

Narhex Life Sciences Limited

ABN 51 094 468 318

Annual Report
for the year ended 30 June 2013

CONTENTS TO FINANCIAL REPORT

Corporate Information	1
Corporate Governance Statement	2
Directors' report	5
Auditor's independence declaration	12
Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2013	13
Statement of financial position as at 30 June 2013	14
Statement of changes in equity for the financial year ended 30 June 2013	15
Statement of cash flows for the financial year ended 30 June 2013	16
Notes to the financial statements	17
Directors' declaration	31
Independent auditor's report	32
ASX Additional Information	34

Corporate Information

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

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 6 to 7. The directors’ report is not part of the financial statements.

Directors

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 on 13 January 2011)*

Mr Cyril D’Silva (Director) *(appointed on 16 May 2013)*

Mr Adam Sierakowski (Alternate Director) *(appointed on 16 May 2013)*

Mr Ian Reynolds (Director) *(appointed on 9 June 2010, resigned 13 June 2011 and reappointed 22 February 2013 and resigned on 30 April 2013)*

Joint Company Secretary

Ms. Nicki Farley *(appointed 13 January 2011, resigned 30 January 2012 and reappointed on 7 November 2012)*

Ms. Paige Exley *(appointed 30 January 2012 and resigned on 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

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, together with an alternate Director.

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

An Independent Director is a Non-Executive Director when they:

- (a) are 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 have 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 have 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) are 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) have no material contractual relationship with the Company or other group member other than as a Director of the Company;
- (f) have 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) are 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.

Risk management policy (cont'd)

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.

Ethical and Responsible Decision-Making

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, managers, employees and officers of the Company with respect to matters relevant to the Company's legal and ethical obligations and the expectations of stakeholders.

The Code of Conduct requires officers and employees to avoid or ensure proper management of conflicts of interest, to not use confidential information for personal gain and to act in fair, honest and respectful manner. The Board has procedures in place for reporting any matters that give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Company.

Diversity Policy

The Board has also established a Workplace Diversity Policy which affirms the Company's commitment to promoting a corporate culture that is supportive of diversity and outlines strategies that the Board can undertake to encourage and promote a diverse working environment.

The Company does not select candidates based on gender or ethnicity, rather the recruitment process chooses candidates from a diverse group and by selecting the most appropriate candidate based on merit and suitability for the role.

Currently the company has no employees as the operations are run by an associate entity and the administration of the Company is outsourced to a management company. As the operations grow, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next few years as director and senior executive positions become vacant and appropriate candidates become available:

	<u>2013-2014</u>		<u>2014-2015</u>	
	No.	%	No.	%
Women on the Board	1	33	1	33
Women in senior management roles	1	50	1	50
Women employees in the company	1	50	1	50

Continuous Disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act. The Directors have established a written policy and procedure to ensure compliance with the disclosure requirements of the ASX Listing Rules. At each meeting of the directors, consideration is given as to whether notice of material information concerning the Company, including its financial position, performance, ownership and governance has been made to all investors. Under the policy the Company's employees and contractors must disclose any relevant information which comes to their attention and is believed to potentially be material to the Company Secretary or Executive Director.

Shareholder Communications

The Directors have established a communications strategy to promote effective communication with Shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to the ASX, the Company will also ensure that all relevant documents are released on the Company's website. Communication with Shareholders is achieved through the distribution of the following information:

- The Annual Report is distributed to Shareholders;
- The Half Yearly Report is available on the Company's website
- Regular reports and announcements are released through the ASX
- The Annual General Meeting and other meetings called by the Company to obtain Shareholder approval as appropriate
- Investor information released through the Company's website

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. However, the Company has adopted an Audit Committee Charter. The Audit Committee Charter assists 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). The Board is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

Remuneration Committee

Due to the size and scale of its operations the Company does not have a separate remuneration committee. It is the Board's view that a Remuneration Committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. However, the Company has adopted a Remuneration Committee Charter which assists 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 responsibly.

Nomination Committee

Due to the size and scale of its operations the Company does not have a separate nomination committee. It is the Board's view that a Nomination Committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. However, the Company has adopted a Nomination Committee Charter which assists 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.

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. 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.
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 2013. 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 2012 to 30 June 2013.

