RULE 4.2A

APPENDIX 4D

Half-year Report for the period ending 31 December 2012

1. Name of entity

NARHEX LIFE SCIENCES LIMITED

ABN	Reporting Period	Previous Corresponding Period
51 094 468 318	Half year ended 31 December 2012	Half year ended 31 December 2011

2. Results for Announcement to the Market

Financial Results				$A
Revenues from ordinary activities *(item 2.1)*	Down	66 %	to	12,340
Profit/(Loss) from ordinary activities after tax attributable to members (*item 2.2*)	Down	114 %	to	(589,833)
Net (loss) for the period attributable to members *(item 2.3)*	Down	114 %	to	(589,833)

Final and interim dividends *(item 2.4)*	It is not proposed that either a final or interim dividend be paid .
Record date for determining entitlements to the dividend *(item 2.5)*	N/A
Brief explanation of any of the figures reported above (*item 2.6*):	The loss for the period includes expenses relating to administration expenses and exploration expenditure. Refer attached Interim Financial Report for additional details.

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share (*Item 3)*	0.12 cents	0.36 cents

4. Control gained over entities

Details of entities over which control has been gained or lost (*item 4*)	There has been no change to the subsidiaries during the period.

5. Dividends paid and payable

Details of dividends or distribution payments *(item 5)*	No dividends or distributions are payable.

6. Dividend reinvestment plans

Details of dividend or distribution reinvestment plans *(item6)*	There is no dividend reinvestment program in operation for Narhex Life Sciences Limited

7. Details of associates

Details of associates and joint venture entities *(item 7)*	Narhex Life Sciences Limited has a 50% interest in Narhex Life Sciences International Pty Ltd .

8. Foreign entities

Foreign entities to disclose which accounting standards are used in compiling the report *(item 8)*	N/A

9. Review Opinion

Details of any audit dispute or qualification *(item 9)*

Basis for Qualified Auditor's Conclusion

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 8.

The financial reports of Narhex Life Sciences International Pty Ltd and Xi'an Hex Life Sciences Pty Ltd have never been 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 financial position of the Narhex Life Sciences Limited as at 31 December 2012, if any, and on the following account balances, and:

- Share of net loss of associated entity; and
- Investment in associated entity.

Emphasis of Matter – Going Concern

Attention is drawn to the following matter. As a result of the matters described in the section entitled "Key Judgments – Going Concern" in Note 2(a) to the financial statements for the period ended 31 December 2012, there is an inherent uncertainty whether the Company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Narhex Life Sciences Limited

ABN 51 094 468 318

Financial Report
for the half year ended 31 December 2012

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

These financial statements are 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 2 to 5. The directors' report is not part of the financial statements.

Directors

Mr Peter Nash (Director) *(appointed 7 October 2004, resigned on 22 June 2012)*

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

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

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

Mr Ian Reynolds (Director) (*appointed 9 June 2010, resigned 13 January 2011, and reappointed 22 February 2013)*

Joint Company Secretary

Ms Nicki Farley (*resigned 30 January 2012, reappointed 7 November 2012)*

Ms Paige Exley (*appointed 30 January 2012, resigned 7 November 2012)*

Registered and Principal Office

Level 24, 44 St Georges Tce,
PERTH WA 6000

Auditors

Nexia Melbourne
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

Directors' report

The directors of Narhex Life Sciences Limited (the "Company") submit herewith the interim financial statements of the Company for the half year ended 31 December 2012.

Directors and executive details

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

Mr Peter Nash (Director) *(appointed 7 October 2004, resigned on 22 June 2012)*

Mr David Mandel (Director) *(appointed Chairman on 19 November 2009, resigned on 28 January 2010 and reappointed as Director on 17 May 2010)*

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

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

Mr Ian Reynolds (Director) (*appointed 9 June 2010, resigned 13 January 2011, and reappointed 22 February 2013)*

Executive functions have been carried out by Mr. Simon Lill and Mr David Mandel.

