



Narhex Life Sciences Ltd

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19 May 2011

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

Dear Sir,

Option to Acquire Coal Tenements in Central Queensland

Narhex Life Sciences Limited ("**Narhex**" or the "**Company**") has today entered into an Option Agreement with Subiaco Capital Pty Ltd ("**Vendor**") to acquire key tenements in the Mulgildie Basin, the northern extension of the Surat Basin, in Queensland.

The specific tenements under option are EPCA 2303 and EPCA 2304 ("**Tenements**"). Both are under application and pending grant. They are located near the townships of Mundubbera and Eidsvold being 133 km southwest from Bundaberg, Queensland and comprise a total area of approximately 1,860 square kilometres.

An Independent Geologist, Moultrie Database and Modelling, has assessed these Tenements as having potential to host significant coal resources.

The main coal-bearing sequences within the Surat Basin at this location are the Evergreen Formation and the Mulgildie Coal Measures. The region itself is undergoing a significant rerating through recent activities, with the Tenements being bordered as follows:

- to the East by EPCA 2264 and EPCA 2265 currently held by Wavenet Ltd;
- to the west by EPCA 995 and EPCA 965 held by Argos (QLD) Pty Ltd; EPCA 1412 leased by Aquila Coal Pty Ltd; EPCA1735 held by Holloman Minerals Pty Ltd and EPCA 2337 Blackwood Resources Pty Ltd. These EPCA's lie within the north-western flank of the Surat Basin, containing the Evergreen Formation, Hutton Sandstone, and Walloon Coal Measures, all of which are coal-bearing sequences;
- to the north by EPCA 613 and EPCA 689 currently held by Monto Coal 2 Pty Ltd, and EPCA 1175 assigned to Carabella Resources;
- to the south by EPCA 1170 and EPCA 796 currently held by SE QLD Coal Pty Ltd, and EPCA 760 and EPCA 918 held by the New Hope Group.

The payment to the Vendor for entering into the Option with the Company is \$60,000.

The Option is exercisable in writing on or before 19 September 2011 by the Company giving written notice to the Vendor. If the Option is exercised the total consideration payable by the Company is \$2 million, payable by a combination to be determined of cash (up to a maximum amount of \$1 million) and shares in the Company (up to 100 million shares at a price of \$0.02 per share).

The Option Agreement is subject to regulatory approvals, including but not limited to, ministerial and shareholder approvals to complete the acquisition.

Narhex will immediately undertake a detailed geologic review of the region and the tenements as a precursor to determining its next activities and whether it wishes to exercise the option. If it were to exercise its option Narhex is aware that this may be seen as a change of nature and scale of its current activities and may require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

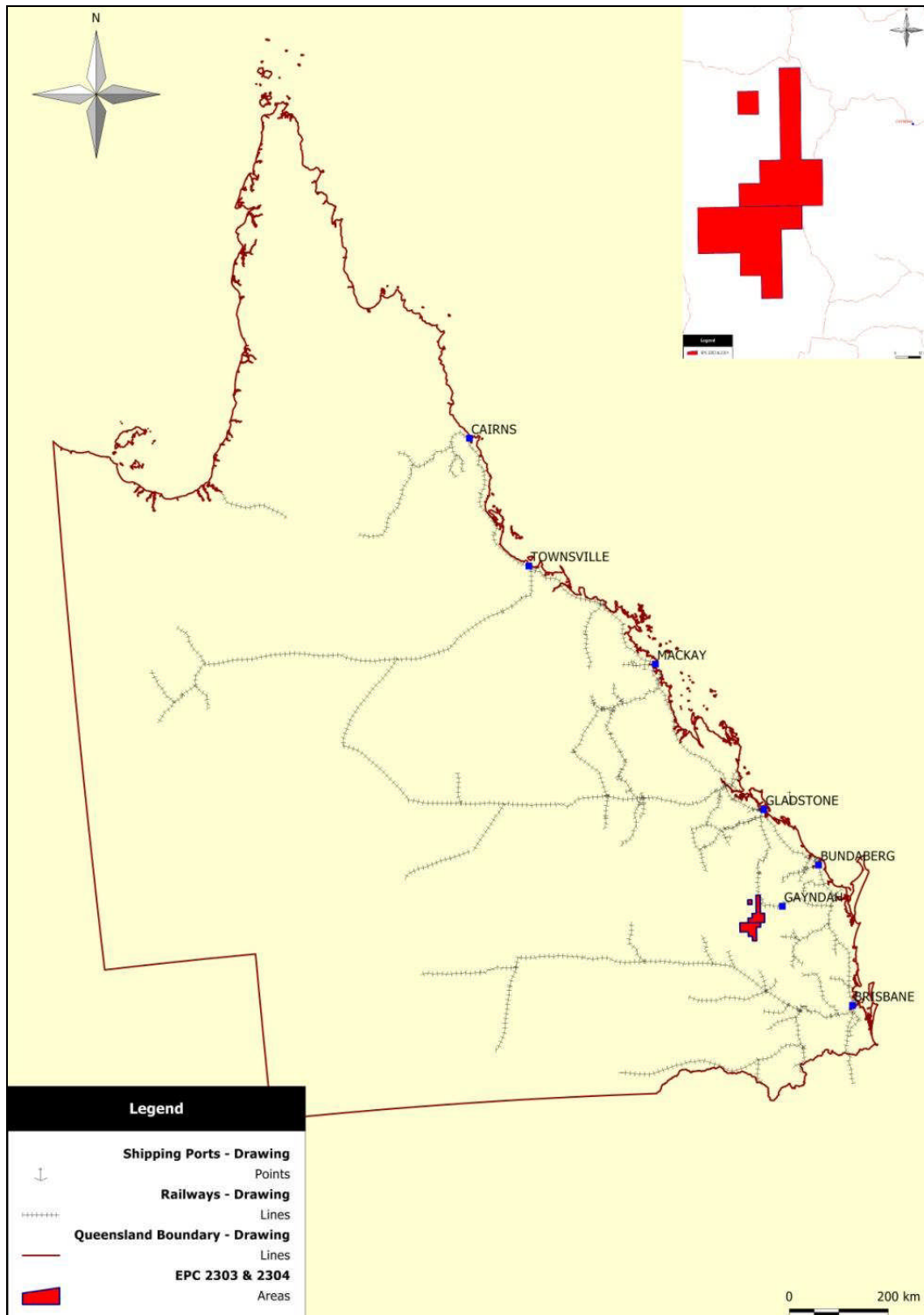
The Company advises that it is continuing with the development and commercialisation of its anti-HIV protease inhibitor DG-17 through its investment in Narhex Life Sciences International Pty Ltd and has recently signed agreement with The Biomedicine Technology Research Institute, a division of The Academy of Medical Science of China, and as announced to the ASX on 13 May 2011.

Yours faithfully



Simon Lill
Director
Narhex Life Sciences Limited

PROJECT LOCATION



TENEMENT LOCATION

