QRxPharma Limited

ABN 16 102 254 151

ASX Half year report – 31 December 2012

Lodged with the ASX under Listing Rule 4.2A

This report is to be read in conjunction with the Annual Report for the year ended 30 June 2012 and any public announcements made by QRxPharma Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Contents

QRxPharma Limited

ABN 16 102 254 151

Reporting period: Half year ended 31 December 2012
(Previous corresponding period: Half year ended 31 December 2011)

Results for announcement to the market

				A$'000
Revenue from ordinary activities	**Up**	**528%**	to	**2,235**
Net loss from ordinary activities after tax	**Down**	**8%**	to	**5,209**
Net loss for the half year attributable to members	**Down**	**8%**	to	**5,207**

Note:
At 31 December 2012, the Group retains $16.6 million (30 June 2012: $23 million) in cash and cash equivalents. Revenue from ordinary activities during the half-year ended 31 December 2012 comprises interest income earned on cash reserves ($0.03 million) and the recognition of license fee income ($2.2 million). In addition to the recognition of $1.7 million (31 December 2011: $301,000) of the upfront license fee received from Actavis Inc. in December 2011, the Group also recognised the receipt of a $0.5 million non-refundable, non-creditable upfront license fee from Paladin Labs Inc (Paladin). The funds were received from Paladin in October 2012 on the signing of a license to commercialise immediate release MOXDUO in the Canadian acute pain marketplace. At 31 December 2011, the Group had $32.9 million in cash and cash equivalents.

Dividends
It is not proposed to pay a dividend.

Other Appendix 4D information

	31 December 2012	31 December 2011
Net tangible assets per ordinary share	**$0.094**	$0.188

QRxPharma Limited

ABN 16 102 254 151

Interim report for the half-year ended 31 December 2012

QRxPharma Limited ABN 16 102 254 151
Interim report – 31 December 2012

Contents

This half-year consolidated financial report covers the consolidated entity consisting of QRxPharma Limited and its subsidiaries. The financial report is presented in Australian currency.

QRxPharma Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

QRxPharma Limited
Level 1
194 Miller Street
North Sydney
NSW 2060

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by QRxPharma Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report which is not part of this financial report.

The half-year report was authorised for issue by the directors on 15 February 2013. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.qrxpharma.com.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of QRxPharma Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the half- year ended 31 December 2012.

Directors
The following persons were directors of QRxPharma Limited during the whole of the half-year and up to the date of this report:

Peter C Farrell
John W Holaday
R Peter Campbell
Gary W Pace
Michael A Quinn

Review of operations
The consolidated entity has made a loss from ordinary activities after income tax of $5.2 million (2011: loss of $5.7 million) for the half-year.

	Half - year	
	31 Dec 2012	31 Dec 2011
	$'000	$'000
Interest income	**33**	55
License fees	**2,202**	301
Other income	**-**	291
Research and development expenditure	**(3,482)**	(4,223)
General and administration expenditure	**(915)**	(851)
Business development expenditure	**(420)**	(550)
Employee benefits expense	**(2,279)**	(2,844)
Depreciation and amortisation	**(32)**	(33)
Net foreign exchange gain/(loss)	**(316)**	2,189
(Loss) for the half-year	**(5,209)**	(5,665)
Non-controlling interest	**2**	13
(Loss) attributable to owners of QRxPharma Limited	**(5,207)**	(5,652)

	2012	2011
	Cents	Cents
Basic and diluted (loss) per share	**(3.6)**	(4.0)

The consolidated financial statements incorporate the assets and liabilities of QRxPharma Limited and its controlled subsidiaries; QRxPharma Inc, Venomics Pty Limited, The Lynx Project Pty Limited and Haempatch Pty Limited as at 31 December 2012 and the results of QRxPharma Limited and its subsidiaries for the half-year ended 31 December 2012.

Expenditure for the period reflects the Group's focus on addressing the Complete Response Letter (CRL) received from the United States Food and Drug Administration (FDA) in late June 2012 with respect to the Company's immediate release MOXDUO® New Drug Application (NDA) filing. During the period the steps necessary for approval of MOXDUO have been further clarified with the FDA and QRxPharma expects to resubmit its MOXDUO NDA during the first quarter of 2013, with an anticipated new PDUFA date to be set for the third quarter of 2013.

