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Subject: Operational Update

Narhex is pleased to announce that it has signed a number of manufacturing research agreements with the Institute of Organic Chemistry of the Polish Academy of Sciences(IOC) and the Centre of Molecular and Macromolecular Studies (CMMS) in Poland, organizations which are specialists in the design and operation of the complex synthetic processes required for manufacture of pharmaceuticals.

The Agreements are intended to fund a program of development looking at novel ways of reducing the cost and complexity of manufacturing DG-35, Narhex Life Sciences' patented HIV protease inhibitor, and related compounds. If successful, this research will generate further intellectual property which will extend the patent life of Narhex's parent antiviral compounds. All intellectual property and technical know how generated by this research will remain the property of Narhex

Conversion of the base compound, DG-35, to the active water soluble salt suitable for administration to humans, DG-17, is currently underway at the Centre of Molecular and Macromolecular Studies (CMMS) in Poland. This centre is world renowned for its chemical synthesis work. Narhex has commissioned the Centre to undertake this process and expects that drug should be ready by late August 2005. The agreement also requires CMMS to undertake conversion of a second Narhex anti-HIV compound, DG43, to a water soluble salt allowing it to begin early clinical evaluation.

The Institute of Organic Chemistry of the Polish Academy of Sciences(IOC) which has previously synthesised DG 35 for clinical trials, has been retained to conduct further research into simpler and less costly methods of drug synthesis with the aim of avoiding some of the more complex and costly steps in the multi-step synthesis of DG35. This programme of research, if successful, will require novel processes which have not previously been used in commercial synthesis of similar compounds. Narhex believes that the programme could generate important new knowhow that could be of real commercial value in a wide variety of drug manufacturing processes.

The chemical development programme in Poland is being supervised by Professor Mieczyslaw Makosza who has been retained by Narhex as a Consultant Director of Chemical Production. Professor Makosza is a highly productive and internationally respected scientist with a long and impressive list of publications to his name. In addition to authoring over 325 original scientific publications and more than 50 review articles and he holds some 70 patents relating to modern chemical manufacturing processes.

Prof Makosza became internationally famous through his development of new catalytic procedures, which have been adapted for a range of commercial applications. Prof. Makosza has worked in the US and Europe as well as his native Poland. He has received many awards, including the Prize of Prime Minister of Poland in 1995, a Doctor Honoris Causa from Indiana University, Purdue University at Indianapolis (USA) as well as awards from the Russian Academy of Sciences, the Silesian Technical University, Gliwice in Poland and from Ural State Technical University, Ekaterinburg and Rostov State University, Rostov in Russia as recently as 2001.

Professor Makosza has been associated with the production of DG35 for over 7 years and was directly responsible for synthesising the DG35 used in the previous Brazilian Phase 2 trial.

In the countries Narhex is seeking to register its DG35 protease inhibitor for treatment of HIV infection and AIDS, the annual cost of the treatment will be a key factor determining the size of the market. Narhex's calculations indicate that there is a clear inverse relationship between the per-year cost of treatment and the size of the market for protease inhibitors. Narhex believes that the ability to reduce the cost of manufacturing DG35 will provide Nar DG 35 prodrug with a competitive edge in these markets.

About Narhex Life Sciences

Narhex Life Sciences (ASX: NLS) is a drug development company that has developed a library of antiviral protease inhibitors for the treatment of HIV infection and AIDS.

Nar DG 35 prodrug is the first of these compounds to be selected for clinical development and has completed pre-clinical testing in animals & and Phase I and early Phase II clinical trials in humans. In these trials the drug showed excellent tolerability and evidence of clinical efficacy with measurable reductions in HIV viral loads over a 14 day treating period

For more information about Narhex, visit www.narhex.com

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