15 August 2011

Dear Shareholders,

QRxPharma Corporate Update
Rights Issue closes on Monday 22 August 2011

Over the last year QRxPharma has made significant progress on the Phase 3 development programme for its dual opioid pain drug MoxDuo® IR (Immediate Release); culminating in the achievement of a significant milestone in July 2011 with the initiation of the filing of its New Drug Application (NDA) with the United States Food and Drug Administration (FDA). The Company believes that this is only the second NDA filed with the FDA by a stand-alone Australian therapeutics company over the past decade.

Boardroom Radio interview with Dr John Holaday

For those shareholders who have access to a web browser, the link below provides the opportunity to listen to a Boardroom Radio audio broadcast of 10 August 2011 titled "QRxPharma - Recent Milestones and Rights Issue". This audio broadcast discusses aspects of the Company's non-renounceable rights issue which **closes on 22 August 2011 at 5.00pm**.

To listen, copy the following details into your web browser: **brr.com.au/event/84425**

Otherwise let me share with you the progress of our capital raising and summarise significant recent clinical developments.

Capital Raising

On 22 July 2011, we announced a placement of shares (**Placement**) raising A$25 million. 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. The Company has also launched a 1 for 20 non-renounceable rights issue (**Rights Issue**) to raise up to an additional A$10.4million. The combined Placement and Rights Issue (if fully subscribed) will raise gross proceeds of up to A$35.4 million.

QRxPharma intends to use the proceeds from the Placement and Rights Issue to progress MoxDuo IR through FDA approval and commercialisation leading to product launch expected in 2012, to progress the development of MoxDuo controlled release (CR) and to provide additional working capital. The capital raising also puts the Company in a strong financial position as it negotiates with potential partners.

The issue price under the Rights Issue is A$1.45 per share (same as the Placement price); a 10% discount to the last closing price of QRxPharma shares on 19 July 2011 (being the last day that the Company's shares traded prior to the launch of the capital raising). Importantly, eligible shareholders may also apply for additional shares in excess of their entitlement under the Rights Issue[1].

1. Additional shares will be subject to availability. Applications for additional shares may be scaled at the sole discretion of QRxPharma Limited and the Joint Lead Managers

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RBS Morgans Corporate Limited (**RBS Morgans**) and Bell Potter Securities Limited (**Bell Potter**) are Joint Lead Managers to the Capital Raising.

Both RBS Morgans and Bell Potter have recently published research reports on QRxPharma. These reports can be downloaded from their websites at:

www.rbsmorgans.com (and wait for QRxPharma Rights Issue advertisement to pop up then click on "Find out more") and **www.bellpotter.com.au/qrx**

The RBS Morgans and Bell Potter research reports are prepared from information on QRxPharma already in the public domain. The reports do not represent guidance issued by the Company, and should be read subject to the legal disclaimer issued below and set forth within the reports.

The Rights Issue closes on 5.00pm, Monday 22 August 2011.

This Rights Issue offer has been made to those shareholders of QRxPharma with registered addresses in Australia, New Zealand and the US only (Eligible Shareholders).

The Rights Issue Offer Booklet was despatched to Eligible Shareholders on Monday 8 August 2011, and this document should be read carefully. If you are an Eligible Shareholder and have not yet received your copy, please call the Offer Information Line on 1800 612 532 (from Australia) or +61 2 8280 7713 (outside Australia).

For information on the Rights Issue please also contact our Offer Information Line on 1800 612 532 (from Australia) or +61 2 8280 7713 (outside Australia).

QRxPharma initiates filing of NDA for MoxDuo IR – a significant milestone

The Company commenced filing its NDA on 18 July 2011 for MoxDuo IR, a patented 3:2 ratio fixed dose combination of morphine and oxycodone for managing moderate to severe acute pain. This NDA submission initiates the regulatory approval process for MoxDuo IR, and 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. Approval of an NDA typically takes 10-12 months from submission. In nine separate Phase 2 and Phase 3 studies involving nearly 1600 patients, MoxDuo IR has consistently shown significantly fewer side effects than equivalent doses of morphine, oxycodone or Percocet®. When approved, MoxDuo IR will be the first opioid on the market to demonstrate this significant clinical advantage.

The initiation of the NDA comes on the back of the achievement of a number of other milestones over the last 12 months including the following:

- August 2010: positive results of a Phase 2 comparative proof-of-concept study to evaluate the efficacy and safety of an IV (intravenous) formulation of morphine plus oxycodone versus IV morphine alone for the treatment of moderate to severe post-operative pain in patients following hip replacement surgery. Patients obtained superior pain relief with significantly less severe side effects with IV morphine plus oxycodone than with IV morphine.

- February 2011: the successful completion of a third pivotal Phase 3 registration trial (Study 009) for MoxDuo IR using a second pain model (total knee replacement).

- June 2011: the positive results of a Phase 3 comparative safety study (Study 022) comparing the tolerability and safety profile of MoxDuo IR to equi-analegesic doses of either morphine or oxycodone alone meeting the primary endpoint of demonstrating significantly less respiratory depression with MoxDuo as measured by oxygen desaturations. This study will be submitted to the FDA as part of a 2011 NDA update filing and will also be supportive of the European Marketing Authorisation Application (MAA) scheduled for submission in the first half of 2012.

We continue to be encouraged by the level of support we have received from the capital markets, and we look forward to sharing our progress with you as we prepare for the commercialisation of our MoxDuo portfolio of pain relief product candidates.

Yours faithfully,

John W. Holaday, Ph.D.
Managing Director and CEO

Forward Looking Statements

This letter and the linked audio broadcast contain 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 letter and linked audio broadcast that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement.

Forward looking statements, opinions and estimates provided in this letter and the linked audio broadcast are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of QRxPharma, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this letter and the linked audio broadcast.

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.

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.

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