

AUSTRALIAN

RESEARCH



Contents

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Narhex Life Sciences Limited (NLS)



Sector	Industry Group	Sub Industry	Disease Target
Life Sciences	Biotechnology	Drug Discovery	Anti - HIV/AIDS

Company Overview

Narhex Life Sciences has developed a new class of protease inhibitors, which are a group of drugs used to treat HIV infection and its severe clinical manifestations, AIDS.

Narhex has two lead candidates under development:

- Nar DG 35 prodrug (DG17) in clinical trials; and
- Nar DG 43a in early preclinical trials.

DG17 is the company's lead protease inhibitor in clinical development. When ingested, DG17 converts to DG35, which is the molecule with anti-HIV activity. These compounds are covered by issued or filed patents in China, North America, Europe, Asia, Africa and Australia.

DG17 is water soluble and orally bio-available.

Limited Phase I (safety and pharmacokinetic) and Phase II (efficacy in treatment of HIV infection) clinical trials have been completed, and have shown safety and efficacy. DG17 also has a structure that predicts a low cost of production, a key factor in protease inhibitor pricing.

Strategy

To add to the value of DG17 by conducting small, focussed and innovative clinical trials, completing the remaining animal toxicology studies, and ensuring that economical GMP manufacture of the drug has been organised.

Key Executives

Prof John Mills (BS, MD, FACP, FRACP), Managing Director & CEO: Professor Mills has a long and distinguished career in medical research, clinical medicine and biomedical business. Based in Melbourne, Prof Mills was formally the Managing Director of the Macfarlane Burnet Centre for Medical Research in Victoria, Head of the Children's Virology Research Unit and director of the National Centre in HIV Virology Research. He is a professor of Medicine and Microbiology at Monash University.

Apart from Professor Mills' Managing Director role at Narhex, he is a non-executive director of Phosphagenics Ltd and GBS Venture Partners Pty Ltd (a biotechnology VC fund) and he was previously a non-executive director and Chairman of AMRAD Corporation.

Dr Michael Cohen (MBBS, FRCPA), Executive Chairman: Dr Michael Cohen has over 30 years' experience in the medical profession and medical business. He was founder of Scientific Services Ltd, which was listed as a public company in 1987 and subsequently sold to Security Generale de Surveillance.

Dr Cohen has been a director of several listed Australian biotechnology companies, most recently Peptech Limited.

Dr Cohen is a member of several national and international associations including being a Fellow of the Royal College of Pathologists Australasia.

Peter Nash, Executive Director, China: Peter Nash has advised Australian businesses in relation to mergers, acquisitions and financing in China. He has a proven network of contacts in China. Mr Nash was largely responsible for Moody International's foray into China by introducing the company to CCIB State Inspection Authority.

Key investment information

Market Cap: \$15.0M

Capital Structure (M)

Ord shares on issue: 161.4
Options (fully diluted): 0.0
Convertible notes/other: 0.0

Price as at 31-Oct: \$0.09
12 month H/L: \$0.07 - \$0.24
Market turnover (pa): \$2.8M
Official listing date: Jan-05

Substantial Shareholders

Ebling Pty Ltd 22.9%
John Majewski 17.0%
Sueto Eguchi 15.2%

Cash Position

Cash (as at Sep-05): \$6.9M
Years with planned expenditure: 2
R&D as % expenditure: 75%

Company contact



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www.narhex.com

Main Company R&D Projects - Major Technology & Market

1: Narhex DG17 development

Target Market: HIV-infected patients
Stage: Phase I and II
Target Date: Q2 2006

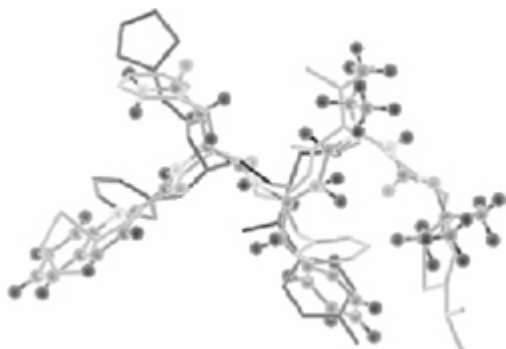
We intend to add value to DG17 by conducting focussed pharmacokinetic (PK) clinical trials aiming to reduce dosage and extend dosing interval. A proof of concept and dose-ranging study will then be conducted with revised dosing based on these PK studies; while 40-50kg of GMP drug are manufactured and animal toxicology studies are completed in preparation for definitive, 6-month comparative Phase II clinical trials. In parallel to these activities, we are doing some of the Phase II studies in China, with the view toward accelerated marketing the drug there.

Aegis Equities Comments

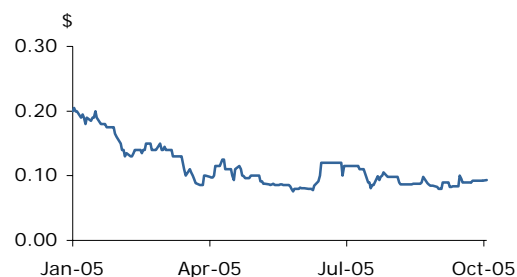
Market Position: NLS's novel anti-HIV/AIDS drug has shown promise in two early clinical trials. NLS has shrewdly made China its primary target market, rather than the US, where NLS's drug would face stiff competition. AIDS is now a top priority in China and NLS has gained support for its drug from CMC-Shaanxi, a trading entity related to the Chinese Government. NLS believes it can manufacture the drug inexpensively enough to price it well under existing US HIV/AIDS drugs for the Chinese Government.

Milestone Record: NLS's progress has been slow since it listed in Jan-05. However, the Board took decisive steps to redress this during the Sep-05 quarter by appointing two biotechnology-experienced directors to hands-on operational roles, replacing the incumbent CEO. Prof John Mills was made MD while Chairman Dr Michael Cohen became Executive Chairman. In Jul-05, NLS signed several research manufacturing agreements with Polish institutes with the aim of finding ways to reduce the cost and complexity of making NLS's lead AIDS drug.

Risk Profile: In addition to the usual clinical trial, regulatory, manufacturing and cash risks, NLS faces risks associated with the Chinese Government policy, as well as doing business in China. NLS appointed a new Scientific Advisory Board in Sep-05, including an internationally renowned HIV expert from the prestigious Massachusetts General Hospital. NLS ended Sep-05 with solid cash reserves of \$7.0M, which is likely to last the company at least two years.



Share price performance



Source: IRESS



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