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

Name	Particulars
Mr David Mandel	Director Mr David Mandel has a BSc (Chemistry) from the University of Sussex 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 is 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 11 years Mr Mandel has consulted to a number of biotech technology based and manufacturing businesses. Mr Mandel is also currently a non-executive director of Sirius Corporation Limited (from 23 May 2011).
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 28 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 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 26 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, Natural Fuels Limited and Water Resources Group Limited.
Mr Cyril D'Silva	Director Cyril D'Silva is a Singapore-born entrepreneur, with extensive working experience and a network of business contacts in the South East Asia region. He is currently the Executive Chairman of Golden Saint Resources Ltd (BVI) which was listed on 19th July on AIM. Cyril is also the Executive Chairman of Golden Saint Australia Limited and a director for both Golden Saint Liberia Ltd (in Liberia) and Golden Saint Resources Africa (in Sierra Leone). Through Golden Saint Capital Pte Ltd (Singapore) Cyril has raised funds for the initial mining ventures in Sierra Leone and Liberia. Cyril is currently based in Perth, Western Australia.
Mr Adam Sierakowski	Alternate Director to Simon Lill Adam Sierakowski is a lawyer and founding director of the legal firm Price Sierakowski. He has over 17 years' experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed public entities. He is the co-founder and director of Perth based corporate advisory business, Trident Capital, where he has for years advised a variety of large private and public companies on structuring their transactions and coordinating fundraising both domestically and overseas. Mr Sierakowski has held a number of board positions with ASX listed companies and is currently a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies. Mr Sierakowski is also currently non-executive director for Triangle Energy (Global) Ltd, executive director for Coziron Resources Ltd and executive director of My ATM Holdings Limited.
Mr Ian Reynolds (appointed on 22 February 2013 and resigned on 30 April 2013)	Director Mr Ian Reynolds (AM) founding director in 1972 of highly credentialed cryogenic pressure vessel manufacturer CEM International Pty Ltd, with significant Chinese manufacturing experience.

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 First Growth Funds Limited	6 October 2010 – current 18 May 2011 – current 16 July 2012 – current
Peter Christie	Safety Medical Products Limited Carnavale Resources Limited	6 October 2010 – current 28 April 2006 – current
David Mandel	Sirius Corporation Limited	23 May 2011 – current
Adam Sierakowski	Triangle Energy (Global) Ltd Coziron Resources Ltd My ATM Holdings Limited	9 October 2009 – current 21 October 2010 – current 23 July 2012 - current

Company secretary

Name	Particulars
Ms Nicki Farley (resigned 30 January 2012, reappointed 7 November 2012)	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. Ms Farley has also held a number of company secretarial roles for ASX listed companies. Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia.
Ms Paige Exley (appointed 30 January 2012, resigned 7 November 2012)	Ms Exley holds a Bachelor of Commerce in Accounting and Business Law from Curtin University and has over 10 years experience in accounting. Ms Exley has also held a number of company secretarial roles for ASX listed companies and unlisted entities, and is a certificated member of Chartered Secretaries Australia.

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. Refer to 'Review of Operations' below for further updates on the principal activities of the Company.

Operating results

The loss after tax of the Company for the year ended 30 June 2013 was \$922,808 (2012: loss of \$832,000).

Review of operations

During the year Narhex Life Sciences Limited ("NLS" or the "Company") expended funds on a due diligence program on coal tenements in Queensland over which it held options. The results of that DD activity did not justify the Company proceeding with the acquisition of the tenements.

The Company chose not to proceed with exercising the options over the tenements, and waived their rights to the options in exchange for 5% of any cash proceeds or 7.5% of any equity proceeds that the Grantor of the Option, Coalplay Pty Ltd, might achieve in a sale process within calendar 2013.

To date such a sale process has not achieved any success, and the Company has been advised that the Tenements are likely to be relinquished.

Further, the Company's interest in the development of a patented HIV inhibitor drugs was lost by virtue of the Company's decision to not pay a cash call in the sum of \$500,000. NLS now has no further interest in that development.

Review of operations (cont'd)

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 beneficial owner of 80% of mining tenements in Liberia, namely Block 71 – The Grand Cape, and Block 72 – Mount Henry/Gengba.

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;
- 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 following actions have occurred:

- The \$50,000 non refundable deposit has been paid;
- The technical and commercial due diligence has been concluded. The Company awaits the pending and necessary transfer of key tenements to be able to proceed with the execution of the Share Sale Agreement and acquisition;
- All necessary approval processes have been extended by mutual consent; and
- The first nominee to the Board, Mr Cyril D’Silva, was appointed on 16 May 2013. The Vendors have not advised their second nominee who, in any event, is not scheduled to join the Board until Completion, unless otherwise agreed by the Board and the Vendor

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.

