QRxPharma Limited

ABN 16 102 254 151

ASX Half year report – 31 December 2013

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 2013 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 2013
(Previous corresponding period: Half year ended 31 December 2012)

Results for announcement to the market

				A$'000
Revenue from ordinary activities	**Down**	**72%**	to	**620**
Net loss from ordinary activities after tax	**Down**	**1%**	to	**5,132**
Net loss for the half year attributable to members	**Down**	**1%**	to	**5,129**

Note:
At 31 December 2013, the Group retains $17.2 million (30 June 2013: $12.0 million) in cash and cash equivalents. Revenue from ordinary activities during the half-year ended 31 December 2013 comprises interest income of $0.03 million earned on cash reserves, and license fee income of $0.59 million with the recognition of the 30 June 2013 deferred revenue balance of a an upfront license fee received from Actavis Inc. (Actavis) in December 2011. In the previous half-year, the Group had recognised $1.7 million of the Actavis upfront license fee together with the receipt of a $0.5 million non-refundable, non-creditable upfront license fee from Paladin Labs Inc. At 31 December 2012, the Group had $16.6 million in cash and cash equivalents.

Dividends
It is not proposed to pay a dividend.

Other Appendix 4D information

	31 December 2013	31 December 2012
Net tangible assets per ordinary share	**$0.099**	$0.094

QRxPharma Limited

ABN 16 102 254 151

Interim report for the half-year ended 31 December 2013

QRxPharma Limited ABN 16 102 254 151
Interim report – 31 December 2013

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 11, Suite 1
100 Walker 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 2013 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 25 February 2014. 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 2013; QRxPharma Inc, Venomics Pty Limited, The Lynx Project Pty Limited and Haempatch Pty Limited.

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

Principal Activities
During the year the principal continuing activities of the Group consisted of the development and commercialisation of biopharmaceutical products based on largely Australian research, targeting global markets with the initial efforts being focused on the US and European markets.

Review of operations
The net loss for the period of $5.1 million (2012: net loss $5.2 million) from ordinary activities resulted from the Group's continuing efforts to secure approval for immediate release Moxduo®. This included efforts to obtain approval from the United States Food and Drug Administration (FDA) of a New Drug Application (NDA) in the United States (US), and activities associated with the preparation of the regulatory filings in Europe, Australia and Canada.

Revenue from continuing operations was down by 72% to $0.6 million (2012:$2.2 million) primarily through the recognition of revenue associated with the following licences:

- On 20 December 2011, the Company signed a binding Letter of Intent (LOI) with Actavis Inc. (Actavis) to commercialise immediate release Moxduo in the US. The LOI was secured by a non-refundable, non-creditable up front signing fee of $5.9 million (US$6 million). The fee revenue was recognised from the date of the signing of the LOI to the anticipated FDA approval date representing an approximation of the time relating to the submission of the filing with the FDA and associated processes. The Group had recognised $5.3 million as revenue up to 30 June 2013 and the remaining $0.6 million (2012: $1.7 million) during this period.

- On 9 October 2012, the Company signed a license agreement with Paladin Labs Inc. (Paladin) 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 $485,000 (US$500,000). No fee revenue was recognised (2012: $0.5 million) during the half-year to 31 December 2013.

Operating expenditures were down by 14% to $6.1 million (2012: $7.1 million) and were inclusive of:

- Research and development expenditure of $2.3 million (2012: $3.5 million) which includes $1.3 million (2012: $1.3 million) for clinical and regulatory activities associated with the progression of the NDA for immediate release Moxduo with the FDA, including preparation for the FDA Advisory Committee together with advancing the regulatory filings in Europe, Australia and Canada; with a decrease in spend on product and manufacturing process development to $0.4 million (2012: $1.6 million).

Review of operations (continued)

- Employee benefits expense of $2.6 million (2012: $2.3 million), which comprises salaries and wages expense of $1.9 million (2012: $1.7 million) and non-cash share based payments expense of $0.7 million (2012: $0.6 million). The increase in salaries and wages expenses between the periods is largely attributable to an adverse movement in the exchange rate between USD and AUD as this expense is predominately incurred in the US.

Regulatory

Following the receipt in August 2013 of a Complete Response Letter (CRL) from the FDA with respect to the immediate release Moxduo NDA filing, the steps necessary for approval of Moxduo were further clarified with the FDA culminating in the resubmission of an NDA in November 2013. The FDA notified the Company that the NDA is under review and established 25 May 2014 as the new Prescription Drug User Fee Act (PDUFA) date for action, and the Company expects the FDA to schedule an Advisory Committee meeting in April 2014.

Commercial

- In September 2013 the Company announced the execution of a licensing agreement with Aspen Pharma Pty Ltd, one of the Australian subsidiaries of Aspen Pharmacare Holdings Limited (JSE: APN), for the commercialisation rights to immediate release Moxduo in Australia, New Zealand and Oceania. QRxPharma will receive $1.25 million in regulatory approval milestones, together with double digit royalties on the sales of immediate release Moxduo in the above territories.

- In October 2013 Aspen Pharmacare Holdings Limited exercised an option granted under the above agreement for the commercialisation rights to immediate release Moxduo in South Africa. QRxPharma will receive a $0.25 million milestone payment on regulatory approval of immediate release Moxduo in South Africa, together with double digit royalties on all sales.