The FDA has recommended that the Company provide a more extensive analysis of Study 022, which evaluated oxygen desaturation levels in patients receiving MOXDUO compared to those administered morphine or oxycodone alone at equi-analgesic doses, in the revised NDA. This study demonstrated that oxygen desaturation was less severe with MOXDUO than with either oxycodone or morphine. The FDA also voiced for the first time

Review of Operations (continued)

that no precedent exists for their review of combination products where two drugs in the same category are combined (e.g. morphine and oxycodone as "opioids"). Therefore, despite the Agency previously confirming that there were no safety issues in any of the studies that were part of the original NDA, the resubmitted application inclusive of the new results from Study 022 is likely to undergo review by an Advisory Committee late in the second quarter of 2013. The Advisory Committee will evaluate the approvability of MOXDUO in the management of acute pain. The reliance on Advisory Committees has been made more common or compulsory since the FDA Amendments Act of 2007.

Whilst the US approval of MOXDUO remains the priority, the Company has also continued work on the preparation of the regulatory filings in Canada, Europe and Australia and expects that these filings will be submitted before the end of the second quarter of 2013. In December 2012 the Company and Aoxing Pharmaceutical Company, Inc (NYSE AMEX: AXN) mutually agreed to terminate their strategic alliance in China. All related intellectual property rights reverted to QRxPharma and both parties are free to pursue alternative opportunities in the Chinese pain management market.

During the half-year, the Company announced the execution of a licensing agreement with Paladin Labs Inc. (Paladin), a leading Canadian speciality pharmaceutical company, for the commercialisation rights to immediate release MOXDUO in Canada. Under the terms of the agreement, Paladin receives exclusive rights to commercialise MOXDUO in Canada and assumes responsibility for the New Drug Submission (NDS), all product launch costs as well as on-going marketing and sales efforts. QRxPharma received a non-refundable, non-creditable up-front payment of US$500,000 on the signing of the agreement. The agreement also provides for double digit royalties and up to US$25 million in milestone payments on achievement of specific sales, regulatory and reimbursement targets. QRxPharma retains the Canadian rights to the intravenous and controlled release formulations of MOXDUO, which are in clinical development.

This agreement complements the license agreement finalised with Actavis Inc. (Actavis) early in 2012 which granted Actavis exclusive rights for the commercialisation of immediate release MOXDUO in the US market, while assuming all costs for product launch as well as ongoing marketing and sales efforts. Actavis reimbursed the Company $1.6 million in respect to cost recoveries billed under this arrangement during the reporting period which supplemented the Company's cash reserves of $16.6 million at 31 December 2012.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Peter C Farrell
Director

Sydney
Date:18 February 2013

Deloitte.

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The Board of Directors
QRxPharma Limited
1/194 Miller Street
North Sydney NSW 2060

18 February 2013

Dear Board Members

QRxPharma Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of QRxPharma Limited.

As lead audit partner for the review of the financial statements of QRxPharma Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 18 February 2013

QRxPharma Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2012

	Note	Half - year	
		31 Dec 2012	31 Dec 2011
		$'000	$'000
Revenue from continuing operations	3	**2,235**	356
Other income	4	**-**	291
Employee benefits expense			
- employee salary benefits		**(1,684)**	(1,976)
- defined contribution superannuation		**(23)**	(30)
- share based payments		**(572)**	(838)
Research and development		**(3,482)**	(4,223)
Business development		**(420)**	(550)
General and administration		**(915)**	(851)
Net foreign exchange gain/(loss)		**(316)**	2,189
Depreciation and amortisation		**(32)**	(33)
(Loss) before income tax		**(5,209)**	(5,665)
Income tax benefit		**-**	-
(Loss) from continuing operations		**(5,209)**	(5,665)
(Loss) for the half-year		**(5,209)**	(5,665)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**11**	53
Other comprehensive income for the half-year, net of tax		**11**	53
Total comprehensive (loss) for the half-year		**(5,198)**	(5,612)
Loss is attributable to:			
Owners of QRxPharma Limited		**(5,207)**	(5,652)
Non-controlling interest		**(2)**	(13)
		(5,209)	(5,665)
Total comprehensive (loss) is attributable to:			
Owners of QRxPharma Limited		**(5,196)**	(5,599)
Non-controlling interests		**(2)**	(13)
		(5,198)	(5,612)
Earnings per share for loss attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic (loss) per share		**(3.6)**	(4.0)
Diluted (loss) per share		**(3.6)**	(4.0)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