Principal activities

The principal activity 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. The Company is also involved in mineral exploration.

Operating results

The loss after tax of the Company for the half year ended 31 December 2012 was $589,833 (2011: loss $275,079).

Directors' report

REVIEW OF OPERATIONS

Anti-HIV Protease Inhibitor

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 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. It also has an investment in the development; manufacturing and marketing of HIV related diagnostics and therapeutic products.

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

The highlights for the period to 31 December 2012 include the following:

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;
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.

Potential Coal Developments in Queensland

The Company has had various coal tenements in Queensland under option. During 2012 it chose not to proceed with two coal tenements, being EPC 2303 and EPC 2304.

As the year end approached it retained the following tenements under option, being:

EPCA 2769
EPCA 2771
EPCA's 2600 and 2601

The focus of the Company's activities had been on EPCA 2769 which commenced a Due Diligence program, including some exploratory drilling, in October of 2012. The Company reported to the market that the results were disappointing, with none of the 3 holes encountering coal seams of any significance and none being drilled to the planned depth.

FUTURE DEVELOPMENTS

The Company, on the 27th December 2012, announced its intent, subject to due diligence, to enter into the gold and diamond mining sector through a Letter Agreement with Golden Saint Australia Limited to acquire its interest in Golden Saint Liberia Limited ("GSL"). GSL is a Liberian registered company that is the registered holder and beneficial owner of 80% of mining tenements in Liberia, namely Block 71 – The Grand Cape, and Block 72 – Mount Henry/Gengba. The other 20% of the tenements are owned by Target Resources Limited of Liberia, the former owners of the Tenements.

Both Blocks are targets for primary and secondary gold and diamond occurrences. In the artisanal workings, gold is associated mainly with quartz veins in addition to sedimentary gold along streams. Diamonds are also being recovered in the stream systems. This indicates prospectivity for kimberlites because the Man Craton is a known host of diamondiferous kimberlites which can report high grades, high quality and larger stone sizes.

Acquisition Terms

- A non-refundable deposit of $50,000 is to be paid;
- Narhex is to conduct a due diligence in relation to the Company and the Tenements (including a Geological Review of the Tenements) before May 1 2013;
- If the Due Diligence results are acceptable the Parties are to enter into a formal Share Purchase Agreement ("SPA") by June 1 2013;

Directors' report

- A further $50,000 is payable on Execution of the SPA;
- Narhex, on obtaining shareholder approval for the transaction, and recomplying with Chapters 1 and 2 of the ASX Listing Rules, would issue Performance Shares to the Seller that would convert to ordinary shares on attaining the following milestones:

Milestone Event (JORC Compliant Resources)	Number of Shares to be Issued
1. 250,000 ounces @ > 2g/t	50,000,000
2. 500,000 ounces @ > 2g/t	50,000,000
3. 1,000,000 ounces @ > 2g/t	100,000,000
4. 1,500,000 ounces @ > 2g/t	100,000,000
5. 2,500,000 ounces @ > 2g/t	300,000,000
6. 3,000,000 ounces @ > 2g/t	300,000,000
Potential Total Shares to be Issued	900,000,000

The shares will most likely require consolidation to re-comply with Chapters 1 and 2, and the Performance Shares to be issued will be consolidated in accordance with that ratio.

The Buyer agrees to spend a minimum of $5,000,000 on, or in relation to, the Tenements in order to acquire 100% of the issued capital of GSA, with the Seller Transferring a proportional interest to the Company as follows:

- 25% of the Shares upon the Buyer having incurred $1,250,000 in relation to the Tenements;
- 25% of the Shares upon the Buyer having incurred $2,500,000 in relation to the Tenements;
- 25% of the Shares upon the Buyer having incurred $3,750,000 in relation to the Tenements; and
- 25% of the Shares upon the Buyer having incurred $5,000,000 in relation to the Tenements.

