Narhex Life Sciences Ltd

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16 November 2011

Company Announcements Office
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Dear Sir

COMPANY OPERATIONS - UPDATE

Highlights

- Pre-clinical trials on DG-17 to commence shortly;
- Chinese Academy has identified an alternative route to synthesise DG-17 that will reduce costs at the commercial level;
- Moultrie report concluded and indicates 4 coal targets within EPCA 2303 and EPCA 2304. The Evergreen Measures remain an underexplored but worthwhile target with indications of coking coal potential.

Xi'an Hex Joint Venture

The Company's Joint Venture with Xi'an Hex, managed through its 50% interest in Narhex Life Sciences International Limited ("NLSI") has continued with ongoing development work with the HIV inhibitor drug, DG-17.

Highlights of recent activities include:

- The Chinese Academy of Medical Science that are managing the research program have suggested an alternative route to synthesise DG 17 which should result in a reduced manufacturing cost;
- The Joint Venture owns a building and property in Xi'an, Shaanxi Province, Central China. The Joint Venture has recently advised NLS of their estimate of the property's value at RMB 7,000 per m^2, which values the Company's interest in the building at approximately $1.4M. It should be noted that the ownership structure and agreements does not make the Company's interest readily saleable.
- Rent from the building is currently covering the Joint Venture's operational costs; however the ongoing pre-clinical trial work at the Chinese Academy of Medical Sciences requires additional capital.
- Pre-clinical trials on animals are expected to commence shortly and to take approximately 12 months to achieve approval before commencing clinical trials on humans.

The Company has agreed to invest a further $100,000 into NLSI to retain its 50% interest in that company, and thereby its interest in the Xi'an Hex Joint Venture.

Further Evaluation of Coal Tenements in Central Queensland

As announced to ASX on 19 May 2011, the Company 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 km^2.

The project area covers sedimentary rocks from the Surat Basin, and at much deeper depths, the Bowen Basin, of which are known to contain coal seams of thermal and coking quality, respectively.

The Company is unable to commence any meaningful field work until the EPCAs have been granted, the granting of which is anticipated in the next few months. Instead NLS has commenced its examination of these tenements through researching both the target formations within the EPCA's and investigating their character and distribution throughout Queensland, whilst examining and considering adjacent neighbours exploration motives.

Given some delays in the granting of the EPCAs, Subiaco Capital agreed to extend the term of the options until 31 March 2012, at no extra cost to the Company.

NLS has commissioned a further report from its Independent Geologist, Moultrie Database and Modelling, in respect of the Tenements and their prospectivity, specifically in relation to the Evergreen Formation, where coal occurs in the upper sequence, and is discussed below.

One of the main targets for coal exploration is the Evergreen Formation, which has a lateral correlative in the Eromanga Basin, the Poolwanna Formation and which is largely under-explored in Queensland. Further drilling and sampling is required to quantify the full potential of the Evergreen Formation as a coal resource. There are no current existing or planned coal mines utilising this coal, although thick packages (3-9m) of coal have been intersected beyond 400m depth in the Taroom Trough of the Surat Basin, and in the Poolwanna Formation overlying the Cooper Basin in south-west Queensland, some 250 and 1,250km (respectively) from the current exploration tenure.

Insufficient background research has currently been conducted by any company, the CSIRO, or Universities on the Evergreen Formation coal seams in the Surat Basin, although there is a significant petroleum well data intersections to suggest thick accumulations in places. Thorough investigations failed to find standard coal quality analysis to support the industry folklore that thicker coal seams within the Evergreen Formation are capable of producing semi-soft coking coal products. However analysis of QPED (Queensland Petroleum Exploration Database) information showed that the vitrinite reflectance (RoMax) of Evergreen coal does reach that rank beyond 450m depth, suggesting that suitable targets in the Taroom Trough and in south-west Queensland, in the Eromanga Basin, may provide suitable targets for a new coking coal province.

Although the prospects for finding Evergreen coal seams with coking properties at the depths existing in 2303 and 2304 represent a moderate risk, the current study found that there are actually four (4) primary coal exploration targets, which are, in stratigraphic order:

1. The Surat Basin unit, the Middle Jurassic Mulgildie Coal Measures (current Exploration Target [1-3] 0 – 80Mt[1]);

2. The Surat Basin unit the Lower Jurassic Hutton Sandstone, which is known to host 0.5-1m coal seams of low ash, but restricted aerially;

3. The Surat Basin unit the Lower Jurassic Evergreen Formation, hosting several 1-2m coal seams, producing a high energy thermal coal (current Exploration Target [1-3] 0 - 450Mt);

4. The Bowen Basin Triassic Moolayember Formation, known to host similar thickness coal seams, but on a more localised basis.