QRxPharma Limited
Consolidated balance sheet
As at 31 December 2012

	Note	**31 Dec 2012 $'000**	30 June 2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**16,598**	22,950
Trade and other receivables		**120**	1,187
Other current assets	5	**228**	483
Total current assets		**16,946**	24,620
Non-current assets			
Property, plant and equipment		**168**	191
Total non-current assets		**168**	191
Total assets		**17,114**	24,811
LIABILITIES			
Current Liabilities			
Trade and other payables	6	**552**	1,533
Provisions		**694**	1,025
Other current liabilities	7	**2,265**	4,055
Total current liabilities		**3,511**	6,613
Non-current liabilities			
Provisions	8	**23**	-
Total non-current liabilities		**23**	-
Total liabilities		**3,534**	6,613
Net assets		**13,580**	18,198
EQUITY			
Contributed equity	9	**144,289**	144,281
Reserves		**11,852**	11,269
Accumulated losses		**(142,513)**	(137,306)
Capital and reserves attributable to the owners of QRxPharma Limited		**13,628**	18,244
Non-controlling interest		**(48)**	(46)
Total equity		**13,580**	18,198

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

QRxPharma Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2012

	Attributable to owners of QRxPharma Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Consolidated						
Balance at 1 July 2011	**118,809**	**9,025**	**(121,357)**	**6,477**	**50**	**6,527**
(Loss) for the half-year	-	-	(5,652)	(5,652)	(13)	(5,665)
Other comprehensive income	-	53	-	53	-	53
Total comprehensive (loss) for the half-year	**-**	**53**	**(5,652)**	**(5,599)**	**(13)**	**(5,612)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	25,338	-	-	25,338	-	25,338
Employee share scheme	-	838	-	838	-	838
	25,338	838	-	26,176	-	26,176
Balance at 31 December 2011	**144,147**	**9,916**	**(127,009)**	**27,054**	**37**	**27,091**
Balance at 1 July 2012	**144,281**	**11,269**	**(137,306)**	**18,244**	**(46)**	**18,198**
(Loss) for the half-year	-	-	(5,207)	(5,207)	(2)	(5,209)
Other comprehensive income	-	11	-	11	-	11
Total comprehensive (loss) for the half-year	**-**	**11**	**(5,207)**	**(5,196)**	**(2)**	**(5,198)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	8	-	-	8	-	8
Employee share scheme	-	572	-	572	-	572
	8	572	-	580	-	580
Balance at 31 December 2012	**144,289**	**11,852**	**(142,513)**	**13,628**	**(48)**	**13,580**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

QRxPharma Limited
Consolidated cash flow statement
For the half-year ended 31 December 2012

	Note	Half-year	
		31 Dec 2012	31 Dec 2011
		$'000	$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(8,099)**	(7,696)
Payments for patents		**(93)**	(219)
Interest received		**38**	80
Cost recoveries		**1,634**	-
License fee received		**485**	5,918
Net cash (outflow) from operating activities		**(6,035)**	(1,917)
Cash flows from investing activities			
Payments for property, plant and equipment		**(9)**	(49)
Net cash (outflow) from investing activities		**(9)**	(49)
Cash flows from financing activities			
Proceeds from issue of shares	9	**8**	26,609
Payments made in relation to capital raising		**-**	(1,271)
Net cash inflow from financing activities		**8**	25,338
Net increase/(decrease) in cash and cash equivalents		**(6,036)**	23,372
Cash and cash equivalents at the beginning of the financial year		**22,950**	7,291
Effects of exchange rate changes on cash and cash equivalents		**(316)**	2,189
Cash and cash equivalents at end of half-year		**16,598**	32,852

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

a) Basis of Preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by QRxPharma Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) New accounting standards and interpretations

(i) Standards and interpretations adopted during the period

The Group has adopted the amendments to Australian Accounting Standards during the current interim reporting period as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'. The adoption of the amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior interim periods. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its interim financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(ii) Standards and interpretations in issue not yet adopted

At the date of authorisation of the interim financial statements, a number of standards and interpretations were in issue but not yet effective.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
AASB 11 Joint Arrangements	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
AASB 127 Separate Financial Statements (2011)	1 January 2013	30 June 2014

1 Summary of significant accounting policies (continued)

AASB 128 Investments in Associates and Joint Ventures (2011)	1 January 2013	30 June 2014
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards	1 January 2013	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)	1 January 2013	30 June 2014
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014

2 Segment information

Based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources, the Group has determined that it operates within a single operating segment. The operating segment is that of the research and development of biopharmaceutical products for commercial sale. The Group's operations during the year were predominantly in Australia.

