



Narhex Life Sciences Ltd

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ABN: 51 094 468 318

30 September 2011

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

Dear Sir

ANNUAL REPORT 2011

Please find attached a copy of the Company's Annual Financial Report for the year ended 30 June 2011.

Yours faithfully

**Simon Lill
Director
Narhex Life Sciences Limited**

Narhex Life Sciences Limited

ABN 51 094 468 318

Annual Report
for the year ended 30 June 2011

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Corporate Information

This annual report is for Narhex Life Sciences Limited (the “Company”). Unless otherwise stated, all amounts are presented in \$AUD.

A description of the Company’s operations and of its principal activities is included in the review of operations and activities in the directors’ report on pages 5 to 10. The directors’ report is not part of the financial statements.

Directors

Mr Peter Nash (Director) *(appointed 7 October 2004)*

Mr David Mandel (Director) *(appointed 16 October 2009, resigned on 28 January 2010 and reappointed 17 May 2010)*

Mr Ian Reynolds (Director) *(appointed 9 June 2010; resigned 13 January 2011)*

Mr Anthony Say (Director) *(appointed 17 May 2010; resigned 13 January 2011)*

Mr Peter Christie (Chairman) *(appointed as Chairman on 13 January 2011)*

Mr Simon Lill (Director) *(appointed 13 January 2011)*

Joint Company Secretary

Ms. Nicki Farley *(appointed 13 January 2011)*

Mourice Garbutt *(resigned 1 March 2011)*

Registered and Principal Office

Level 24, 44 St Georges Tce,
PERTH WA 6000

Auditors

Nexia ASR
Level 18, 530 Collins Street,
MELBOURNE VIC 3000

Share Registry & Register

Link Market Services Ltd
Level 2, 178 St Georges Tce
PERTH WA 6000

Solicitors

Price Sierakowski Corporate
Level 24, 44 St Georges Tce
PERTH WA 6000

Bankers

National Australia Bank
100 St Georges Tce
PERTH WA 6000

Stock Exchange Listing

Narhex Life Sciences Limited is listed on
the Australian Securities Exchange.
ASX Code : NLS

Contact Information

Ph: 08 6211 5099
Fax: 08 9218 8875

Web Site

www.narhex.com.au

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance.

This Statement reports on the Company's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate by the Company to ensure they comply with changes in the law and reflect developments in Corporate Governance.

The Company is pleased to advise that its practices are largely consistent with the revised ASX Recommendations. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

Board of Directors of the Company

Composition of the Board

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

As at the date of this report, the Board is comprised of four (4) Directors, all of whom are non-executive Directors.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The following criteria has been adopted by the Company as a non-prescriptive guide for independence:

An Independent Director is a Non-Executive Director and:

- (a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (b) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- (c) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- (d) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- (f) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

Performance Review/Evaluation

It is the policy of the Board to conduct an annual evaluation of its performance and that of its senior executives. The objective of this evaluation will be to provide best practice corporate governance to the Company.

Risk Management Policy

The Company has a Risk Management Policy which sets out the manner in which the Company identifies, assesses, monitors and manages business risk. All high level strategies and new initiative risks are reviewed annually by the Board at its annual strategy and planning meeting.

In relation to risk management, monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self assessment as well as by management's regular review of risk action plans, with respect to the effectiveness and suitability of each risk action plan.

The overall results of these assessments are presented to the Board at least annually and updated as necessary.

Any action or recommendations by senior management arising out of these review processes are approved by the Board and implemented by management.

Audit Committee

Due to the size and scale of its operations the Company does not have a separate audit committee. It is the Board's view that an Audit Committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and it cannot be justified based on a cost benefit analysis. The Audit Committee is chaired by an independent director (who is not the Chairman) and is responsible for assisting the Board in fulfilling its financial reporting, risk management and compliance responsibilities, compliance with legal and regulatory requirements, internal control structure and the internal and external audit functions (the responsibilities of the Risk Management Committee have also been delegated to the Audit Committee). Other members of the Audit Committee include are the Chairman, and Chief Financial Officer. The Audit Committee meets at least twice per year and at such other times as the Audit Committee deems necessary.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies and practices which:

- (a) enable the Company to attract, retain and reward talented Directors and employees; and
- (b) reward Directors and employees fairly and responsibility.

The Company currently does not have a separate remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing a remuneration committee consisting primarily of Independent Directors, chaired by an independent director and consisting of at least 3 members.

