



ASX RELEASE
27 January 2011

QUARTERLY OPERATING UPDATE 31 DECEMBER 2010

MoxDuo[®] IR New Drug Application on track for 2011 submission

Sydney, Australia & Bedminster, NJ – QRxPharma Limited (ASX: QRX and OTCQX: QRXPY) announced that the Company retains A\$21.1 million in cash reserves at 31 December 2010, as detailed in the Appendix 4C released today.

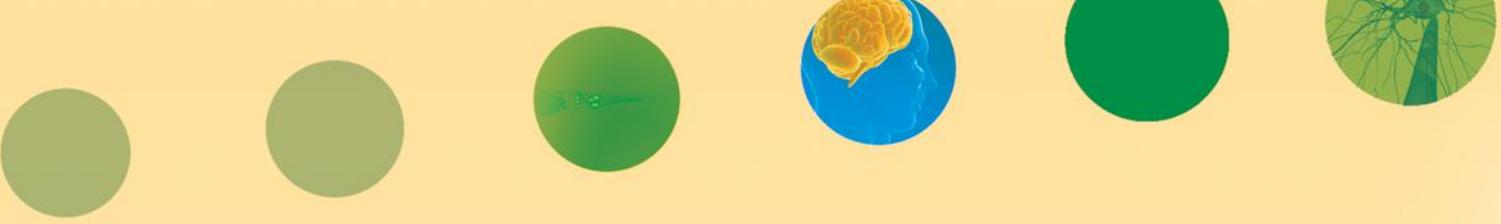
The Company's cash position was bolstered during the quarter with the closing of a capital raising of A\$19.8 million being a Placement of A\$14 million together with a Share Purchase Plan of A\$5.8 million. The Company received strong support from existing shareholders and welcomed a number of new institutional investors to the share registry.

The capital raising proceeds will be used, in part, to fund the recently announced Phase 3 trial (Study 022) comparing the tolerability and safety profile of MoxDuo IR to equi-analgesic doses of either morphine or oxycodone given alone. The Company expects to complete dosing in Q2 CY2011. The results of the trial will form part of a Marketing Authorisation Application (MAA) filing scheduled for submission later this year for approval to market in Europe. Study results, when published in medical literature, may, in conjunction with other trial data, be a component of the promotional package following projected commercial launch of MoxDuo IR in the US and in Europe in 2012.

The cash position was further supplemented by grant funding of over US\$0.7 million under the Qualifying Therapeutic Discovery Project program offered by the U.S. Government's Department of the Treasury. These competitive grants were awarded to support the development of MoxDuo, together with the Company's TorsinA program targeting patients suffering from Central Nervous System (CNS) disorders.

Otherwise, the operating cash outflow for the quarter is in accordance with the expectations of the Board of Directors and resulted from continuing research and development activities in the progression of the Company's clinical pipeline candidates and preclinical stage drugs.

The Company announced in December 2010 the completion of patient enrolment for a pivotal Phase 3 registration trial (Study 009) for MoxDuo IR. The comparative study was designed to evaluate analgesic efficacy and safety of MoxDuo IR, a patented 3:2 ratio fixed dose combination of morphine plus oxycodone, for managing moderate to severe pain in patients who have undergone total knee replacement surgery. This double-blind, two-arm study comparing a flexible analgesic dose regimen of MoxDuo IR vs. a fixed low dose



enrolled 141 patients (approximately 70 per treatment group) at 10 US clinical locations. The Company expects to release top-line data by mid February 2011.

MoxDuo IR targets the acute pain market, a \$2.5 billion segment of the over \$7 billion spent annually on prescription opioids in the US. With completion of this Study 009 trial, the Company believes it has met the basic clinical data requirements for a New Drug Application (NDA) filing with the United States Food and Drug Administration and is on track for lodgement of a NDA in Q2 CY2011 as planned.

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About QRxPharma

QRxPharma Limited (ASX: QRX and OTCQX: QRXPY) is a clinical-stage specialty pharmaceutical company focused on the development and commercialisation of new treatments for pain management and central nervous system (CNS) disorders. Based on a development strategy that focuses on enhancing and expanding the clinical utility of currently marketed compounds, the Company's product portfolio includes both late and early stage clinical drug candidates with the potential for reduced risk, abbreviated development paths, and improved patient outcomes. The Company intends to co-promote its products in the U.S. and seeks strategic partnerships for worldwide markets. QRxPharma's lead product candidate, MoxDuo IR, is completing Phase 3 clinical development and has successfully concluded multiple comparative studies evaluating its efficacy and safety against equi-analgesic doses of morphine, oxycodone and Percocet® for the treatment of acute pain. QRxPharma completed its pivotal Phase 3 program in Q4 CY2010 and plans to file its New Drug Application (NDA) with the US Food and Drug Administration (FDA) for MoxDuo IR in the first half of CY2011. The Company's preclinical and clinical pipeline includes other technologies in the fields of pain management, neurodegenerative disease and venomics. For more information, www.qrxpharma.com.



Forward Looking Statements

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this release that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections as they are currently available to the management of QRxPharma. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include risks relating to the stage of products under development; uncertainties relating to clinical trials; dependence on third parties; future capital needs; and risks relating to the commercialisation of the Company's proposed products.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

QRxPharma Limited

ABN

16 102 254 151

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(1,268)	(2,154)
(b) advertising and marketing	-	-
(c) research and development	(2,974)	(6,008)
(d) leased assets	-	-
(e) other working capital	(907)	(1,636)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	96	118
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund / (paid)	-	-
1.7 Other – Foreign Currency Option Premium	(204)	(204)
- Qualifying Therapeutic Discovery Grant	749	749
Net operating cash flows	(4,508)	(9,135)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,508)	(9,135)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(19)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (Bank Accepted Commercial bills and Term Deposit with maturity greater than 3 months)	-	-
Net investing cash flows	-	(19)
1.14 Total operating and investing cash flows	(4,508)	(9,154)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. ⁽ⁱ⁾	18,809	18,809
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	18,809	18,809
Net increase (decrease) in cash held	14,301	9,655
1.21 Cash at beginning of quarter/year to date	7,356	12,760
1.22 Exchange rate adjustments to item 1.20	(561)	(1,319)
1.23 Cash at end of quarter	21,096	21,096

(i) During the quarter the Company completed a Placement and Share Purchase Plan raising \$19.8 million before expenses.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	\$222
1.25	Aggregate amount of loans to the parties included in item 1.11	\$-

1.26 Explanation necessary for an understanding of the transactions

Payments include salary and wages, directors' fees and consultancy fees on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,953	475
4.2	Deposits at call	7	207
4.3	Bank overdraft	-	-
4.4	Bank Accepted Commercial Bills and Term Deposits with maturity of less than 3 months	19,136	6,674
Total: cash at end of quarter (item 1.23)		21,096	7,356

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 27 January 2011
(Company Secretary)

Print name: Chris J Campbell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.