Future developments

The Company's primary focus is the acquisition of mining tenements in Liberia through the acquisition of interests in Golden Saint Liberia Limited. The Company expects to re-comply with Chapters 1 and 2 of the ASX listing rules as detailed above.

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

Following 30 June 2013, the Company confirms that the transaction in relation to the proposed acquisition of mining tenements in Liberia from Golden Saint Australia Limited through the acquisition of its interests in Golden Saint Liberia Limited ("GSL"), remains on foot with geological and technical due diligence completed. The Company is now awaiting the transfer of the key tenements to GSL. The acquisition will require a prospectus raising to conclude. The Company is cognizant of its requirement for additional interim funding arrangements prior to that raising. It is considering its options for such a raising and expects to be able to provide further information to shareholders shortly.

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 David Mandel	9	9
Mr Peter Christie	9	9
Mr Simon Lill	9	9
Mr Ian Reynolds ⁽¹⁾	2	1
Mr Cyril D'Silva	-	-
Mr Adam Sierakowski	-	-

⁽¹⁾ Ian Reynolds was appointed on 22 February 2013 resigned on 30 April 2013.

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 Simon Lill	4,000,000	-
Mr Peter Christie	-	2,500,000
Mr Cyril D'Silva	-	-
Mr Adam Sierakowski	21,195,939	-

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 calibre 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, the Board consists of four non-executive Directors and one alternate Director.

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.

Directors and executive details

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

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 on 13 January 2011)*

Mr Cyril D'Silva (Director) *(appointed on 16 May 2013)*

Mr Adam Sierakowski (Alternate Director) *(appointed on 16 May 2013)*

Mr Ian Reynolds (Director) *(appointed on 9 June 2010, resigned 13 June 2011 and reappointed 22 February 2013 and resigned on 30 April 2013)*

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;

2013	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 David Mandel	36,000	-	-	-	1,767	37,767	-
Mr Peter Christie	40,000	-	-	-	-	40,000	
Mr Simon Lill	36,000	-	-	-	1,767	37,767	
Mr Cyril D'Silva	14,025	-	-	-	-	14,025	-
Mr Adam Sierakowski	-	-	-	-	-	-	-
Mr Ian Reynolds	-	-	-	-	-	-	-
Total	126,025	-	-	-	3,534	129,559	-

2012	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	22,407	-	-	2,642	46,190	71,239	64.84
Mr David Mandel	32,000	-	-	-	46,190	78,190	59.07
Mr Peter Christie	37,500	-	-	-	46,190	83,690	55.19
Mr Simon Lill	32,000	-	-	-	-	32,000	-
Total	123,907	-	-	2,642	138,570	265,119	-

Unlisted share options granted to directors

During the prior year, unlisted options were granted to directors and an external consultant in consideration for their role as directors and for consulting services rendered. The Company currently has 10,000,000 options on issue, exercisable at 2 cents per share which vested on 14 July 2012 and expire on 14 July 2014 (2012: 10,000,000).

Voting and comments made at the Company's 2012 Annual General Meeting

The Company received more than 84% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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 (2012: nil).

Auditor's independence declaration

The auditor's independence declaration is included on page 12 of the annual report.

Signed in accordance with a resolution of the directors



Mr Simon Lill
Director

Perth
30 day of September 2013

**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 2013, 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

30 September 2013

Nexia Melbourne

Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

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Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Other revenue		16,582	60,939
Administration expenses		(728,527)	(597,654)
Exploration costs written off		(203,186)	(110,000)
Share based payments	4	(7,067)	(184,760)
Finance costs		(610)	(528)
Profit/(loss) before income tax		(922,808)	(832,000)
Income tax benefit	5	-	-
Loss for the year		(922,808)	(832,000)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(922,808)	(832,000)
Earnings per share (basic and diluted)	10	(0.2)	(0.2)

The accompanying notes form an integral part of this Statement of profit or loss or other comprehensive income.

Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents	11	149,489	951,615
Trade and other receivables		15,331	105,123
Total Current Assets		164,820	1,056,738
NON-CURRENT ASSETS			
Deferred acquisition costs	6	80,443	117,095
Investment in associated entity	7	-	-
Total Non-Curent Assets		80,443	117,095
Total Assets		245,263	1,173,833
CURRENT LIABILITIES			
Trade and other payables		74,083	86,912
Total Current Liabilities		74,083	86,912
Total Liabilities		74,083	86,912
Net Assets		171,180	1,086,921
EQUITY			
Issued capital	8	2,623,029	2,623,029
Reserves	9	210,000	202,933
Accumulated losses		(2,661,849)	(1,739,041)
Total Equity		171,180	1,086,921

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 2013

	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 year	-	-	(832,000)	(832,000)
Total recognised income and expense	-	-	(832,000)	(832,000)
Share-based payments	-	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
Balance at 1 July 2012	2,623,029	202,933	(1,739,041)	1,086,921
Loss for the year	-	-	(922,808)	(922,808)
Total recognised income and expense	-	-	(922,808)	(922,808)
Share-based payments	-	7,067	-	7,067
Issue of shares	-	-	-	-
Costs directly attributable to issue of share capital	-	-	-	-
Balance at 30 June 2013	2,623,029	210,000	(2,661,849)	171,180

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 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Cash payments to suppliers and employees		(768,048)	(579,771)
Interest paid		(610)	(528)
Net cash flows used in operating activities	11	(768,658)	(580,299)
Cash flows from investing activities			
Payment for exploration expense		(50,000)	(167,095)
Interest received		16,532	58,831
Net cash flows used in investing activities		(33,468)	(108,264)
Cash flows from financing activities			
Costs of capital raising		-	-
Proceeds from Issue of share capital		-	-
Repayment of Loan to Tittel Pty Ltd		-	-
Net cash flows provided by financing activities		-	-
Net decrease in cash and cash equivalents		(802,126)	(688,563)
Cash and cash equivalents at the beginning of the financial year		951,615	1,640,178
Cash and cash equivalents at the end of the financial year	11	149,489	951,615

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). 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.

NOTE 2 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 entity incurred an operating loss of \$922,808 for the year ended 30 June 2013 (2012: \$832,000) and a net cash outflow from operating activities amounting to \$768,658 (2012: \$580,299).

The ability of the Company to continue as a going concern is principally dependent upon the Company's ability to raise additional funds prior to the Company's prospectus capital raising. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

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

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

NOTE 3 ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS AND CHANGES TO THE CORPORATIONS ACT 2001

The company adopted the following 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.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard is not expected to significantly impact the Company.

AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8. This Standard is not expected to significantly impact the Company.

NOTE 4 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

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

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.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

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 4 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

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.

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.

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.

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.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

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 statement of profit or loss and other comprehensive income, 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.

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.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

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 4(i).

NOTE 5 INCOME TAXES

	2013 \$	2012 \$
(a) Income tax recognised in profit or loss		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-
(b) The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(922,808)	(832,000)
Income tax benefit calculated at 30%	(276,842)	(249,600)
Tax effect of:		
- Other timing differences	15,316	18,669
- Non deductible items	1,681	1,543
- Non deductible share based payments	2,120	55,428
- Share of loss of associate	-	-
- Capitalised acquisition expenses	-	(17,129)
- Tax effect of current year revenue losses for which no deferred tax asset has been recognised	257,725	191,089
Income Tax Expense	-	-
(c) Unrecognised deferred tax balances		
The following deferred tax assets (at 30%) have not been brought to account:		
Unrecognised deferred tax asset – tax losses	456,900	2,035,852
Unrecognised deferred tax asset – other temporary differences	3,720	23,533
Unrecognised deferred tax liability – capitalised acquisition expenses claimed for tax purposes	-	(35,129)
Net deferred tax assets	460,620	2,024,256

The net deferred tax assets not brought to account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company is able to meet the continuity of ownership and/or continuity of business tests.

NOTE 6 DEFERRED ACQUISITION COSTS

During the year, the Company did not wish to proceed with the potential coal developments in Queensland as after great in depth analysis, management believed the tenements to hold no value. The monies previously capitalised was written off during the year.

During the year, the Company also entered into a Letter Agreement with Golden Saint Australia Limited (“GSA”) to acquire its interest in Golden Saint Liberia Limited (“GSL”), a Liberian registered company that is the beneficial owner of 80% of mining tenements in Liberia, namely Block 71 – The Grand Cape, and Block 72 – Mount Henry/Gengba. During the year ended 30 June 2013, due diligence activities were performed and amounts capitalised as deferred acquisition costs.