Nomination Committee

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

The Company currently does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

Corporate Governance Compliance

During the financial year Narhex Life Sciences Limited has complied with each of the Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Principal No	Recommendation	Compliance	Reason for Non-compliance
2.4	The Board should establish a nomination committee.	The Company currently does not have a separate Remuneration and Nomination Committee. The roles and responsibilities of a Remuneration and Nomination Committee are currently undertaken by the full Board.	Given the size and nature of the Company the Board considers the composition of the Board is appropriate at this stage.
4.2	The audit committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three members.	The Company currently does not have a separate Audit Committee. The roles and responsibilities of an Audit Committee are currently undertaken by the full Board.	Given the size and nature of the Company the Board considers the composition of the Board is appropriate at this stage.
8.1	The Board should establish a remuneration committee.	The Company has not established a separate remuneration committee.	Given the size and nature of the Company, the Board

Principal No	Recommendation	Compliance	Reason for Non-compliance
		The roles and responsibilities of a Remuneration and Nomination Committee are currently undertaken by the full Board.	considers the composition of the Remuneration and Nomination Committee is appropriate at this stage.
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members.	The Company has not established a separate remuneration committee. The roles and responsibilities of a Remuneration and Nomination Committee are currently undertaken by the full Board.	Given the size and nature of the Company, the Board considers the composition of the Remuneration and Nomination Committee is appropriate at this stage.

Directors' report

The directors of Narhex Life Sciences Limited submit herewith the annual financial statements of the company (the "Company") for the financial year ended 30 June 2011. In order to comply with the provision of the Corporations Act 2001, the directors report as follows:

These Financial Statements cover the period from 1 July 2010 to 30 June 2011.

On February 2010, the Company appointed Richard Albarran and David Ross of Hall Chadwick Chartered Accountants, Level 14, 45 William Street, Melbourne as joint and several Administrators of the Company. The Company was subsequently reinstated to trading on the 14 March 2011 after removal of the Administrators through the effectuation of a Deed of Company Arrangement.

For additional information, please refer to Note 16 regarding events subsequent to balance date.

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Mr Peter Nash	Director Mr Peter Nash has advised Australian businesses in relation to mergers, acquisitions and financing in China and has an extensive network of contacts in China. Mr Nash was largely responsible for Moody International's foray into China through introducing it to CCIS State Inspection Authority. Mr Nash has been instrumental in setting up manufacturing plants in China for C.E.M. International Ltd, a cryogenic vessel manufacturer, and Garwood International, a supplier of garbage compactor trucks.
Mr David Mandel	Director Mr David Mandel has a BSc (Chemistry) in the UK and is also qualified as an Accountant (CIMA). Since returning to Australia he became a senior member of the Finance and Treasury Association (CFTP) and more recently a Member of the Institute of Company Directors (MICD). Mr Mandel worked for over twenty five years for multinational companies in Australia, the UK and the USA. For the last 10 years Mr Mandel has consulted to a number of biotech technology based and manufacturing businesses.
Mr Peter Christie	Chairman Mr Peter Christie graduated from Curtin University with a Bachelor of Business in 1983 and is a qualified Accountant and Tax Agent. He has 27 years of commercial experience and in that time has developed extensive business, hospitality and property interests. Mr Christie is also currently a non-executive director of Carnavale Resources Limited (from 28 April 2006) and Safety Medical Products Limited (from 6 October 2010). Mr Christie has also been a non-executive director of Resource Generation Limited (from 29 November 2006 to 1 October 2007) and Triangle Energy Limited (from 2 July 2008 to 20 November 2009).
Mr Ian Reynolds	Director Mr Ian Reynolds is a Mechanical Engineer who has predominately worked in the gas plant and equipment areas since graduating. He is one of the three foundation Directors of CEM International Pty Ltd, established in 1972 to design and manufacture Cryogenic Pressure Vessels for the Industrial Gas Industry. Ian then went on to be a founder of Changzhou CEM Special Equipment Co. (1995) in the Peoples Republic of China.
Mr Anthony Say	Director Mr Anthony Say has a Diploma in Applied Science (Metallurgy) together with a Graduate Diploma in Marketing. He has spent twenty years as an employee of CEM International Pty Ltd, initially as Divisional Manager together with 10 years as Group Marketing Manager and then 7 years (continuing) as Chief Executive Officer.
Mr Simon Lill	Director Mr Lill is an Associate Director of Trident Capital. He has a BSc (Pharmacol.) and a Masters of Business Administration, both from the University of Western Australia. He has a background of over twenty 25 years of stockbroking, capital raising, management, business development and analysis for a range of small start-up companies, both in the manufacturing and resources industries. Mr Lill is also currently non-executive director for Safety Medical Products

	Limited.
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The above named directors held office during and since the end of the financial year, unless otherwise stated.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Simon Lill	Safety Medical Products Limited Natural Fuel Limited	6 October 2010 – current 18 May 2011 – current
Peter Christie	Safety Medical Products Limited Carnavale Resources Limited Triangle Energy Limited	6 October 2010 – current 28 April 2006 – current 2 July 2008 – 20 November 2009
David Mandel	Sirius Corporation Limited	23 May 2011 – current

Company secretary

Name	Particulars
Mr Mourice Garbutt	Mr Garbutt, through his professional corporate secretarial and compliance service company, provides secretarial, clerical and corporate governance support to client companies in Australia many of which are listed on the ASX. Mr Garbutt has substantial experience in the area of listed company secretarial matters, compliance and corporate governance with over 30 years experience primarily within Australia but having worked in the Pacific region and Europe. Mr Garbutt resigned as Company Secretary of the Company on 1 March 2011.
Ms Nicki Farley	Ms Farley has over 10 years experience working within the legal and corporate advisory area providing advice in relation to capital raisings, corporate and securities laws, mergers and acquisitions and general commercial transactions. Nicki has also held a number of company secretarial roles for ASX listed companies. Nicki holds a Bachelor of Laws and Arts from the University of Western Australia.

