

RESAPP HEALTH LIMITED
(formerly Narhex Life Sciences Limited)

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Note	Reviewed as at 31-Dec-14 \$	Acquisition of ResApp \$	Subsequent Events \$	Pro forma adjustments Maximum \$	Pro forma Maximum \$
CURRENT ASSETS						
Cash assets	2	361,233	1,052	329,000	3,482,500	4,173,785
Trade receivables		14,038	-	-	-	14,038
Other receivables		290,000	-	-	-	290,000
Other		6,398	-	-	-	6,398
TOTAL CURRENT ASSETS		671,669	1,052	329,000	3,482,500	4,484,221
NON CURRENT ASSETS						
Intangibles	3	-	2,004,802	-	-	2,004,802
TOTAL NON CURRENT ASSETS		-	2,004,802	-	-	2,004,802
TOTAL ASSETS		671,669	2,005,854	329,000	3,482,500	6,489,023
CURRENT LIABILITIES						
Payables		13,774	2,200	-	-	15,974
Borrowings		-	3,654	-	-	3,654
Provisions		1,745	-	-	-	1,745
TOTAL CURRENT LIABILITIES		15,519	5,854	-	-	21,373
TOTAL LIABILITIES		15,519	5,854	-	-	21,373
NET ASSETS		656,150	2,000,000	329,000	3,482,500	6,467,650
EQUITY						
Issued capital	4	3,672,950	2,000,000	704,000	3,610,000	9,986,950
Reserves		210,000	-	-	-	210,000
Accumulated losses	5	(3,226,800)	-	(375,000)	(127,500)	(3,729,300)
TOTAL EQUITY		656,150	2,000,000	329,000	3,482,500	6,467,650

The pro-forma statement of financial position after raising the maximum subscription of \$4 million under the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 1.

APPENDIX 1
RESAPP HEALTH LIMITED
(formerly Narhex Life Sciences Limited)

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

b) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

c) Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Narhex at the end of the reporting period. A controlled entity is any entity over which Narhex has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and statement of financial performance. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of financial performance. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of financial performance unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of financial performance.

e) 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.

f) 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.

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.

g) 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.

h) 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.

i) Income Tax

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the 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.

j) Research and development costs

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

k) 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.

l) 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.

	Reviewed 31-Dec-14 \$	Pro-forma after Offer \$
NOTE 2. CASH AND CASH EQUIVALENTS		Maximum
Cash and cash equivalents	361,233	4,173,785
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Narhex at 31 December 2014		361,233
<i>Subsequent events:</i>		
Acquisition of ResApp		1,052
Proceeds of the placement		350,000
Transaction costs		(127,500)
Costs of the placement		(21,000)
		202,552
<i>Pro-forma adjustments:</i>		
Proceeds from shares issued under this Prospectus		4,000,000
Costs of the Offer		(390,000)
		3,610,000
Pro-forma Balance		4,173,785

	Reviewed 31-Dec-14 \$	Pro-forma after Offer \$ Maximum
NOTE 3. INTANGIBLES		
Intangibles	-	2,004,802
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Narhex at 31 December 2014		-
<i>Subsequent events:</i>		
Acquisition of ResApp		2,004,802
Pro-forma Balance		2,004,802

	Reviewed after Offer \$	Pro-forma after Offer \$ Maximum
NOTE 4. ISSUED CAPITAL		
Issued and fully paid shares		9,986,950
	Number of shares (max)	\$
<i>Adjustments to arise at the pro-forma balance:</i>		
Fully paid ordinary share capital at 31 December (post consolidation)	245,523,527	3,672,950
<i>Subsequent events:</i>		
Acquisition of ResApp	93,750,000	2,000,000
The issue of facilitation shares	18,749,999	375,000
Issue of shares under Placement	35,000,000	350,000
Cost of the Subsequent Placement	-	(21,000)
	147,499,999	2,704,000
<i>Pro-forma adjustments:</i>		
Shares issued under this Prospectus	200,000,000	4,000,000
Costs of the Offer	-	(390,000)
	200,000,000	3,610,000
Pro-forma Balance	593,023,526	9,986,950

The consideration for the Acquisition of ResApp is based on the pre capital consolidation share price of \$0.008 as at the date of this report. The net assets of ResApp as at 31 December was a net liability position of \$4,802, accordingly we have provisionally accounted for the acquisition and allocated the excess consideration to the intangible assets of ResApp being the licence that will be acquired on completion of the acquisition by Narhex.

	Reviewed 31-Dec-14 \$	Pro-forma after Offer \$
NOTE 5. ACCUMULATED LOSSES		0
Accumulated losses	(3,226,800)	(3,729,300)
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Narhex at 31 December 2014		(3,226,800)
<i>Pro-forma adjustments:</i>		
Transaction costs		127,500
<i>Subsequent events:</i>		
Issue of facilitation shares		(375,000)
Pro-forma Balance		(3,729,300)

NOTE 6: BUSINESS COMBINATION

A summary of the acquisition details with respect to the proposed acquisition of ResApp Pty Ltd as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 31 December 2014, however will require re-determination as at the successful acquisition date which may result in changes to the values set out below.

The Company is the legal acquirer (i.e. the parent company) and will be the reporting entity of the Merged Group. We have provisionally accounted for the acquisition as an asset acquisition due to ResApp not meeting the definition of a business under AASB 3 Business Combinations at this point in time. The deferred consideration relating to the performance rights has not been recognised as there is no revenues to date and there is no certainty as to when revenue will be generated.

NOTE 7: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 8: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.