

Narhex Life Sciences Limited

ABN 51 094 468 318

Preliminary final report
for the year ended 30 June 2012

In compliance with ASX Listing Rule 4.3A

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Narhex Life Sciences Limited – Preliminary Final Report

ABN 51 094 468 318

Commentary on the results

Reporting period:		Year ended 30 June 2012	
Previous corresponding period:		Year ended 30 June 2011	
Results for announcement to the market			\$
Revenue from ordinary activities	Down 26.1% to	60,939	
Profit /(loss) from ordinary activities after tax attributable to members	Down 57.8 % to	(832,000)	
Net profit /(loss) for the period attributable to members	Down 57.8 % to	(832,000)	
Net tangible asset backing per ordinary share			
Net tangible asset backing per ordinary share (cents) - reporting period		0.25	
Net tangible asset backing per ordinary share (cents) - previous period		0.39	
Dividends		Amount per security	Franked amount per security
Dividend - current reporting period		nil	nil
Dividend - previous corresponding period		nil	nil
The company did not declare or pay a dividend for the year ended 30 June 2012 or for the previous corresponding period.			

Australian Accounting Standards

The financial information provided in this Appendix 4E is based upon the Annual Financial Report which has been prepared in accordance with Australian Accounting Standards.

Commentary on Results for the year

Refer below and the Annual Report for the year ended 30 June 2012 to be released during September 2012.

Earnings per Share

Overall Operations	FY2012	FY2011
Basic and diluted earnings per share (cents per share)	(0.2)	(0.2)
Continuing Operations		
Basic and diluted earnings per share (cents per share)	(0.2)	(0.2)
Discontinued Operations		
Basic and diluted earnings/(loss) per share (cents per share)	-	(0.2)

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OPERATING RESULTS

The loss after tax of the Company for the year ended 30 June 2012 was \$832,000 (2011: loss of \$527,165).

REVIEW OF OPERATIONS

During the year Narhex Life Sciences Limited ("NLS") retained and managed its 50% interest in Narhex Life Sciences International Limited ("NLSI").

NLSI's primary focus has been the development and commercialization of its anti-HIV protease inhibitor DG-17. DG-17 is the water-soluble pro-drug of the active anti-HIV drug DG-35. This development is occurring through NLSI's 75% interest in Xi'an Hex Life Sciences Co. Limited (Xi'an Hex") in China.

Xi'an Hex has signed an agreement with the Institute of Medicinal Biotechnology ("IMB"), part of the Chinese Academy of Medical Sciences, to assist in the ongoing development and approval processes of the DG-17 and DG-35 drugs.

The Institute has recently reported that they have completed the preliminary synthesis and analytical research work associated with the manufacture of DG-17 and DG-35. Consequently they are now commencing Stage II of the research work of their contract, being more detailed synthesis and process work to establish the optimal method of production of the drugs.

The Institute advises of success in synthesizing high purity DG-35 at a lab scale, but have not yet achieved suitable purity of DG-17. Having achieved a high purity DG-17, they will commence in vitro efficacy trials on the drug.

Once a higher purity DG-17 has been synthesized, pilot plant work will commence to produce a higher quantity of high purity DG-17 in anticipation of pre-clinical trial activity.

NLSI is also working in China to simplify the management and reporting structure for all of the Xi'an Hex shareholder interests.

Furthermore, during the year the Company chose not to proceed with exercising an option to acquire two coal tenements in Queensland, notably EPC 2303 and 2304.

On 24 November 2011, the Company entered into three addition option agreements with several vendors over four additional tenements in Queensland considered prospective for coal. The tenements are as follows:

1. EPCA 2769
2. EPCA 2771
3. EPCA 2600 and 2601

EPCA 2769 has an option period of six months from the time the EPCA is granted to the vendor. The total consideration for the purchase of the Tenement will be payable by the Company to the vendor (Coalplay Pty Ltd) as follows:

- the Exercise Price of \$250,000 at Settlement, followed by the potential issue of:
- 50,000,000 Shares at a deemed issue price of \$0.025 per Share upon the Company identifying an inferred JORC resource level of 50,000,000 tonnes of commercial specification coking coal, or 200,000,000 tonnes of commercial specification thermal coal;
- 50,000,000 Shares at a deemed issue price of \$0.025 per Share upon the Company identifying an indicated JORC resource level of 100,000,000 tonnes of commercial specification coking coal or 200,000,000 tonnes of commercial specification thermal coal; and
- 50,000,000 Shares at a deemed issue price of \$0.025 per Share upon the Company identifying an indicated JORC resource level of 200,000,000 tonnes of commercial specification coking coal or 300,000,000 tonnes of commercial specification thermal coal.