Principal activities

The principal activities of the Company during the year was the research and commercial development of drugs for the treatment of HIV/AIDS through its associated entity, Narhex Life Sciences International Pty Ltd.

Operating results

The loss after tax of the Company for the year ended 30 June 2011 was \$527,165 (2010: profit of \$224,122).

Review of Operations

Narhex Life Sciences Limited (“Narhex”) was admitted to the Official List of the ASX on January 2005. The principal activity of the Company was the research and commercial development of drugs for the treatment of HIV/AIDS.

Hall Chadwick was appointed as Administrators to the Company on 9 February 2010, and the Company was reinstated to trading on the 14 March 2011 after removal of the Administrators through the effectuation of a Deed of Company Arrangement.

The highlights for the year include the following:

- The successful raising of \$2,500,000 in share capital under a Prospectus which allowed the Company to conclude arrangements under the Deed of Company Arrangement and provided working capital to recommence its principal activities and to explore other opportunities;
- The formation of an associated entity, Narhex Life Sciences International Pty Ltd (“NLSI”) which is responsible for the further research and commercial development of DG-17 and DG-35, protease inhibitors for the management and treatment of HIV/AIDS. It also holds an interest in Cavid AB, which manufactures and sells diagnostic products which aid the treatment of HIV/AIDS – during the year NLSI earned \$168,440 in consolidated revenue; and
- Entering into an option to acquire a coal tenement interest in central Queensland.

Future developments

The company presently intends to continue to focus upon its principal activity and capitalise upon other opportunities as and when they arise. It also plans to continue its review of the coal tenements over which it holds an option and has recently commissioned a further more detailed report from Moultrie Database and Modeling, Independent Geologists with suitable knowledge and skills in this area.

Environmental regulation

The company’s operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State, or Territory.

Dividends

No dividend has been proposed or paid.

Subsequent Events

On 8 July 2011 the company held an Annual General Meeting, outcomes of which were the re-election of the company’s directors and the issue of unlisted options to certain Directors and a consultant to the company.

Indemnification of officers and auditors

The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors’ meetings

The following table sets out the number of directors’ meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of directors	
	Held	Attended
Mr Peter Nash	7	7
Mr David Mandel	7	7
Mr Ian Reynolds	2	2
Mr Anthony Say	2	2
Mr Peter Christie	5	5
Mr Simon Lill	5	5

The audit, compliance and corporate governance committee did not hold any meetings during the financial year.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in shares of the company as at the date of this report.

Directors	Fully paid ordinary shares Number	Unlisted Options Number
Mr David Mandel	150,000	2,500,000
Mr Ian Reynolds	74,000	-
Mr Peter Nash	50,000	2,500,000
Mr Anthony Say	-	-
Mr Simon Lill	4,000,000	-
Mr Peter Christie	-	2,500,000

Remuneration report (audited)

This report outlines the nature and amount of remuneration for directors and executives of the Company.

The performance of the Company depends upon the quality of its directors and executives to prosper. It is imperative that the company attract, motivate and retain appropriately experienced and qualified directors and executives. To this end, the company's remuneration framework is embodied with the principles of providing competitive rewards to attract high caliber executives and link executives' rewards to shareholder value.

In accordance with best practice corporate governance, the structure of non-executive directors and executive management remuneration is separate and distinct.

Currently all Directors are Non-Executive.

Non- executive Director Remuneration

The board policy is to remunerate non-executive directors at a level which provides the company with the ability to attract and retain directors with the experience and qualification appropriate to the development strategy of the company's Intellectual Property.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. This was set at \$200,000 pa by shareholders on 18 November 2005. Directors' fees are reviewed annually.

Non-executive directors' fees are not linked to the performance of the company. However to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company.

Executive Directors' Remuneration

The board policy is to remunerate executive directors at a level that provides the company with the ability to attract and retain executives with the experience and qualification appropriate to the development strategy of the company's Intellectual Property.

Relationship between the remuneration policy and company performance

Aside from the matters described above, no Director held or holds any contract for performance-based remuneration with the Company.