NOTE 7 INVESTMENT IN ASSOCIATED ENTITY

	2013 \$	2012 \$
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50% shareholding interest in Narhex Life Sciences International Pty Ltd

-	-
-	-

Narhex Life Sciences International was involved in ongoing research and commercial development of drugs for the treatment of HIV / AIDS. As at 30 June 2013, Narhex held a 0% (2012: 50%) non-controlling voting interest. The results and financial position of the associated entity are as follows:

The investment in associated entity is accounted using the equity accounting method.

Current assets	-	53,031
Non-current assets	-	431,589
Total assets	-	484,620
Current and total liabilities	-	372,248
Net assets/(deficiency)	-	112,372
Revenues	-	2,981
Expenses	-	(20,559)
Loss before income tax	-	(17,578)
Income tax expense	-	-
Loss after income tax	-	(17,578)

Under the Shareholder’s Agreement setting out the ownership interest in Narhex Life Sciences International Pty Ltd (“NLSI”), the Company was required to contribute capital of up to \$500,000 once the other shareholder has contributed capital of \$500,000. During the year, NLS received a cash call for \$500,000 from NLSI in accordance with the Shareholders Agreement. Subsequently, the Directors of the Company have resolved to not meet the cash call and consequently has lost its interest in NLSI.

NOTE 8 ISSUED CAPITAL

	2013 \$	2012 \$
Fully paid ordinary shares and authorised capital		
Balance at beginning of financial year	2,623,029	2,623,029
<i>No movement during the financial year</i>	<u>-</u>	<u>-</u>
	<u>2,623,029</u>	<u>2,623,029</u>
 <i>Number of shares</i>	 No	 No
Fully paid ordinary shares and authorised capital		
Balance at beginning of financial year	430,117,350	430,117,350
<i>No movement during the financial year</i>	<u>-</u>	<u>-</u>
	<u>430,117,350</u>	<u>430,117,350</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 9 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.

NOTE 10 LOSS PER SHARE

	2013 \$	2012 \$
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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 operations.	<u>(922,808)</u>	<u>(832,000)</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>430,117,350</u>

NOTE 11 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:

	2013 \$	2012 \$
Cash at bank	149,489	951,615
	<u>149,489</u>	<u>951,615</u>
(b) Reconciliation of loss for the period to net cash flows from operating activities		
Net Loss	(922,808)	(832,000)
Adjustments for		
Interest income	(16,532)	(58,831)
Share-based payments	7,067	184,760
Share of net loss of associated entity	-	-
Amounts not otherwise classified – Exploration expenditure	50,000	110,000
Amounts not otherwise classified – Prior period adjustment	-	8,333
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Current receivables	126,444	(54,927)
(Decrease)/increase in liabilities:		
Trade and other payables	<u>(12,829)</u>	<u>62,366</u>
Net cash flows from operating activities	<u>(768,658)</u>	<u>(580,299)</u>

NOTE 12 FINANCIAL INSTRUMENTS

The Company's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

	Note	2013 \$	2012 \$
Financial Assets			
Cash and cash equivalents	10	149,489	951,615
Trade and other receivables		<u>15,331</u>	<u>105,123</u>
Total financial assets		<u>164,820</u>	<u>1,056,738</u>
Financial Liabilities			
Trade and other payables		<u>74,083</u>	<u>86,912</u>
Total financial liabilities		<u>74,083</u>	<u>86,912</u>

(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.

NOTE 12 FINANCIAL INSTRUMENTS (cont'd)

(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 4 to the financial statements.

(ii) Credit risk management

The Company is not currently exposed to credit risk.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	2013 \$	2012 \$
Cash and cash equivalents			
-AA rated		149,489	951,615
	10	149,489	951,615
Trade and other receivables			
-AA rated		15,331	105,123
		15,331	105,123

(iii) 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.

	Note	2013 \$	2012 \$
Financial liabilities due for payment			
Trade and other payables		74,083	86,912
Total expected outflows		74,083	86,912
Financial assets – cash flow realisable			
Cash and cash equivalents	10	149,489	951,615
Trade receivables		15,331	105,123
Total anticipated inflows		90,737	1,056,738
Net inflow on financial instruments		90,737	969,826

NOTE 12 FINANCIAL INSTRUMENTS (cont'd)

(iii) Interest rate risk

The financial instruments which primarily expose the Company to interest rate risk are cash and cash equivalents.