The Sellers are also entitled to Nominate 2 persons to the Board of Directors on completion of the transaction. At the date of this report the Sellers have not advised who their nominees are likely to be.

Recompliance With Chapters 1 And 2 of the ASX Listing Rules

Following execution of the SPA the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to finalising the acquisition. Narhex will call a meeting of shareholders, at which the shareholders will be asked to vote on the proposal to acquire GSA. If the shareholders approve the transaction to acquire GSA, the Company's shares will be suspended from trading on the ASX until the requirements of Chapters 1 and 2 of the ASX Listing Rules have been satisfied.

Subsequent events

Subsequent to year end, an extension to the option agreement in relation to EPC 2769 had been negotiated until January 31 2013. On January 31, 2013, Narhex decided against exercising the option, and has reached an agreement with the vendors to waive all option agreements on the other 4 tenements, and assist the vendors in presenting all tenements as part of a sale package, in exchange for rights to 5% of the cash sale proceeds and 7 ½% of any equity sale proceeds, providing a sale is achieved by December 31 2013.

On 22 February 2013, Mr Ian Reynolds was appointed as a Director of the Company.

Also subsequent to year end, the Company has commenced Due Diligence activities on the mining tenements in Liberia that it is proposing to acquire from Golden Saint Australia Limited ("GSA" or "Seller") through the acquisition of its interests in Golden Saint Liberia Limited ("GSL"). The process of transferring the tenements to GSL has also commenced.

Dividends

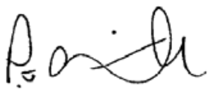
No dividend has been proposed or paid.

Directors' report

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of this report.

Signed in accordance with a resolution of the directors



Mr Peter Christie
Chairman

Perth
28th February 2013

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012, 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

NEXIA MELBOURNE
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

28 February 2013

Statement of profit or loss and other comprehensive income
for the half year ended 31 December 2012

	Note	December 2012 $	December 2011 $
Interest revenue		12,340	35,747
Administration expenses		(241,283)	(19,748)
Employee benefits expense		(63,067)	(154,700)
Finance costs		(267)	(280)
Exploration expenditure	9	(297,556)	(136,098)
Share of net loss of associate	8	-	-
Loss before income tax		(589,833)	(275,079)
Income tax benefit		-	-
Loss for the half year		(589,833)	(275,079)
Other comprehensive income		-	-
Comprehensive income for the half year		(589,833)	(275,079)
From continuing operations Earnings per share (basic and diluted) (cents)	4	(0.1)	(0.1)

Statement of financial position
as at 31 December 2012

		31 December 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		519,653	951,615
Trade and other receivables		27,297	105,123
Prepayments		6,211	-
Total Current Assets		553,161	1,056,738
NON-CURRENT ASSETS			
Exploration expenditure	9	-	117,095
Total Non-Curent Assets		-	117,095
Total Assets		533,161	1,173,833
CURRENT LIABILITIES			
Trade and other payables		49,006	86,912
Total Current Liabilities		49,006	86,912
Total Liabilities		49,006	86,912
Net Assets		504,155	1,086,921
EQUITY			
Issued capital	5	2,623,029	2,623,029
Reserves	6	210,000	202,933
Accumulated losses	4	(2,328,874)	(1,739,041)
Total Equity / (Deficiency)		504,155	1,086,921