Remuneration report (Cont'd)

Directors and executive details

The following persons acted as directors of the company during or since the end of the financial year:

Mr Peter Nash (Director) (appointed 7 October 2004)

Mr David Mandel (Director) (appointed 16 October 2009, resigned on 28 January 2010 and reappointed 17 May 2010)

Mr Ian Reynolds (Director) (appointed 9 June 2010; resigned 13 January 2011)

Mr Anthony Say (Director) (appointed 17 May 2010; resigned 13 January 2011)

Mr Peter Christie (appointed as Chairman on 13 January 2011)

Mr Simon Lill (Director) (appointed 13 January 2011)

Director and executive remuneration

The directors received the following amounts as compensation for their services as directors and executives of the company during the year;

2011	Short-term employee benefits			Post employment benefits	Share-based payment	Total \$	% Consisting of share-based payments \$
	Salary & fees \$	Bonus \$	Other \$	Superannuation \$	Options & rights \$		
Directors							
Mr Peter Nash	8,333	-	-	-	4,543	12,876	35.28
Mr David Mandel	8,333	-	-	700	4,543	13,626	33.34
Mr Ian Reynolds	-	-	-	-	-	-	-
Mr Anthony Say	-	-	-	-	-	-	-
Mr Peter Christie	10,417	-	-	-	4,544	14,961	30.37
Mr Simon Lill	8,333	-	-	-	-	8,333	-
Total	35,416	-	-	700	13,630	49,796	-

2010	Short-term employee benefits			Post employment benefits	Share-based payment	Total \$	% Consisting of share-based payments \$
	Salary & fees \$	Bonus \$	Other \$	Superannuation \$	Shares granted and issued \$		
Directors							
Mr Peter Nash	83,700	-	32,594	7,533	56,520	180,347	31.34%
Mr David Mandel	-	-	-	-	28,260	28,260	100.00%
Total	83,700	-	25,000	7,533	84,780	208,607	40.64%

Remuneration report (Cont'd)

Unlisted share options granted to directors

During the year unlisted options were granted to directors and an external consultant in consideration for their role as directors and for consulting services rendered, none of which are yet to vest. The Company currently has 10,000,000 options on issue, exercisable at 2 cents per share which vest on 14 July 2012 and expire on 14 July 2014 (2010: nil).

End of audited remuneration Report

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

During the year \$nil was paid to the auditor for the provision of non-audit services (2010: nil).

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

When non-audit services are provided by the auditor, the directors are of the opinion that these services do not compromise the external auditor's independence, based on advice received from the Audit, Compliance and Corporate Governance Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the annual report.

Signed in accordance with a resolution of the directors



Mr Peter Christie
Chairman

Perth
29 September 2011

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF NARHEX LIFE SCIENCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011,
there have been:

- i. no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia ASR
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

29 September 2011

Statement of comprehensive income for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Forgiveness of creditors' claims		54,152	845,761
Other revenue		28,352	-
Administration expenses		(481,656)	(632,915)
Finance costs		(3,013)	(24,663)
Share of net loss of associated entity		(125,000)	-
Profit/(loss) before income tax		(527,165)	188,183
Income tax benefit	4	-	-
Net profit/(loss) for the year from continuing operations		(527,165)	188,183
Discontinued Operation			
Gain for the year from discontinued operation after tax		-	35,939
Loss for the year		(527,165)	224,122
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(527,165)	224,122
From continuing and discontinued operations			
Earnings per share (basic and diluted) (cents)	9	(0.2)	1.1
From continuing operations			
Earnings per share (basic and diluted) (cents)	9	(0.2)	0.9

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	10	1,640,178	9,993
Trade and other receivables		50,196	-
Total Current Assets		1,690,374	9,993
NON-CURRENT ASSETS			
Exploration expenditure	5	60,000	-
Investment in associated entity	6	-	125,000
Total Non-Current Assets		60,000	125,000
Total Assets		1,750,374	134,993
CURRENT LIABILITIES			
Trade and other payables		16,213	388,944
Financial liabilities		-	125,925
Total Current Liabilities		16,213	514,869
Total Liabilities		16,213	514,869
Net Assets /(Deficiency)		1,734,161	(379,876)
EQUITY			
Issued capital	7	2,623,029	13,259,713
Reserves	8	18,173	-
Accumulated losses		(907,041)	(13,639,589)
Total Equity / (Deficiency)		1,734,161	(379,876)

The accompanying notes form an integral part of this Statement of financial position.