The Company's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Effective interest rate	Floating interest rate \$	1 year or less \$	1 to 5 years \$	Non- interest bearing \$	Total \$
30 June 2013							
<i>Financial assets</i>							
Cash assets	11	2.60%	149,489	-	-	-	149,489
Trade and other receivables			-	-	-	15,331	15,331
Total financial assets			149,489	-	-	15,331	164,820
<i>Financial liabilities</i>							
Trade and other payables			-	-	-	74,083	74,083
Total financial liabilities			-	-	-	74,083	74,083
30 June 2012							
<i>Financial assets</i>							
Cash assets	11	3.50%	951,615	-	-	-	951,615
Trade and other receivables			-	-	-	105,123	105,123
Total financial assets			951,615	-	-	105,123	1,056,738
<i>Financial liabilities</i>							
Trade and other payables			-	-	-	86,912	86,912
Total financial liabilities			-	-	-	86,912	86,912

(iv) 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	2013 Carrying Amount \$	2013 Fair Value \$	2012 Carrying Amount \$	2012 Fair Value \$
Financial assets					
Cash and cash equivalents	10	149,489	149,489	951,615	951,615
Trade and other receivables		15,331	15,331	105,123	105,123
Total financial assets		164,820	164,820	1,056,738	1,056,738
<i>Financial liabilities</i>					
Trade and other payables		74,083	74,083	86,912	86,912
Total financial liabilities		74,083	74,083	86,912	86,912

NOTE 13 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 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 year ended 30 June 2013:

- \$5,300 for Directors' fees
- \$1,767 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 14 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 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 on 13 January 2011)*

Mr Cyril D'Silva (Director) *(appointed on 16 May 2013)*

Mr Adam Sierakowski (Alternate Director) *(appointed on 16 May 2013)*

Mr Ian Reynolds (Director) *(appointed on 9 June 2010, resigned 13 Jan 2011 and reappointed 22 February 2013 and resigned on 30 April 2013)*

Key management personnel compensation

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

	2013 \$	2012 \$
Short term employee benefits	126,025	123,907
Post-employment benefits	-	2,642
Termination benefits	-	-
Other benefits	-	-
Share-based payments	3,534	138,570
	129,559	265,119

NOTE 15 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 14 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.
2013						
Mr David Mandel	150,000	-	-	-	-	150,000
Mr Simon Lill	4,000,000	-	-	-	-	4,000,000
Mr Cyril D'Silva	-	-	-	-	-	-
Mr Adam Sierakowski	21,195,939	-	-	-	-	21,195,939
Mr Ian Reynolds ⁽¹⁾	-	-	-	-	-	-
Total	25,345,939	-	-	-	-	25,345,939
2012						
Mr David Mandel	150,000	-	-	-	-	150,000
Mr Peter Nash	50,000	-	-	-	-	50,000
Mr Simon Lill	4,000,000	-	-	-	-	4,000,000
Total	4,200,000	-	-	-	-	4,200,000

⁽¹⁾ Ian Reynolds resigned on 30 April 2013

For details concerning unlisted options held by key management personnel, refer to note 13, share-based payments.

NOTE 15 RELATED PARTY TRANSACTIONS (cont'd)

iii. Acquisition Agreement

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”).

Golden Saint Australia Limited is a company associated with Mr Cyril D’Silva, who subsequent to the Agreement became a Director of Narhex in accordance with that Agreement.

NOTE 16 REMUNERATION OF AUDITORS

	2013 \$	2012 \$
Auditor of the Company – Nexia Melbourne		
Audit or review of the financial statements	30,100	40,700
	<u>30,100</u>	<u>40,700</u>

NOTE 17 CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of this report.

NOTE 18 SUBSEQUENT EVENTS

Following 30 June 2013, the Company confirms that the transaction in relation to the proposed acquisition of mining tenements in Liberia from Golden Saint Australia Limited through the acquisition of its interests in Golden Saint Liberia Limited (“GSLL”), remains on foot with geological and technical due diligence completed. The Company is now awaiting the transfer of the key tenements to GSLL. The acquisition will require a prospectus raising to conclude. The Company is cognizant of its requirement for additional interim funding arrangements prior to that raising. It is considering its options for such a raising and expects to be able to provide further information to shareholders shortly.

