]:

Type of Service	Pre-Approved Amount
Annual consolidated financial statement audit, including quarterly reviews, statutory audits of subsidiaries or affiliates of the Company.	Up to \$[]
Attestation of management reports on internal controls	Up to \$[]
Consultations with Company management regarding accounting or disclosure of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, AICPA or other regulatory or standard setting bodies	Up to \$[]

2. Pre-Approved Audit-Related Services For Fiscal Year 200[].

The Audit Committee pre-approved the following audit-related services and fees for the fiscal year 200[]:

Type of Service	Pre-Approved Amount
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3. **Pre-Approved Tax Services For Fiscal Year 200[]**.

The Audit Committee pre-approved the following tax services and fees for the fiscal year 2003:

Type of Service	Pre-Approved Amount
Domestic and international tax planning and reorganizations	Up to \$[]
Review of federal, state, local and international income, franchise, employee benefit and other tax returns (i.e., compliance)	Up to \$[]
Assistance with tax audits and appeals before the IRS and similar state, local and foreign agencies	Up to \$[]
Other miscellaneous services	Up to \$[]

[Please complete/change services if needed]

There being no further business to come before the Audit Committee meeting, the same was adjourned.

These Minutes of a Meeting of the Audit Committee shall be submitted to the Board of Directors of the Company for approval.

[please insert name]
Chairperson of the Meeting

Attachment C

Remuneration Committee Charter

Constitution

The Remuneration Committee was established by resolution of the Board of Directors of Prana Biotechnology Limited (the "Company" and the "Board").

Role:

The role of the Remuneration Committee is to oversee and make recommendations to the Board with respect to the compensation of the Company's chief executive officer and other executive officers; and to oversee and advise the Board on the adoption of policies that govern the Company's compensation programs, including share and American Depository Receipts ("ADRs") option plans and other employee benefit plans, and is responsible for the administration of the Company's share and ADRs option plans and any other employee benefit plans.

Membership

The Remuneration Committee shall be appointed by the Board from among the independent non-executive directors of the Company and shall consist of not less than two members, all of whom shall be independent within the meaning of the NASDAQ Marketplace Rules.

Directors will be appointed to the Remuneration Committee for a term of three years or such shorter time as they remain in the office of director.

Chairperson

The Remuneration Committee shall appoint any director from among its members as the Chairperson of the Committee.

Secretary

The Company Secretary shall be the Secretary of the Remuneration Committee.

Quorum

A quorum for meeting of the Remuneration Committee shall be two members.

Meeting Frequency

Remuneration Committee meetings will be held at least twice a year to enable the Committee to undertake its role effectively.

Authority

The Remuneration Committee is authorised by the Board to investigate any activity within its Charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Remuneration Committee.

The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Remuneration Committee if it considers this necessary.

The Remuneration Committee is required to make recommendations to the Board on all matters within the Remuneration Committee's Charter.

Reporting Procedures

The Secretary shall circulate the minutes of the meetings of the Remuneration Committee to all members of the Committee for comment and change before being signed by the Chairman of the Committee and circulated to the Board with the Board papers for the next Board meeting. The minutes are to be presented to the Board at the Board meeting following the Remuneration Committee meeting, along with any recommendations of the Remuneration Committee.

Duties

The duties of the Remuneration Committee are to:

1. assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and policies including incentive policies for directors, senior executives and employees;
2. assess the market to ensure that senior executives and employees are being rewarded commensurate with their responsibilities;
3. obtain the best possible advice in establishing salary levels;
4. set policies for senior executives' and employees' remuneration and recommend to the board of directors for determination the compensation of the Chief Executive Officer ("CEO") and all other executive officers;
5. review the salary levels of senior executives and employees, and recommend any proposed increases to the Board for determination ;
6. review recommendations from the CEO relating to proposed merit increases for direct reports;
7. recommend to the full Board for determination the terms and conditions of employment of the CEO. The CEO may not be present during the voting and deliberations regarding his or her compensation ;
8. undertake a review, which will be reported to and confirmed by the full Board, of the CEO's performance, at least annually, including setting with the CEO goals for the coming year and reviewing progress in achieving those goals;
9. set the criteria for negotiating any enterprise bargain agreement;
10. review the Company's recruitment, retention and termination policies and procedures for senior management and employees;
11. review and make recommendations to the Board on the Company's incentive schemes and incentive compensation plans, including the use of share and ADRs option plans and other employee benefit plans. Except as otherwise delegated by the Board, the Remuneration Committee will act on behalf of the Board as the "Committee" established to administer the Company's share and ADRs option plans and any other employee benefit plans, and as such will discharge any responsibilities imposed on the "Committee" under those plans, including making and authorising option awards, in accordance with the terms of those plans, subject to additional board and shareholder approval if required by applicable law.
12. review and make recommendations to the Board on the Company's superannuation arrangements; and
13. review the remuneration of both executive and non-executive directors and make recommendations to the Board on any proposed changes.

Attachment D

Senior Executive Remuneration Policy

Prana Biotechnology Limited (the "Company") is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. The Company aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Consequently, senior executives' remuneration may consist of the following elements:

- fixed salary;
- short-term incentive bonus based on performance;
- long-term incentive share/option scheme; and
- other benefits including superannuation.