Statement of changes in equity for the financial year ended 30 June 2011

	Fully paid ordinary shares \$	Equity-settled benefits reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Attributable to equity holders of the parent \$	Minority interest \$	Total \$
Balance at 1 July 2009	13,174,933	40,500	28,996	(13,904,211)	(659,782)	60,764	(599,018)
Profit for the year	-	-	-	224,122	224,122	-	224,122
Total recognised income and expense	-	-	-	224,122	224,122	-	224,122
Issue of shares to directors	84,780	-	-	-	84,780	-	84,780
Disposal of minority interest	-	-	-	-	-	(60,764)	(60,764)
Realisation of foreign currency differences on translation on loss of control of subsidiary	-	-	(28,996)	-	(28,996)	-	(28,996)
Transfer of equity reserves	-	(40,500)	-	40,500	-	-	-
Balance at 30 June 2010	13,259,713	-	-	(13,639,589)	(379,876)	-	(379,876)
Balance at 1 July 2010	13,259,713	-	-	(13,639,589)	(379,876)	-	(379,876)
Loss for the year	-	-	-	(527,165)	(527,165)	-	(527,165)
Total recognised income and expense	-	-	-	(527,165)	(527,165)	-	(527,165)
Share-based payments	-	18,173	-	-	18,173	-	18,173
Consolidation of share capital	(13,259,713)	-	-	13,259,713	-	-	-
Issue of shares	2,980,000	-	-	-	2,980,000	-	2,980,000
Costs directly attributable to issue of share capital	(356,971)	-	-	-	(356,971)	-	(356,971)
Balance at 30 June 2011	2,623,029	18,173	-	(907,041)	1,734,161	-	1,734,161

The accompanying notes form an integral part of this Statement of changes in equity.

Statement of cash flows for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash payments in the course of operations		(803,906)	(319,944)
Interest paid		(3013)	(6)
Net cash flows used in operating activities	10	(806,919)	(319,950)
Cash flows from investing activities			
Cash outflows from loss of control of subsidiary		-	(174,200)
Payment for exploration expense		(60,000)	-
Purchase of property, plant and equipment		-	-
Net cash flows used in investing activities		(60,000)	(174,200)
Cash flows from financing activities			
Costs of capital raising		(356,971)	-
Proceeds from director-controlled entity – Tittel Pty Ltd		-	250,000
Proceeds from convertible note		-	73,000
Proceeds from Issue of share capital		2,980,000	-
Repayment of Loan to Tittel Pty Ltd		(125,925)	-
Net cash flows provided by financing activities		2,497,104	323,000
Net decrease in cash and cash equivalents		1,630,185	(171,150)
Cash and cash equivalents at the beginning of the financial year		9,993	181,143
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the financial year	10	1,640,178	9,993

The accompanying notes form an integral part of this Statement of cash flows.

Notes to the financial statements

NOTE 1 CORPORATE INFORMATION

Narhex Life Sciences Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

NOTE 2 ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS AND CHANGES TO THE CORPORATIONS ACT 2001

The company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory or became available for early adoption in the current year. None of the Standards adopted had a material impact upon these financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements include the financial statements of the Narhex Life Sciences Limited (the “Company”).

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (“AIFRS”). Compliance with AIFRS ensures that these financial statements comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs.

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Australian dollars which is the Company’s functional and presentation currency.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are then classified and measured as set out below.

Classification and Subsequent Measurement

All financial instruments of the Company are subsequently measured at amortised cost, using the effective interest rate method.

Amortised Cost

Amortised cost is calculated as a) the amount at which the financial asset or liability is measured at initial recognition; b) less principal repayments; c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and d) less any reduction for impairment.

Effective Interest Rate Method

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Derecognition

Financial instruments are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

b) Financial instruments (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortisation cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

c) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

d) Impairment of other tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer Note 3(m)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable to or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequence that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

Deferred Tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authorities and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

f) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instrument at the grant date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

h) Investment in associated entity

The company's interest in its associated entity is brought to account using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of assets in the associated entity. Profits and losses resulting from transactions between the Company and the associated entity are eliminated to the extent of the Company's interest in the associated entity.

i) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. The costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable resources and further work is intended to be performed.

Accumulated costs in relation to an abandoned area will be written off in full against the profit and loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable resources.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

j) Critical accounting judgements and key sources of estimation uncertainty

The directors make a number of estimates and assumptions in preparing general purpose financial statements. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant.

The following key judgement was made in preparing these financial statements:

Capitalisation of exploration costs

The Company tests annually whether the exploration and evaluation expenditure incurred in identifiable areas of interest is expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of reserves and further work is expected to be performed. All expenditure that does not meet these criteria is expensed in accordance with Note 1(i).

NOTE 4 INCOME TAXES

The company has tax losses arising in Australia of \$6,149,211 (2010: \$5,991,061) that are potentially available indefinitely for offset against future taxable profits of the companies in which the losses arose. Due to the low likelihood of the Company generating assessable taxable income to use these losses, the benefit of these tax losses has not been recognised as a deferred tax asset in these financial statements.

NOTE 5 EXPLORATION EXPENDITURE

On 19 May 2011 the Company entered into an option to purchase coal tenements in Central Queensland for an option fee of \$60,000 (2010: \$nil). The option was originally exercisable by the Company up until 19 September 2011. On 29 July 2011 the Company announced that it had entered into Deed of Variation at no additional cost extending the exercise date to 31 December 2011. If the option is exercised, total consideration for the purchase will be \$2,000,000, which may be settled in part in cash (up to a maximum of \$1,000,000) and through shares (up to a million shares at 2 cents a share). The option agreement is subject to certain approvals including but not limited to, ministerial, ASX and shareholder approvals to complete the acquisition. ASX approvals will include re-compliance with Chapters 1 and 2 of the ASX Listing Rules due to a change in the nature and scale of the Company's activities.