NOTE 19 SEGMENT NOTE

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

NOTE 19 SEGMENT NOTE (cont'd)

	Other Segment		Exploration and Evaluation		Company	
Business segments	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
External revenues	50	2,108	-	-	50	2,108
Inter-segment revenues	-	-	-	-	-	-
Interest revenues	16,532	58,831	-	-	16,532	58,831
Total segment revenue	16,582	60,939	-	-	16,582	60,939
Segment result	(570,693)	(654,767)	(368,697)	(238,172)	(939,390)	(892,939)
Unallocated expenses	-	-	-	-	-	-
Results from operating activities	(570,693)	(654,767)	(368,697)	(238,172)	(939,390)	(892,939)
Profit/(Loss) for the year	(554,111)	(593,828)	(368,697)	(238,172)	(922,808)	(832,000)
Profit/(Loss) for the year					(922,808)	(832,000)

	Other Segment		Exploration and Evaluation		Company	
Business segments	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Segment assets	149,489	955,602	80,443	117,095	229,932	1,702,697
Unallocated assets	15,331	101,136	-	-	15,331	101,136
Total assets	164,820	1,056,738	80,443	117,095	245,263	1,173,833
Segment liabilities	74,083	84,872	-	-	74,083	84,872
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	74,083	84,872	-	-	74,083	84,872
Capital expenditure	-	-	80,443	117,095	80,443	117,095
Depreciation	-	-	-	-	-	-

Directors' declaration

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 13 to 30 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date;
2. note 4 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in 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;
4. the remuneration disclosures included in pages 9 to 11 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2013, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Mr Simon Lill

Director

Perth

30 Day of September 2013

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

Report on the Financial Report

We have audited the accompanying financial report of Narhex Life Sciences Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the 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 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 1, 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 company's preparation 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 audit opinion.

Independence

In conducting our audit, 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 Narhex Life Sciences Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Nexia Melbourne

Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

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Auditor's Opinion

In our opinion:

- a. the financial report of Narhex Life Sciences Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter - Going Concern

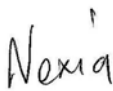
Without modifying our opinion, we draw attention to Note 2 of the financial report, which details the directors' key judgments in determining that the going concern basis of accounting is appropriate. Specifically, we note that the going concern assumption is dependent upon the favourable outcome on the capital raising.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 11 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of Narhex Life Sciences Limited for the year ended 30 June 2013 complies with s 300A of the *Corporations Act 2001*.


NEXIA MELBOURNE
ABN 16 847 721 257


ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

30 September 2013

ASX Additional Information

Pursuant to the Listing Rules of the Australian Securities Exchange, the shareholder information set out below was applicable as at 23 September 2013.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of shareholders	Number of Shares
1 – 1,000	263	224,398
1,001 – 5,000	388	1,069,124
5,001 – 10,000	122	993,965
10,001- 100,000	145	5,883,763
More than 100,000	218	421,946,100
Total	1,136	430,117,350

There were 888 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>	49,415,623	11.49%
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>	49,415,623	11.49%
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	10,000,000	2.32%
Foster West Securities Pty Ltd <Spartacus A/C>	10,000,000	2.32%
Mr John Della Bosca <JA&JG Della Bosca Family A/C>	10,000,000	2.32%
Mr Peter Jacob Terpstra	8,562,815	1.99%
Milwal Pty Ltd <Chester A/C>	8,000,000	1.86%
Milwal Pty Ltd <The Price Super Fund>	8,000,000	1.86%
IML Holdings Pty Ltd	6,195,939	1.44%
Blu Bone Pty Ltd <The Share Trading A/C>	5,500,000	1.28%
Trident Capital Pty Ltd	5,000,000	1.16%
Kobia Holdings Pty Ltd <The Kobia A/C>	4,162,167	0.97%
Mrs Grace De Vita	4,000,000	0.93%
Dewcorp Pty Ltd	4,000,000	0.93%
Mr Simon Jenkins & Mrs Zoe Jenkins <Jenkins Retirement Fund A/C>	4,000,000	0.93%
Lenoir Capital Pty Ltd	4,000,000	0.93%
Simon Lill	4,000,000	0.93%
Mrs Gillian Woodford & Mr Desmond Woodford <Dewcorp Super A/C>	4,000,000	0.93%
Mr Garry McQuillan & Ms Julie Bethune <McQuillan Super Fund A/C>	3,750,000	0.87%
Top 20 Total	222,586,544	51.75%

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. On Market Buy-Back

There is no current on market buy-back for any of the Company's securities.

G. Restricted Securities

There are currently no restricted securities.