There were twenty eight (28) holes historically drilled within or surrounding the EPCA's. These holes were analysed and a cumulative thickness assigned of 1.5m for coal seams within the Mulgildie Coal Measures and 2m for the Evergreen Formation. Several areas previously delineated for a staged drilling and coal quality analysis program were confirmed as still valid.

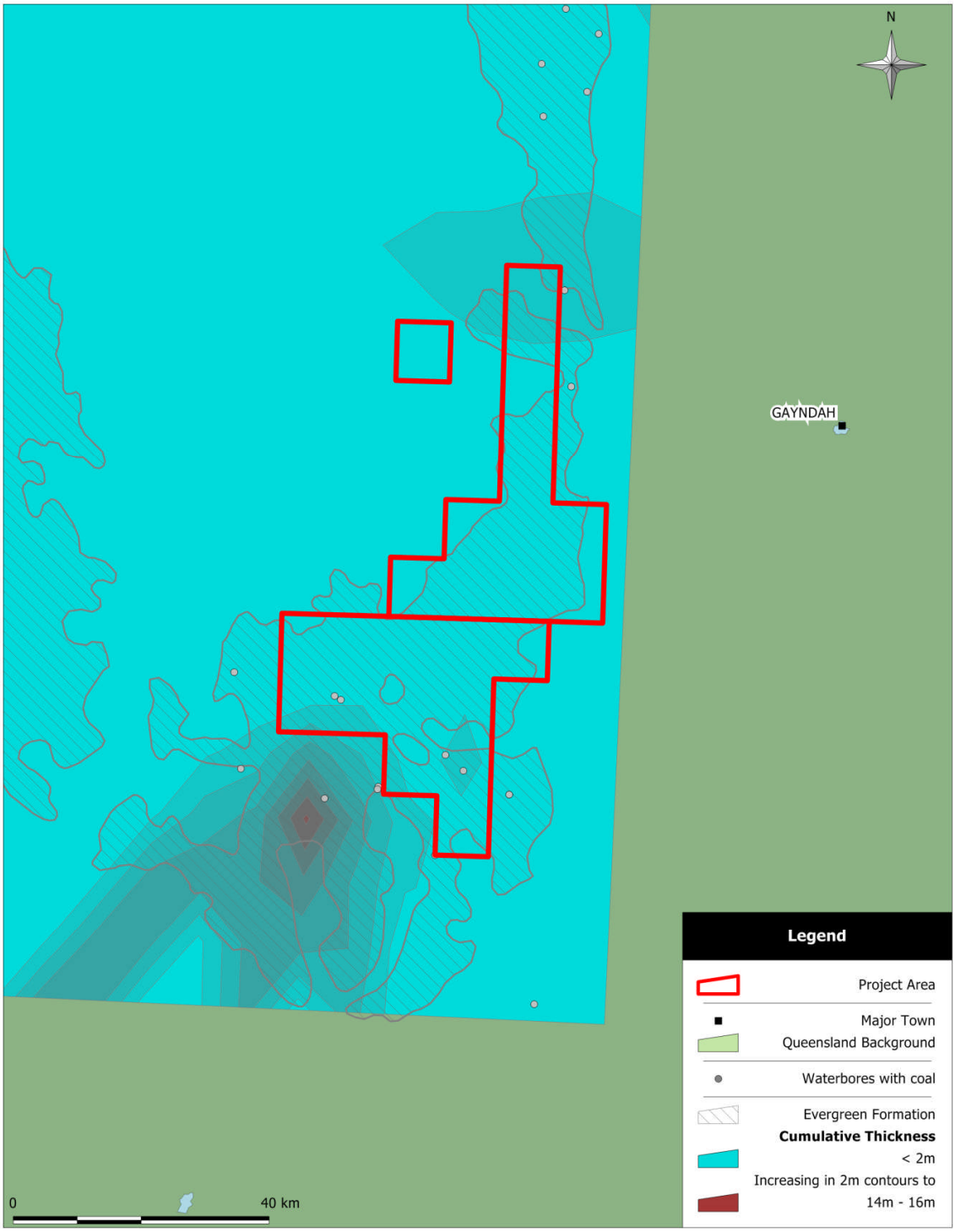
Nonetheless, the Company considers the existing tenures provide a starting point, due to excellent infrastructure. The railway line is 21km east of the project area with it continuing to the port in Gladstone. Additionally, proximity to road and rail infrastructure will provide ease of access to the proposed tenure area and will facilitate the development and delivery of coal to the local eastern Australian and international coal market.

