ASX RELEASE
27 October 2011

QUARTERLY OPERATING UPDATE
30 SEPTEMBER 2011

QRxPharma moves towards commercialisation of MoxDuo IR®

Sydney, Australia & Bedminster, NJ – QRxPharma Limited (ASX: QRX and OTCQX: QRXPY) announced that the Company retains A$32.0 million in cash reserves at 30 September 2011, 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 which included a Placement to institutions and professional investors, and a Rights Issue that together raised a total of $26.5 million before expenses. The Placement was very well supported by both existing and new investors, with the Company welcoming a number of new Australian, US and UK based fund managers to the share register.

During the quarter, the Company announced the submission of its New Drug Application (NDA) to the United States Food and Drug Administration (FDA) for its Immediate Release patented Dual Opioid® formulation, MoxDuo IR, a 3:2 ratio fixed dose combination of morphine and oxycodone, for managing moderate to severe acute pain. The NDA filing moves the Company significantly closer to entering the $2.5 billion market for prescription opioids to treat moderate to severe acute pain, a segment of the $8 billion spent annually on prescription opioids in the US. Proceeds from the capital raising will be used to progress MoxDuo IR through FDA approval and commercialisation leading to product launch expected in 2012.

The funds raised will also support MoxDuo IR registration submissions in Europe, Australia, Canada and elsewhere, for which the US NDA package will serve as the core component. The Company believes the recently completed Study 022 which demonstrated a clinically significant reduction in respiratory depression, the major cause of death from opioids, will be attractive to strategic partners, regulators and prescribers. This study will be submitted to the FDA as part of a 2011 NDA update filing and will also facilitate label claim advantages for MoxDuo IR when the European Marketing Authorisation Application (MAA) is submitted in 2012.

In addition, the proceeds of the capital raising will be used to progress the development of MoxDuo Controlled Release (CR) the Company's continuous release dual opioid formulation intended for twice daily dosing wherein each dose provides at least 12 hours of pain relief in patients with moderate to severe chronic pain including cancer, lower back, osteoarthritis and neuropathic pain. Last year, the Company prepared initial formulations of MoxDuo CR and conducted a successful Phase 1 study to determine which formulations provided the optimum duration of drug levels in the blood. This provided critical information about the rate at which key components of the MoxDuo CR formulation were absorbed, distributed, metabolised and eliminated by the body. The results were consistent for a twice daily formulation.

The Company will accelerate the MoxDuo CR tablet development, which encompasses sustained delivery technology as well as abuse deterrent and tamper resistant features. Additional Phase 1 and 2 studies have been designed for submission to the FDA and these clinical trials will be initiated in the coming year as the Company moves MoxDuo CR towards NDA submission.

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.

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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, immediate release MoxDuo, successfully completed pivotal Phase 3 studies and the Company has filed its New Drug Application (NDA) with the US Food and Drug Administration (FDA). The Company's clinical pipeline includes an intravenous (IV) and continuous release (CR) formulation of MoxDuo, as well as other technologies in the fields of pain management, neurodegenerative disease and venomics. For more information, visit 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.

Rule 4.7B

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")

30 September 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for (*a*) staff costs	(1,068)	(1,068)
	(b) advertising and marketing	-	-
	(c) research and development	(2,399)	(2,399)
	(d) leased assets	-	-
	(e) other working capital	(585)	(585)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	34	34
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund / (paid)	-	-
1.7	Other – Net gain on sale of foreign currency option contracts	139	139
	Net operating cash flows	(3,879)	(3,879)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Net operating cash flows (carried forward)	(3,879)	(3,879)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(44)	(44)
	(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	(44)	(44)
1.14	**Total operating and investing cash flows**	(3,923)	(3,923)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.[(i)]	25,345	25,345
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	25,345	25,345
	Net increase (decrease) in cash held	21,422	21,422
1.21	Cash at beginning of quarter/year to date	7,291	7,291
1.22	Exchange rate adjustments to item 1.20	3,255	3,255
1.23	**Cash at end of quarter**	31,968	31,968

(i) During the quarter the Company completed a Placement and Rights Issue raising $26.5 million before expenses of $1.2 million.

+ 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	$126
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, 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.

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	1,150	888
4.2	Deposits at call	7	7
4.3	Bank overdraft	-	-
4.4	Bank Accepted Commercial Bills and Term Deposits with maturity of less than 3 months	30,811	6,396
	Total: cash at end of quarter (item 1.23)	31,968	7,291

Acquisitions and disposals of business entities

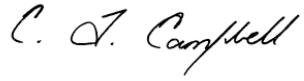
		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Nil	Nil
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

+ 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 October 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.