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Narhex Life Sciences Buys Cavid Tech AB, Sweden

Narhex Life Sciences Limited (Narhex; ASX: NLS) today announced that it had successfully negotiated an agreement to purchase the key assets of the internationally-renown biotechnology company, Cavid Tech AB, which had been recently placed into voluntary administration by the Cavid Board.

Cavid manufactures and sells the only low-technology, inexpensive tests for monitoring HIV viral load and the response of HIV infection to drug therapies (HIV viral load assays and HIV drug resistance assays). The unique feature of the Cavid assay systems, ExaVir® Load and ExaVir® Drug, is that they have been developed for use in third-world countries.

In discussing the sale, the Narhex Managing Director Prof John Mills said, "Narhex has known of the Cavid technology for some time and Narhex staff have observed the ExaVir® Load test being performed and seen the test evaluations done at the Burnet Institute in Melbourne. Our evaluation of the technology has convinced us that it is a diagnostic test capable of being successfully used in developing countries, and with some further modifications, possibly in developed economies as well."

"The attraction of the Cavid tests are their simplicity of use, assay reliability, precision and lower cost. These qualities, together with their ability to be performed on equipment that most laboratories in the third world already use, make them an ideal companion product for the anti-HIV protease inhibitor that Narhex is developing for sale in China."

"The Cavid test is already widely used in developing countries for monitoring patients receiving combination anti-HIV therapy" said Prof Mills. "The purchase of Cavid's test systems gives us access to a potentially-significant revenue stream from the sales of test kits that will generate profits for Narhex at an early stage of its operations."

Mills continued, "The sale of HIV test kits also links well with Narhex's plans to develop and sell the Narhex HIV protease inhibitor, DG17/35, in the developing world since the decision to treat with combination anti-HIV therapy virtually requires viral load measurements. The ability to offer a cheap and reliable test to measure viral load will be a key part of our marketing strategy when the clinical value of DG17/35 is established. In countries where ExaVir® Load testing is already being done Cavid is well known to their governments and we believe this fact will be of great help in establishing the credibility of our drug therapy."

Martyn Eales, the Acting CEO and Sales Manager of Cavid stated, "The support of Narhex Life Sciences and their senior management will markedly augment our current R&D and global sales efforts. We have great respect for the Narhex executive team and look forward to working with them in the future."

"With the help of Narhex we believe that we can increase our global sales in key developing countries especially in Asia and further develop our core technology platform to create a range of new diagnostics for other worldwide infectious diseases of high prevalence", Eales continued.

Narhex was successful in negotiating the purchase of The Cavid test assets from the Swedish administrator for a total of A\$500,000. The purchase price, which included all relevant intellectual property, trademarks and manufacturing equipment in Uppsala, Sweden, also included an existing inventory of manufactured, sale-ready ExaVir® Load test kits valued at A\$1.25M. It is believed that more than SEK100M (A\$18M) was invested in the development of Cavid's technology. Narhex's analysis of the company indicated that its financial difficulties were probably the result of excessive staff costs and an unsupportive Board. Cavid's Profit & Loss statements, relying on actual figures for the 2005 calendar year, show net sales of SEK 8.4M (A\$1.5M). Net sales were forecast to grow to SEK 25.3M (A\$4.5M) in calendar year 2006.

Narhex (www.narhex.com) is an Australian biotechnology company which is developing an HIV protease inhibitor prodrug, DG17, for both developing and developed country markets.

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