Yours faithfully

Simon Lill
Director
Narhex Life Sciences Limited

[1] Assumes a coal density of 1.55;
[2] Unexpected Geological Loss mostly due to banded seams and loss of seam continuity;
[3] It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a Coal Resource.

Competent Person's Statement - The information in this report that relates to mineral resources is based on information compiled by Mr Mark Biggs who is a Member of the Australasian Institute of Mining and Metallurgy (#107488). Mr Mark Biggs is employed full time by Moultrie Database & Modelling and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mark Biggs has given his consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.



Moultrie Database & Modelling

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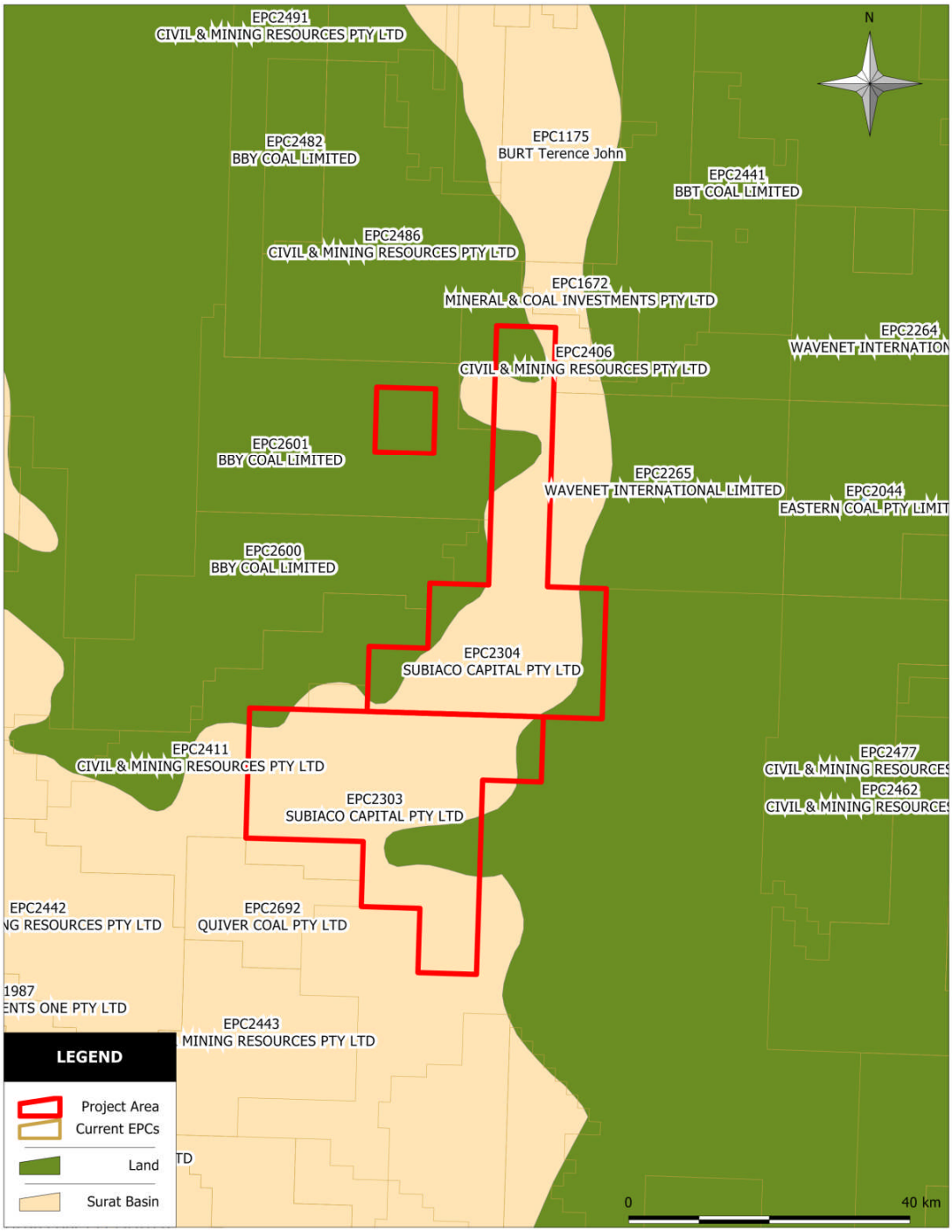
Printed: 13/10/2011
Author: dbreen

EPCA 2303 & 2304

Waterbore & Evergreen Fm Distrubtion



Moultrie Database & Modelling

MOULTRIE GROUP

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Author: dbreen

EPCA2303 & 2304

Surrounding Tenure