Statement of changes in equity
for the half year ended 31 December 2012

	Fully paid ordinary shares $	Equity-settled benefits reserve $	Accumulated losses $	Total $
Balance at 1 July 2011	**2,623,029**	**18,173**	**(907,041)**	**1,734,161**
Loss for the period	-	-	(275,079)	(275,079)
Total recognised income and expense	**-**	**-**	**(275,079)**	**(275,079)**
Share based payments	-	92,885	-	92,885
Issue of fully paid ordinary shares	-	-	-	-
Balance at 31 December 2011	**2,623,029**	**111,058**	**(1,182,120)**	**1,551,967**
Balance at 1 July 2012	**2,623,029**	**202,933**	**(1,739,041)**	**1,086,921**
Loss for the period	-	-	(589,833)	(589,833)
Total recognised income and expense	**-**	**-**	**(589,833)**	**(589,833)**
Share based payments	-	7,067	-	**7,067**
Issue of fully paid ordinary shares	-	-	-	-
Balance at 31 December 2012	**2,623,029**	**210,000**	**(2,328,874)**	**504,155**

Statement of cash flows
for the half year ended 31 December 2012

	Note	December 2012 $	December 2011 $
Cash flows from operating activities			
Cash payments in the course of operations		(444,035)	(211,299)
Interest received		12,340	35,747
Interest paid		(267)	(280)
Net cash flows used in operating activities		(431,962)	(175,832)
Cash flows from investing activities			
Payments for exploration expense	9	-	(107,399)
Net cash flows used in investing activities		-	(107,399)
Cash flows from financing activities			
Proceeds from the issue of shares		-	-
Payments for share issue costs		-	-
Net cash flows provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(431,962)	(283,231)
Cash and cash equivalents at the beginning of the half year		951,615	1,640,178
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the half year		**519,653**	**1,356,947**

Notes to the financial statements

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

These half year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Narhex Life Sciences Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the Company and are consistent with those in the June 2012 financial report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half year.

2(a) Key Judgment - Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The company incurred an operating loss of $589,833 for the period ended 31 December 2012 (31 December 2011: $275,079) and a net cash outflow from operating activities amounting to $421,962 (31 December 2011: $ 175,832).

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional funds. The Directors believe that their plans moving forward will allow the Company to raise additional funds based on the Company’s potential new mining interests in Liberia. Consequently the Directors have prepared a cash flow forecast which indicates that the company will have sufficient cash flow to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.

As there is some uncertainty as to the conclusion of the Liberian transaction and hence the Company’s ability to raise capital, there is consequently some doubt about the ability of the company to continue as a going concern.

However the Directors believe it is appropriate to prepare these accounts on a going concern basis because:

The Company have commenced Due Diligence activities on the mining tenements in Liberia that it is proposing to acquire from Golden Saint Australia Limited (“GSA” or “Seller”) through the acquisition of its interests in Golden Saint Liberia Limited (“GSL”). The process of transferring the tenements to GSL has also commenced. In light of the company’s current exploration projects, the Directors believe that the additional capital required can be raised in the market.

NOTE 3 ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

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 period. None of the Standards adopted had a material impact upon these financial statements.

Notes to the financial statements

	December 2012 $		December 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:

	December 2012 $	December 2011 $
Net loss for the half year attributable to ordinary equity holders (used in calculating diluted EPS) – continuing operations:	(589,833)	(275,079)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation	430,117,350	430,117,350

NOTE 5 ISSUED CAPITAL

	December 2012	
	No	$
Fully paid ordinary shares and authorised capital		
Balance at beginning of the financial period	430,117,350	2,623,029
Issue of fully paid ordinary shares at	-	-
Balance at the end of the financial period	430,117,350	2,623,029

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NOTE 6 RESERVES

	December 2012 $		June 2012 $

The share-based payment reserve represents unissued capital in respect of the company's issued unlisted options

	December 2012 $	June 2012 $
Share based payment reserve	(210,000)	(202,933)

For further details concerning the company's unlisted options refer to note 7 share-based payments.