Fixed Salary

The salary of senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, the Company considers the following:

- the scope of the individual's role;
- the individual's level of skill and experience;
- the Company's legal and industrial obligations;
- labour market conditions; and
- the size and complexity of the Company's business.

Performance Bonus

The purpose of the performance bonus is to reward actual achievement by the individual of performance objectives and for materially improved Company performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for the Company is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a performance cycle.

Long-Term Incentives

The Company may grant shares/options to executives to attract, retain, motivate and provide performance incentives. All issues will be subject to shareholder approval and will be reasonable in relation to the existing capitalisation of the Company.

Other Benefits

Senior executives are entitled to statutory superannuation

Termination Payments

Senior executives may be entitled to a payment upon termination of employment from the Company. Where so entitled, the termination payment has been agreed in the senior executive's contract of employment and it is not payable where termination of employment is for misconduct.

Attachment E

Nominations Committee Charter

This Nominations Committee Charter of the Nominations Committee of the Board of Directors of Prana Biotechnology Limited, or "Prana", has been adopted by the Nominations Committee and ratified by the Board of Directors of Prana.

I. Purpose:

The role of the Nominations Committee is to determine the director nominees for election to Prana's Board of Directors by the shareholders of Prana at the annual general meetings of shareholders, and to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings.

II. Membership

The Nominations Committee shall consists of at least two directors, each of whom shall meet the independence requirements of the NASDAQ Marketplace Rules, as well as the requirements of any other applicable laws, regulations and listing requirements. The Board of Directors shall appoint the members of the Nominations Committee. The Board of Directors may remove any member from the Nominations Committee at any time with or without cause.

III. Chairperson

The Nominations Committee shall appoint any director from among its members as the Chairperson of the Committee.

IV. Meetings, Consents and Reporting

1. The Nominations Committee shall meet at least twice a year. Additional meetings may occur as the Nominations Committee or its chair deems advisable.

2. A quorum for meetings of the Nominations Committee shall be two members.

3. The Nominations Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and voting requirements as are applicable to the Board of Directors.

4. The Nominations Committee will cause to be kept adequate minutes of all its proceedings, and will report on its actions and activities at the next quarterly meeting of the Board of Directors.

V. Authority

The Nominations Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Nominations Committee has sole authority to retain and terminate outside counsel, any search firm used to identify director candidates, or other experts or consultants, as it deems appropriate, including sole authority to approve

the firms' fees and other retention terms. Any communications between the Nominations Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of our company and the Nominations Committee will take all necessary steps to preserve the privileged nature of those communications.

VI. Responsibilities

The principal responsibilities and functions of the Nominating Committee is as follows:

1. Annually evaluate and report to the Board of Directors on the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of Microsoft Corporation shareholders.
2. Annually present to the Board of Directors a list of individuals recommended for nomination for election to the Board of Directors at the annual meeting of shareholders, and for appointment to the committees of the Board of Directors (including this Nominations Committee).
3. Before recommending a director currently in office, or a replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors.
4. Assist in identifying, interviewing and recruiting candidates for the Board of Directors.
5. Annually review the composition of each committee and present recommendations for committee memberships to the Board as needed.
6. Periodically review the compensation paid to non-employee directors for annual retainers (including Board of Directors and committee Chairs) and meeting fees, if any, and make recommendations to the Board of directors for any adjustments. No member of the Nominations Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as such.
7. Regularly review and make recommendations about changes to the charter of the Nominating Committee.
8. Obtain or perform an annual evaluation of the Nominations Committee's performance and make applicable recommendations.
9. Assist the Chairperson of the Board of Directors, if the Chairperson is a non-management director, or otherwise the Chairman of the Committee acting as Lead Independent Director, in leading the Board's annual review of the Chief Executive Officer's performance.

Attachment F

Risk Management Policy

Since risk management is a complex and critical component of the governance of Prana Biotechnology Limited (the "Company"), the Board has established an Audit Committee to oversee the details of this topic and provide guidance to the Board in connection therewith.

The CEO is responsible for the implementation of appropriate risk systems within the Company. Aspects of this process may be delegated.

The risk management system is based on the Australian Standard *AS/NZS4360:1999*. Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company are to ensure:

- all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- Senior Management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system covers:

- Operations risk;
- Financial reporting; and
- Compliance.

Specific Duties:

- To review at least annually the Company's risk management systems to ensure the exposure to the various categories of risk are minimised prior to endorsement by the board.
- Meet periodically with key management, internal staff and external auditors to understand and discuss the Company's control environment.
- Assess the internal processes for determining and managing key risk areas, including:
 - * non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations law;
 - * litigation and claims; and
 - * relevant business risks other than those that are dealt with by other specific committees.
- To evaluate the Company's exposure to fraud.
- To take an active interest in ethical considerations regarding the Company's policies and practices.
- To monitor the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest.
- To identify and direct any special projects or investigations deemed necessary.

- To ensure the appropriate engagement, employment and deployment of all employees under statutory obligations.
- To ensure a safe working culture is sustained in the workforce.
- To determine the Company's risk profile describing the material risks, including both financial and non-financial matters, facing the Company.
- To regularly review and update the risk profile.

The Board receives periodic reports on those areas of risk identified by the Audit Committee. In addition, as specified by Recommendation 7.2 of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, the CEO and CFO provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements.

This policy should be read in conjunction with the Financial Risk Policy contained in the Audit Committee Charter, which is specific to U.S. requirements.