3 Revenue from continuing operations

	Half-year	
	31 Dec 2012 $'000	31 Dec 2011 $'000
License fees	**2,202**	301
Interest	**33**	55
	2,235	356

On 20 December 2011, the Company signed a binding Letter of Intent (LOI) with Actavis Inc to commercialise immediate release MOXDUO in the USA. The LOI was secured by a non-refundable, non-creditable up front signing fee of AU$5.9 million (US$6 million). The fee revenue will be recognised from the date of the signing of the LOI to the anticipated immediate release MOXDUO product launch date. The Group has recognised $1.7 million as revenue and $2.3 million as deferred revenue in the period to 31 December 2012.

On 9 October 2012, the Company signed a license agreement with Paladin Labs Inc. to commercialise immediate release MOXDUO in Canada. The license agreement was secured by a one-time, non-refundable, non-creditable upfront fee in the amount of AU$485,000 (US$500,000). The fee has been recognised as revenue for the period to 31 December 2012.

4 Other income

	Half-year	
	31 Dec 2012 $'000	31 Dec 2011 $'000
Sale of derivative financial instrument	**-**	291
	-	291

During the half year to 31 December 2011, the Group purchased a number of foreign exchange option contracts at a cost of $152,000 to protect against adverse movements between the AU$ and US$. These option contracts were not utilised during the period and were repurchased by the bank for $291,000 netting the Group a gain on sale of foreign currency option contracts of $139,000. No such contracts were purchased during the half year ended 31 December 2012.

5 Other current assets

	31 Dec 2012 $'000	30 June 2012 $'000
Prepayments	**228**	483

6 Trade and other payables

	31 Dec 2012 $'000	30 June 2012 $'000
Trade payables	**275**	757
Other payables	**277**	776
	552	1,533

7 Other current liabilities

	31 Dec 2012 $'000	30 June 2012 $'000
Deferred Revenue – see note 3	**2,265**	4,055

8 Provisions

	31 Dec 2012 $'000	30 June 2012 $'000
Provision for long service leave	**23**	-

A provision for long service leave was recognised during the period ended 31 December 2012 for Australian employees who had been employed by the Group for more than five years.

9 Equity securities issued

		Number of shares	Issue price	$'000
Ordinary shares fully paid				
1 July 2012	Balance	144,577,206		144,281
20 December 2012	Option Exercise	40,000	0.20	8
Less: transaction costs arising on issue of shares		-		-
31 December 2012	Balance	144,617,206		144,289

10 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares	31 Dec 2012 %	30 June 2012 %
The Lynx Project Pty Limited	Australia	Ordinary	100	100
Haempatch Pty Limited	Australia	Ordinary/Preference	100	100
QRxPharma, Inc.	USA	Ordinary	100	100
Venomics Pty Limited	Australia	Ordinary	80	80

11 Convertible note

During the half-year, QRxPharma Limited extended the maturity date of 42,500 convertible notes in Venomics Pty Ltd which were issued at US$4 face value per note, and carry an interest rate of 10% per annum (compounding monthly). 5,000 notes are now due to mature on 1 December 2013 and 37,500 on 20 December 2013. The Company has also issued a further 8,000 convertible notes on the same terms which are due to mature on 29 June 2013.

At 31 December 2012, QRxPharma Limited assessed the carrying value of the notes and determined that these notes may not be recoverable. Accordingly, it has fully impaired the value of these notes to $nil at 31 December 2012.

The convertible notes are carried in Venomics Pty Limited as a liability at amortised cost and the embedded derivative at fair value.

12 Contingent liabilities

There have been no other changes in the company's contingent liabilities reported as at 30 June 2012.

13 Events occurring after the balance sheet date

No significant events have occurred after the balance sheet date which would have a material impact on the financial results of the Group.

QRxPharma Limited
Directors' declaration
31 December 2012

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that QRxPharma Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter C Farrell
Director

Sydney
Date: 18 February 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the Members of QRxPharma Limited

We have reviewed the accompanying half-year financial report of QRxPharma Limited, which comprises the consolidated balance sheet as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the QRxPharma Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of QRxPharma Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of QRxPharma Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QRxPharma Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the QRxPharma Limited's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 18 February 2013