	2011 \$	2010 \$

NOTE 6 INVESTMENT IN ASSOCIATED ENTITY

50% shareholding interest in Narhex
Life Sciences International Pty Ltd

	-	125,000
	-	125,000

Narhex Life Sciences International is involved in ongoing research and commercial development of drugs for the treatment of HIV / AIDS. As at 30 June, Narhex held a 50% (2010: 50%) voting interest non-controlling the following results and financial position of the associated entity:

Current assets	81,086	-
Non-current assets	140,774	125,000
Total assets	221,860	125,000
Current and total liabilities	450,671	-
Net deficiency	(228,811)	125,000
Revenues	168,440	-
Expenses	(441,858)	-
Loss before income tax	(273,418)	-
Income tax expense	-	-
Loss after income tax	(273,418)	-

Under the Shareholder's Agreement setting out the ownership interest in Narhex Life Sciences International Pty Ltd, the Company will be required to contribute capital of up to \$500,000 once the other shareholder has contributed capital of \$500,000. Should this event arise, the Company can elect to:

- Make its contribution and retain its interest;
- Not make its capital contribution and have its interest diluted as the other shareholder will have the capacity to increase its interest in Narhex Life Sciences International Pty Ltd through acquisition of the Company's shares and further investment in Narhex Life Sciences International Pty Ltd; or
- Part thereof.

	2011 \$	2010 \$
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NOTE 7 ISSUED CAPITAL

Fully paid ordinary shares and authorised capital

Balance at beginning of financial year	13,259,713	13,174,933
Consolidation of capital 1 for 10 basis approved by shareholders at the Annual General Meeting on 5 November 2010	(13,259,713)	-
Issue of fully paid ordinary shares at 0.3 cents per share approved at the 5 November 2010 general meeting	480,000	-
Issue of shares under Prospectus in January 2011	2,500,000	-
Costs directly attributable to the issue of share capital	(356,971)	-
Bonus shares issued to Directors	-	84,780
	<u>2,623,029</u>	<u>13,259,713</u>

Number of shares

No

No

Fully paid ordinary shares and authorised capital

Balance at beginning of financial year	201,172,902	196,672,902
Consolidation of capital 1 for 10 basis approved by shareholders at the Annual General Meeting on 5 November 2010	(181,055,552)	-
Issue of fully paid ordinary shares at 0.3 cents per share approved at the 5 November 2010 general meeting	160,000,000	-
Issue of shares under Prospectus in January 2011	250,000,000	-
Bonus shares issued to Directors	-	4,500,000
	<u>430,117,350</u>	<u>201,172,902</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 8 SHARE-BASED PAYMENT RESERVE

The share-based payment reserve represents unissued capital in respect of the company's issued unlisted options. For further details concerning the company's unlisted options refer to note 12 share-based payments.

	2011 \$	2010 \$
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NOTE 9 LOSS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Net loss attributable to ordinary equity holders (used in calculating diluted EPS) – continuing and discontinuing operations.	<u>(527,165)</u>	<u>224,122</u>
Net loss attributable to ordinary equity holders (used in calculating diluted EPS) – continuing operations.	<u>(527,165)</u>	<u>188,183</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation*	<u>235,596,481</u>	<u>19,901,537</u>

For details of the share consolidation refer to Note 7. The comparative calculation has been amended to reflect the results of the share consolidation. This decreased the weighted average number of ordinary shares for basic and diluted earnings from 199,015,368 to 19,901,537; increased the basic and diluted profit/(loss) per share from continuing and discontinuing operations from 0.1 cents to 1.1 cents per share; and increased the basic and diluted profit/(loss) per share from continuing operations from 0.1 cents to 0.9 cents per share.

NOTE 10 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	2011	2010
	\$	\$
Cash at bank	1,640,178	9,993
	<u>1,640,178</u>	<u>9,993</u>

(b) Reconciliation of loss for the period to net cash flows from operating activities

Net Loss	(527,165)	224,122
Adjustments for		
Finance costs	-	24,657
Forgiveness of creditors' claims	(54,152)	(848,761)
Profit on loss of control of subsidiary	-	(35,939)
Share-based payments	18,173	84,780
Share of net loss of associated entity	125,000	-
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	(50,196)	-
(Decrease)/increase in liabilities:		
Trade and other payables	<u>(318,579)</u>	<u>228,191</u>
	<u>(806,919)</u>	<u>(319,950)</u>

NOTE 11 FINANCIAL INSTRUMENTS

(a) Financial risk management policies

The Company's principal financial instruments comprise cash and short-term deposits, trade and other payables and financial liabilities as disclosed in the financial statements. The main purpose of these financial instruments is to manage the working capital needs of the Company's operations. It is the Company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is liquidity risk. The board reviews and agrees policies for managing this risk is summarized below.

