ASX / MEDIA RELEASE
22 October 2007

FIRST QUARTER OPERATING UPDATE

On Track to Initiate Phase 3 Clinical Trial Program for Dual-Opioid Pain Product

QRxPharma (ASX: QRX), a clinical-stage specialty pharmaceutical company focused on the development and commercialisation of new treatment paradigms for pain management and chronic central nervous system (CNS) disorders, announces positive progress towards its goal of initiating Phase 3 trials for Q8003IR, a dual-opioid immediate release pain therapy, by the end of 2007.

"We're on track in terms of financial resources, trial design, regulatory filings and clinical partners," said Dr. John Holaday, Managing Director and CEO of QRxPharma. "Leveraging the regulatory, manufacturing and drug development know how of our Board, Scientific Advisory Board and management team, we are well-positioned to achieve our goals."

Specific events since 30 June 2007 relating to the Q8003IR clinical trial program include:

- Completion of the product manufacturing of clinical supplies
- Finalisation of clinical trial protocols for an acute post-surgery clinical trial and a safety extension clinical trial
- Selection of the Clinical Research Organisation (CRO) to conduct studies
- Clinical trial site selections
- Receipt of an Institute Review Board (IRB) approval to proceed with a study of acute pain in post-surgical patients

"These actions mean that QRxPharma is ready to commence its next phase of clinical trials in late-2007, which corresponds with the timeline outlined in the Company's Prospectus," said Dr. John Holaday.

"Cash utilisation in the quarter ending 30 September 2007, as detailed in the Appendix 4C released today, is aligned with prior expectations, and the Company retains A$44.2 million in cash reserves and short-term investments which is expected to be sufficient to fully fund the Phase 3 clinical trials and New Drug Application (NDA) submission for Q8003IR in the US market," he added.

QRxPharma can also confirm quarterly progress relating to its other clinical pipeline candidates and preclinical stage drugs. Since 30 June 2007:

- Progress has been made on the production of clinical trial materials for the controlled released dual opioid product Q8011CR, with Phase 1 clinical trials to be completed mid-2008.
- Grant applications have been filed for T9001, a torsin-based therapeutic, targeting dystonia and Parkinson's disease. This drug candidate will be co-developed through a sponsored research program with the University of Alabama.
- Confirmation has been received of government grants totalling approximately A$0.8 million to the University of Queensland, over a three-year period to 2010, for partial support of the QRxPharma venomics project being conducted in collaboration with the University. This project entails the pre-clinical evaluation of snake venom proteins with therapeutic potential, including application as anti-bleeding agents.

In addition, the Company has strengthened its Scientific Advisory Board (SAB) with the recent appointments of Dr. Lester Crawford, former Commissioner of the US Food and Drug Administration (FDA), and Dr. Gavril Pasternak, a world authority on opioid drugs. Dr. John Holaday commented on these appointments: "Drs. Crawford and Pasternak bring invaluable experience to QRxPharma, as the Company strives to bring to market a product portfolio of late and early stage clinical candidates with abbreviated development programs and improved patient outcomes."

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About QRxPharma

QRxPharma (ASX: QRX) is a clinical-stage specialty pharmaceutical company focused on the development and commercialisation of new treatment paradigms for pain management and central nervous system (CNS) disorders. Based on a development strategy which re-engineers marketed drugs to enhance and expand their clinical utility, the Company's product portfolio includes both late and early stage clinical candidates with the potential for reduced risk, abbreviated development paths, improved safety and patient outcomes, and greater market value for direct commercialisation in the US as well as potential for strategic partnerships abroad. QRxPharma's lead drug compound, Q8003IR, is intended to begin Phase 3 clinical trials in 2007. The Company's preclinical and clinical pipeline includes other technologies in the fields of neurodegenerative disease and venomics.

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	Quarter ended ("current quarter")
16 102 254 151	30 September 2007

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	(446)	(446)
	(b) advertising and marketing	(108)	(108)
	(c) research and development	(1,220)	(1,220)
	(d) leased assets	-	-
	(e) other working capital	(244)	(244)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	480	480
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund/(paid)	-	-
1.7	Other	-	-
	Net operating cash flows	(1,538)	(1,538)

+ 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)	(1,538)	(1,538)
	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	(13)	(13)
	(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	-	-
	Net investing cash flows	(13)	(13)
1.14	**Total operating and investing cash flows**	(1,551)	(1,551)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc	-	-
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	-	-
	Net increase (decrease) in cash held	(1,551)	(1,551)
1.21	Cash at beginning of quarter/year to date	35,690	35,690
1.22	Effect of exchange rate changes on cash	(420)	(420)
1.23	**Cash at end of quarter – see Note (i) below**	33,719	33,719

Note (i) – A Bank Accepted Commercial Bill of $9.7 million (maturity 19 December 2007) and a Term Deposit of $0.8 million (maturity 17 December 2007), having a maturity of greater than 3 months from original investment date, have been classified as short term investments and excluded from disclosure as cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements". On maturity, if these funds are not reinvested for a period of greater than 3 months they will be reclassified and disclosed as part of cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements".

+ 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	$ 407
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	1,717	2,339
4.2	Deposits at call	-	
4.3	Bank overdraft	-	-
4.4	Bank Accepted Commercial Bills and Term Deposits with maturity of less than 3 months – **see Note (ii) below**	32,002	33,351
	Total: cash at end of quarter (item 1.23)	33,719	35,690

Note (ii) – A Bank Accepted Commercial Bill of $9.7 million (maturity 19 December 2007) and a Term Deposit of $0.8 million (maturity 17 December 2007), having a maturity of greater than 3 months from original investment date, have been classified as short term investments and excluded from disclosure as cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements". On maturity, if these funds are not reinvested for a period of greater than 3 months they will be reclassified and disclosed as part of cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements".

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 ~~/does not* (delete one)~~ give a true and fair view of the matters disclosed.

Sign here: C J Campbell Date: 22 October, 2007.
(~~Director~~/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.