



Narhex Life Sciences Ltd

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29 July 2011

Company Announcements Office
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QUARTERLY OPERATIONS REPORT TO 30 JUNE 2011

- Option Agreement to Acquire Coal Tenements in Central Queensland
- Agreement reached with The Academy of Medical Sciences of China

OPTION AGREEMENT TO ACQUIRE COAL TENEMENTS

During the June 2011 quarter, Narhex Life Sciences Limited ("**Company**") announced it had entered into an Option Agreement with Subiaco Capital Pty Ltd ("**Vendor**") to acquire Tenements (EPCA 2303 and EPCA 2304) in the Mulgildie Basin, the northern extension of the Surat Basin, in Queensland.

An Independent Geologist's Report by Moultrie Database and Modeling assessed these Tenements as having potential to host significant coal resources.

The payment to the Vendor for entering into the Option with the Company was \$60,000, with the Option exercisable on or before 19 September 2011. 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.

The Vendor has acknowledged some delays in obtaining the regulatory approvals and has agreed to extend the option until December 31 2011 at no extra cost to the Company.

AGREEMENT REACHED WITH THE ACADEMY OF MEDICAL SCIENCE OF CHINA

As announced to ASX on 13 May 2011, the Biomedicine Technology Research Institute, a division of The Academy of Medical Science of China, executed a contract with Xi'an Hex Life Sciences Co. Limited, the Chinese Joint Venture vehicle of Narhex Life Sciences International Pty Limited which is in turn owned 50% by the Company.

The initial work to be done is verification of the manufacturing and testing of this drug so that it can be reviewed and approved for further animal and human testing. This verification work is anticipated to be concluded within the next 6 months prior to commencement of further animal testing.

The first payment due to be paid by Xi'an Hex Life Science Co. Limited to the Biomedicine Technology Research Institute under the contract was paid in June.

Key ingredients have been ordered for the manufacture of the drug to commence.

The Academy is one of the most prestigious medical organisations in China and the Company is both privileged and excited about introducing them as a partner in the ongoing development and approval processes of the DG17 drug.



Simon Lill
Director
Narhex Life Sciences Limited

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Narhex Life Sciences Limited

ABN

51 094 468 318

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	-	-
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(93)	(832)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	19	28
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(74)	(807)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(74)	(807)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(60)	(60)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(60)	(60)
1.14 Total operating and investing cash flows	(134)	(867)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	2,980
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	(126)
1.19 Dividends paid	-	-
1.20 Other (Issue costs)	(37)	(357)
Net financing cash flows	(37)	2,497
Net increase (decrease) in cash held	(171)	1,630
1.21 Cash at beginning of quarter/year to date	1,811	10
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	1,640	1,640

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	18
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,640	1,810
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		1,640	1,810

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 29 July 2011
(Director)

Print name: Simon Lill

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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