(i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(iii) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

The directors consider that the carrying amounts of financial assets and financial liabilities which are all recorded at amortised cost less accumulated impairment charges in these financial statements, approximate their fair values.

NOTE 12 SHARE-BASED PAYMENTS

The company has the following unlisted options, all of which were issued on 14 July 2011.

Name	Reason for the issue of the options	Number	Exercise price	Expiry date
Peter Christie	Directors' fees	2,500,000	2 cents	14 July 2014
David Mandel	Directors' fees	2,500,000	2 cents	14 July 2014
Peter Nash	Directors' fees	2,500,000	2 cents	14 July 2014
Subtotal		7,500,000		
John Majewski*	Technical and corporate consultancy services in relation to the Company's technology and recapitalisation	2,500,000	2 cents	14 July 2014
Total		10,000,000		

*John Majewski, the original founder of the company is a significant shareholder of Narhex Life Sciences Limited.

The fair value of each parcel of options granted on 7 June 2011 and issued on 14 July 2011 is \$52,500 of which the following portion, in-acordance with the option's vesting conditions was expensed to the profit and loss for the year ending 30 June 2011:

- \$13,630 for Directors' fees
- \$4,543 in Administration costs

In determining the fair value according to the Black-Scholes Option Pricing Model for each parcel of options issued on 14 July 2011 the following assumptions and inputs (in addition to those noted above) were relevant:

- The options cannot be exercised for an escrow period of 12 months after the date of issue and must trade at a minimum price of 5 cents per share for a minimum of 10 consecutive trading days after the expiry of the escrow period;
- If the options are all exercised the share capital of the company would dilute by approximately 1.71%;
- The sharemarket price for Narhex Life Sciences Limited for the 3 month period prior to the granting of the options was the following:
 - Highest value on 19 May 2011 - 3.5 cents
 - Lowest value on 18 March 2011 – 1.6 cents
 - Share price on grant date – 3 cents
- Volatility was estimated at 100% for the company future price movement; and
- A risk-free rate of 4.92% for the government 3-year bond rate at 25 May 2011

NOTE 13 KEY MANAGEMENT PERSONNEL COMPENSATION

Details of Key Management Personnel

The directors and other members of key management personnel of the Company during the year were:

Mr Peter Nash (Director) *(appointed 7 October 2004)*

Dr Michael Cohen (Chairman, Executive Director) *(deceased 19 November 2009)*

Mr David Mandel (Director) *(appointed 16 October 2009, resigned 28 January 2010 and reappointed 17 May 2010)*

Mr Ian Reynolds (Director) *(appointed 9 June 2010)*

Mr Anthony Say (Director) *(appointed 17 May 2010)*

Mr Peter Christie (appointed as Chairman on 13 January 2011)

Mr Simon Lill (Director) (appointed 13 January 2011)

Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Company is set out below:

	2011 \$	2010 \$
Short term employee benefits	35,416	91,294
Post-employment benefits	700	7,533
Termination benefits	-	25,000
Share-based payments	13,630	84,780
	49,746	208,607

NOTE 14 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 13 to the financial statements.

ii. Key management personnel equity holdings

Fully paid ordinary shares of Narhex Life Sciences Limited

	Balance at 1 July or on date of appointment No.	Shares disposed in off-market sale	Consolid- ation of share capital	Share- based payment	Shares acquired through off-market placement	Balance at 30 June or on date of resignation No.
2011						
Mr David Mandel	1,500,000	-	(1,350,000)	-	-	150,000
Mr Ian Reynolds*	740,000	-	(666,000)	-	-	74,000
Mr Peter Nash	4,000,000	(3,500,000)	(450,000)	-	-	50,000
Mr Anthony Say	-	-	-	-	-	-
Mr Simon Lill	4,000,000	-	-	-	-	4,000,000
Total	10,240,000	(3,500,000)	(2,466,000)	-	-	4,274,000
2010						
Mr David Mandel	-	-	-	1,500,000	1,500,000	1,500,000
Mr Ian Reynolds*	740,000	-	-	-	-	740,000
Dr Michael Cohen	1,740,000	-	-	-	-	1,740,000
Mr Peter Nash	1,000,000	-	-	3,000,000	3,000,000	4,000,000
Total	3,480,000	-	-	-	4,500,000	7,980,000

For details concerning unlisted options held by key management personnel, refer to note 12, share-based payments.

NOTE 15 REMUNERATION OF AUDITORS

	2011 \$	2010 \$
Auditor of the Company – Nexia ASR		
Audit or review of the financial statements	40,000	28,595
Other non audit services – tax compliance	-	-
	<u>40,000</u>	<u>28,595</u>

NOTE 16 SUBSEQUENT EVENTS

On 8 July 2011 the company held an Annual General Meeting, outcomes of which were the re-election of the company's directors, the issue of unlisted options to certain Directors and a consultant to the company.