Notes to the financial statements

NOTE 7 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	Option Valuation	Expiry date
Peter Christie	Directors' fees	2,500,000	2 cents	$52,500	14 July 2014
David Mandel	Directors' fees	2,500,000	2 cents	$52,500	14 July 2014
Peter Nash	Directors' fees	2,500,000	2 cents	$52,500	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	$52,500	14 July 2014
Total		**10,000,000**		$210,000	

*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 issued on 14 July 2011 is $52,500 of which the following portion, in-accordance with the option's vesting conditions was expensed to the profit and loss for the period ended 31 December 2012:

- $7,067 for Share based payment expense

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 being 12 months after the date of issue and before the options can be exercised the Company's shares 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 share market 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

Notes to the financial statements

NOTE 8 INVESTMENT IN ASSOCIATED ENTITY

	December 2012 $	June 2012 $
		-
50% shareholding interest in Narhex Life Sciences International Pty Ltd at cost	-	-
Share of net loss of associate	-	-
As at 31 December	-	-

Narhex Life Sciences International Pty Ltd is involved in ongoing research and commercial development of drugs for the treatment of HIV / AIDS. As at 31 December 2012, Narhex held a 50% (2011: 50%) voting interest non-controlling of the associated entity:

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.

NOTE 9 EXPLORATION EXPENDITURE

The Company has had various coal tenements in Queensland under option. During 2012 it chose not to proceed with two coal tenements, being EPC 2303 and EPC 2304.

As the year end approached it retained the following tenements under option, being:

EPCA 2769
EPCA 2771
EPCA's 2600 and 2601

The focus of the Company's activities had been on EPCA 2769 which commenced a Due Diligence program, including some exploratory drilling, in October of 2012. The Company reported to the market that the results were disappointing, with none of the 3 holes encountering coal seams of any significance and none being drilled to the planned depth.

	December 2012 $	June 2012 $
		-
Exploration expenditure reconciliation		
Opening balance	117,095	60,000
Exploration expenditure incurred	-	57,095
Impairment of exploration expenditure	117,095	-
Closing balance	-	**117,095**

Notes to the financial statements

NOTE 10 CONTINGENT LIABILITIES

As at 31 December 2012 the Company had no known contingent liabilities.

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year end, an extension to the option agreement in relation to EPC 2769 has been granted until January 31 2013. On January 31, 2013, Narhex has decided against exercising the option, and has reached an agreement with the vendors to waive all option agreements on the other 4 tenements, and assist the vendors in presenting all tenements as part of a sale package, in exchange for rights to 5% of the cash sale proceeds and 7 ½% of any equity sale proceeds, providing a sale is achieved by December 31 2013.

On 22 February 2013, Mr Ian Reynolds was appointed as a Director of the Company.

Also subsequent to year end, the Company has commenced Due Diligence activities on the mining tenements in Liberia that it is proposing to acquire from Golden Saint Australia Limited ("GSA" or "Seller") through the acquisition of its interests in Golden Saint Liberia Limited ("GSL"). The process of transferring the tenements to GSL has also commenced.

Directors' Declaration

The directors of the Company declare that:

(1) The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

(b) giving a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.

(2) The directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Mr Peter Christie
Chairman

Perth
28th February 2013

nexia australia

the next solution

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Narhex Life Sciences Limited (the company), which comprises the condensed statement of financial position as at 31 December 2012, the condensed income statement, the condensed statement of comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Basis for Qualified Auditor's Conclusion

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 8.

The financial reports of Narhex Life Sciences International Pty Ltd and Xi'an Hex Life Sciences Pty Ltd have never been 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 financial position of the Narhex Life Sciences Limited as at 31 December 2012, if any, and on the following account balances, and:

- Share of net loss of associated entity; and
- Investment in associated entity.

Conclusion

Based on our review, which is not an audit, except for the effect of such adjustments, if any, as might have been determined necessary had we been able to satisfy ourselves in relation to the Company's associate entity and it's subsidiary, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without modifying our opinion, attention is drawn to the following matter. As a result of the matters described in the section entitled "*Key Judgments – Going Concern"* in Note 2(a) to the financial statements for the period ended 31 December 2012, there is an inherent uncertainty whether the Company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Nexia

NEXIA MELBOURNE
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

28 February 2013