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REVIEW OF OPERATIONS (CONTINUED)

The Company has been notified by vendor, Coalplay Pty Limited, on 3 July 2012 of the granting of EPCA 2769 in Queensland. This provides the company with 6 months in which to consider whether or not to exercise the option, which is; by 3 January 2013. The Company is currently considering a suitable program to allow it to consider whether or not to proceed to exercise that option.

EPCA 2771 has an option period of six months from the time the EPCA is granted to the vendor. The total consideration for the purchase of the Tenement will be payable by the Company to the vendor (Coalplay Pty Ltd) as follows:

- the issue of 16,666,668 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an inferred JORC resource level of 100,000,000 tonnes of commercial specification thermal coal or coal of a better grade;
- the issue of 16,666,666 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an indicated JORC resource level of 100,000,000 tonnes of commercial specification thermal coal or coal of a better grade; and
- the issue of 16,666,666 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an inferred JORC resource level of 200,000,000 tonnes of commercial specification thermal coal or coal of a better grade.

EPCA 2600 and 2601 has an option period of six months from the time the EPCA is granted to the vendor. The total consideration for the purchase of the Tenement will be payable by the Company to the Vendor (BBY Coal Pty Ltd) as follows:

- the issue of 8,333,334 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an inferred JORC resource level of 100,000,000 tonnes of commercial specification thermal coal or coal of a better grade;
- the issue of 8,333,333 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an indicated JORC resource level of 100,000,000 tonnes of commercial specification thermal coal or coal of a better grade; and
- the issue of 8,333,333 Shares at a deemed issue price of \$0.04 per Share upon the Company identifying an indicated JORC resource level of 200,000,000 tonnes of commercial specification thermal coal or coal of a better grade.

The tenements EPCA's 2771, 2600 and 2601 are progressing through the grant process in Queensland.

DIVIDENDS

No dividend has been proposed or paid by the Company during the year ended 30 June 2012 (30 June 2011: Nil).

SEGMENT REPORTING

The Company is operating under two business segments, these being, pharmaceuticals, biotechnology & life sciences as well as mineral exploration.

SUBSEQUENT EVENTS

On 23 July 2012, the Company received formal notification from the vendor, Coalplay Pty Ltd, that the Queensland government has granted EPC 2769. Consequently, the 6 month option period in which to decide whether to acquire the tenement from Coalplay has commenced, and expires on the 3 January 2013.

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STATUS OF AUDIT

This Preliminary Final Report is based on the Annual Financial Report which is in the process of being audited. The Directors are unaware of any likely dispute the auditors will report upon; however, consistent with prior periods, a limitation of scope will exist in relation to the availability of documentation in respect of the company's investment in associates.

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Statement of comprehensive income for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Forgiveness of creditors' claims		-	54,152
Other revenue		60,939	28,352
Administration expenses		(598,179)	(481,656)
Exploration costs written off		(110,000)	-
Share based payments		(184,760)	-
Finance costs		-	(3,013)
Share of net loss of associated entity		-	(125,000)
Profit/(loss) before income tax		(832,000)	(527,165)
Income tax benefit		-	-
Net profit/(loss) for the year from continuing operations		(832,000)	(527,165)
Discontinued Operation			
Gain for the year from discontinued operation after tax		-	-
Loss for the year		(832,000)	(527,165)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(832,000)	(527,165)
From continuing and discontinued operations			
Earnings per share (basic and diluted) (cents)	4	(0.2)	(0.2)
From continuing operations			
Earnings per share (basic and diluted) (cents)	4	(0.2)	(0.2)

The accompanying notes form an integral part of this Statement of comprehensive income.

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Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents		951,615	1,640,178
Trade and other receivables		105,859	50,196
Total Current Assets		1,057,474	1,690,374
NON-CURRENT ASSETS			
Exploration expenditure		117,095	60,000
Investment in associated entity	2	-	-
Total Non-Curent Assets		117,095	60,000
Total Assets		1,174,569	1,750,374
CURRENT LIABILITIES			
Trade and other payables		87,648	16,213
Financial liabilities		-	-
Total Current Liabilities		87,648	16,213
Total Liabilities		87,648	16,213
Net Assets /(Deficiency)		1,086,921	1,734,161
EQUITY			
Issued capital	3	2,623,029	2,623,029
Reserves		202,933	18,173
Accumulated losses		(1,739,041)	(907,041)
Total Equity / (Deficiency)		1,086,921	1,734,161