NOTE 17 SEGMENT NOTE

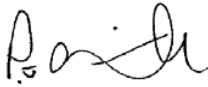
The company operates in one segment and geographical location, being an investment company operating within Australia.

Directors' declaration

1. In the opinion of the Directors of the Company:
 - a. the accompanying financial statements, notes and additional disclosures of the Company and of the consolidated entity are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board



Mr Peter Christie
Chairman

Perth
29 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NARHEX LIFE SCIENCES LTD

Report on the Financial Report

We have audited the accompanying financial report of Narhex Life Sciences Ltd, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for Qualified Opinion

- The 30 June 2009 financial report was accompanied by a disclaimer of auditor's opinion. We were unable to satisfy ourselves in relation to the impact (if any) the opening 30 June 2009 balance sheet may have had on the 2010 comparative figures in the financial report by other means.
- The company holds a 50% interest in Narhex Life Sciences International Pty Ltd, which in turn holds a 75% interest in Xi'an Hex Life Sciences Limited (incorporated in China). The interest in Narhex Life Sciences International Pty Ltd is accounted for as an associate for the reasons described in Note 6.

The financial reports of Narhex Life Sciences International Pty Ltd and Xi'an Hex Life Sciences Pty Ltd were not audited, and we were not able to obtain audit evidence in relation to the financial reports of these entities by other means, and the impact (if any) on the following account balances:

- Share of net loss of associated entity
- Investment in associated entity

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of Narhex Life Sciences Ltd is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date;
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- complying with International Financial reporting Standards as disclosed in note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for Qualified Auditor's Opinion on the Remuneration Report

The company had a subsidiary entity in China (Xi'an Hex Life Sciences Co Ltd) from 1 July 2009 to 24 June 2010. We were unable to obtain sufficient appropriate audit evidence in relation to this entity for the comparative period. We were unable to conclude whether any key management personnel exist for this entity whose remuneration should be disclosed in the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Qualified Auditor's Opinion on the Remuneration Report

In our opinion, except for the effect on the Remuneration report of the matter referred to in the preceding paragraph, the Remuneration Report of Narhex Life Sciences Ltd for the year ended 30 June 2011. complies with section 300A of the *Corporations Act 2001*.



Nexia ASR

ABN 16 847 721 257



GEORGE S. DAKIS

Partner

Audit & Assurance Services

Melbourne

29 September 2011

ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 20 September 2011.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders
1 – 1,000	268
1,001 – 5,000	396
5,001 – 10,000	124
10,001- 100,000	143
More than 100,000	231
Total	1,162

There were 853 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

Shareholder Name	Issued Ordinary Shares	
	Number	% of shares
Mr Jason Peterson & Mrs Lisa Peterson <J&L Peterson S/F A/C>	45,000,000	10.46%
Narhex Life Sciences Development Limited	40,000,000	9.30%
Mr Mark Bahen & Mrs Margaret Bahen <Superannuation A/C>	30,000,000	6.97%

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	% of Shares
Mr Jason Peterson & Mrs Lisa Peterson <J&L Peterson S/F A/C>	45,000,000	10.46%
Narhex Life Sciences Development Limited	40,000,000	9.30%
Mr Mark Bahen & Mrs Margaret Bahen <Superannuation A/C>	30,000,000	6.97%
IML Holdings Pty Ltd	15,000,000	3.49%
Foster West Securities Pty Ltd <Spartacus A/C>	12,500,000	2.91%
Mr John Della Bosca <JA&JG Della Bosca Family A/C>	10,000,000	2.32%
Brijohn Nominees Pty Ltd <Nelsonio A/C>	8,400,000	1.95%
Milwal Pty Ltd <Chester A/C>	8,000,000	1.86%
Milwal Pty Ltd <The Price Super Fund>	8,000,000	1.86%
Blu Bone Pty Ltd <The Share Trading A/C>	5,500,000	1.28%
Mr Wladyslaw Hendryk Stanislaw Cybula <Cybula Subscription Unit A/C>	5,000,000	1.16%
Trident Capital Pty Ltd	5,000,000	1.16%
Kobia Holdings Pty Ltd <The Kobia A/C>	4,500,000	1.05%
Simon Lill	4,000,000	0.93%
Vagabond Resources Pty Ltd	4,000,000	0.93%
Mr Simon Jenkins & Mrs Zoe Jenkins <Jenkins Retirement Fund A/C>	4,000,000	0.93%

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Mrs Grace De Vita	4,000,000	0.93%
Lenoir Capital Pty Ltd	4,000,000	0.93%
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,750,000	0.87%
Mr Garry McQuillan & Ms Julie Bethune <McQuillan Super Fund A/C>	3,750,000	0.87%
Top 20 Total	224,400,000	52.17%

D. Listed Options

As at the date of this report there were nil listed options on issue in the Company.

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

F. Restricted Securities

There are currently no restricted securities.