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

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Statement of changes in equity for the financial year ended 30 June 2012

	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 2011	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
Balance at 1 July 2011	2,623,029	18,173	-	(907,041)	1,734,161	-	1,734,161
Loss for the year	-	-	-	(832,000)	(832,000)	-	(832,000)
Total recognised income and expense	-	-	-	(832,000)	(832,000)	-	(832,000)
Share-based payments	-	184,760	-	-	184,760	-	184,760
Consolidation of share capital	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-
Costs directly attributable to issue of share capital	-	-	-	-	-	-	-
Balance at 30 June 2012	2,623,029	202,933	-	(1,739,041)	1,086,921	-	1,086,921

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

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Statement of cash flows for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash payments in the course of operations		(579,771)	(803,906)
Interest paid		(528)	(3013)
Net cash flows used in operating activities		(580,299)	(806,919)
Cash flows from investing activities			
Cash outflows from loss of control of subsidiary			-
Payment for exploration expense		(167,095)	(60,000)
Purchase of property, plant and equipment			-
Interest received		58,831	-
Net cash flows used in investing activities		(108,264)	(60,000)
Cash flows from financing activities			
Costs of capital raising		-	(356,971)
Proceeds from director-controlled entity – Tittel Pty Ltd		-	-
Proceeds from convertible note		-	-
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
Net decrease in cash and cash equivalents		(688,563)	1,630,185
Cash and cash equivalents at the beginning of the financial year		1,640,178	9,993
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		951,615	1,640,178

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

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Notes to the Preliminary Financial Report for the financial year ended 30 June 2012

NOTE 1 EXPLORATION EXPENDITURE

On 24 November 2011, the Company announced they had entered into three additional option agreements over four additional tenements in Central Queensland considered prospective for coal, namely EPCA 2769, EPCA 2771, EPCA 2600 and EPCA 2601. All these tenements have an option period of six months from the time the EPCA is granted to the Vendor.

On 5 January 2012, the Company announced the extension of option period in relation to EPC 2303 and 2304 to expire on 30 June 2012. However, during the year, the Company chose not to proceed with exercising an option to acquire these two coal tenements in Queensland.

Subsequent to the financial year end, EPC 2769 has been granted to the Vendor. The Company has a six month period in which to decide whether to acquire the tenement from the Vendor. This option expires on 3 January 2013.

The option agreements are 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.

	2012 \$	2011 \$
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NOTE 2 INVESTMENT IN ASSOCIATED ENTITY

50% shareholding interest in
Narhex Life Sciences International
Pty Ltd

-	-
-	-

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% (2011: 50%) voting interest non-controlling the following results and financial position of the associated entity:

Current assets	53,031	81,086
Non-current assets	431,589	140,774
Total assets	484,620	221,860
Current and total liabilities	372,248	450,671
Net assets/deficiency	112,372	(228,811)
Revenues	2,981	168,440
Expenses	(20,559)	(441,858)
Loss before income tax	(17,578)	(273,418)
Income tax expense	-	-
Loss after income tax	(17,578)	(273,418)

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NOTE 2 INVESTMENT IN ASSOCIATED ENTITY (CONTINUED)

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.

	2012		2011
	\$		\$

NOTE 3 ISSUED CAPITAL

Fully paid ordinary shares and authorised capital

Balance at beginning of financial year	2,623,029	13,259,713
<i>Movement during the 2010/2011:</i>		
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	-	-
<i>Movement during the 2011/2012:</i>		
No movements	-	-
	<u>2,623,029</u>	<u>2,623,029</u>

Number of shares

No No

Fully paid ordinary shares and authorised capital

Balance at beginning of financial year	430,117,350	201,172,902
<i>Movement during the 2010/2011:</i>		
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	-	-
<i>Movement during the 2011/2012:</i>		
No movements	-	-
	<u>430,117,350</u>	<u>430,117,350</u>

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NOTE 3 ISSUED CAPITAL (CONTINUED)

Fully paid ordinary shares carry one vote per share and carry the right to dividends. In the event of winding up the Company, 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.

	2012 \$		2011 \$

NOTE 4 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>(832,000)</u>	<u>(527,165)</u>
Net loss attributable to ordinary equity holders (used in calculating diluted EPS) – continuing operations.	<u>(832,000)</u>	<u>(527,165)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation*	<u>430,117,350</u>	<u>235,596,481</u>

Signed:



Simon Lill
Director
Narhex Life Sciences Limited

Dated: 31st August 2012