- In November 2013, the Company executed a licensing agreement with ABIC Marketing Limited, the Israeli domestic subsidiary of Teva Pharmaceutical Industries Limited, for the commercialisation rights to immediate release Moxduo in Israel. QRxPharma will receive undisclosed regulatory and sales milestones, and double-digit royalties on the sales of immediate release Moxduo in Israel.

Both Aspen and Teva will assume responsibility for all regulatory and product launch costs as well as ongoing marketing and sales efforts with respect to the above strategic collaborations.

These recently executed licensing agreements complement the Company's existing strategic collaborations with Actavis for the US rights to immediate release Moxduo, and with Paladin for the commercialisation rights to immediate release Moxduo in Canada.

- In July 2013 the Company signed a Collaboration Agreement with Aesica Formulation Development Limited (Aesica) for the world-wide promotion of the Company's proprietary Stealth Beadlets™ abuse deterrent technology. Aesica supplies pharmaceutical contract development and manufacturing services globally and operates six manufacturing sites across the UK, Germany and Italy. Under the Collaboration Agreement Aesica will enter into fee-for-service contracts with such third parties for the development of the new Abuse Deterrent Formulations (ADF) of specific drugs of interest, whilst QRxPharma will negotiate license terms directly with each party.

At 31 December 2013, the Group holds cash and cash equivalents of $17.2 million (30 June 2013: $12.0 million). The Group's cash reserves were bolstered with the completion in December of a successful capital raising of $11.6 million (before expenses). Assuming FDA approval in May 2014, the capital raising proceeds will be used to provide working capital through the launch phase of Moxduo in the US with Actavis, as well as funding the Company's costs associated with its regulatory filing in Europe.

As detailed in note 1 (b) of the interim financial report the financial statements have been prepared on the going concern basis. This matter has been considered by the Group's auditors Deloitte Touche Tohmatsu and the financial statements are subject to a Matter of Emphasis as noted in the Independent auditors' review report to the members of QRxPharma Limited on page 15 of this Interim Report.

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.

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 5.

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

Peter C Farrell
Director

Sydney
Date: 25 February 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

The Board of Directors
QRxPharma Limited
Suite 1, Level 11
100 Walker Street
North Sydney NSW 2060

25 February 2014

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 2013, 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, 25 February 2014

QRxPharma Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Half - year	
		31 Dec 2013	31 Dec 2012
		$'000	$'000
Revenue from continuing operations	3	**620**	2,235
Other income	4	**371**	-
Employee benefits expense			
- employee salary benefits		**(1,931)**	(1,684)
- defined contribution superannuation		**(24)**	(23)
- share based payments		**(635)**	(572)
Research and development		**(2,344)**	(3,482)
Business development		**(344)**	(420)
General and administration		**(810)**	(915)
Net foreign exchange (loss)		**-**	(316)
Depreciation and amortisation		**(35)**	(32)
(Loss) before income tax		**(5,132)**	(5,209)
Income tax benefit		**-**	-
(Loss) from continuing operations		**(5,132)**	(5,209)
(Loss) for the half-year		**(5,132)**	(5,209)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**46**	11
Other comprehensive income for the half-year, net of tax		**46**	11
Total comprehensive (loss) for the half-year		**(5,086)**	(5,198)
Loss is attributable to:			
Owners of QRxPharma Limited		**(5,129)**	(5,207)
Non-controlling interest		**(3)**	(2)
		(5,132)	(5,209)
Total comprehensive (loss) is attributable to:			
Owners of QRxPharma Limited		**(5,083)**	(5,196)
Non-controlling interests		**(3)**	(2)
		(5,086)	(5,198)
Earnings per share for loss attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic and diluted (loss) per share		**(3.5)**	(3.6)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

QRxPharma Limited
Consolidated statement of financial position
As at 31 December 2013

	Note	**31 Dec 2013 $'000**	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**17,159**	11,960
Trade and other receivables		**315**	308
Other current assets	5	**227**	220
Total current assets		**17,701**	12,488
Non-current assets			
Property, plant and equipment		**158**	135
Total non-current assets		**158**	135
Total assets		**17,859**	12,623
LIABILITIES			
Current Liabilities			
Trade and other payables	6	**564**	1,710
Provisions	7	**914**	435
Other current liabilities	8	**-**	592
Total current liabilities		**1,478**	2,737
Non-current liabilities			
Provisions	7	**46**	39
Other non-current liabilities	8	**55**	-
Total non-current liabilities		**101**	39
Total liabilities		**1,579**	2,776
Net assets		**16,280**	9,847
EQUITY			
Contributed equity	9	**155,317**	144,433
Reserves		**13,527**	12,846
Accumulated losses		**(152,510)**	(147,381)
Capital and reserves attributable to the owners of QRxPharma Limited		**16,334**	9,898
Non-controlling interest		**(54)**	(51)
Total equity		**16,280**	9,847

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

QRxPharma Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2013

	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 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**
Balance at 1 July 2013	**144,433**	**12,846**	**(147,381)**	**9,898**	**(51)**	**9,847**
(Loss) for the half-year	-	-	(5,129)	(5,129)	(3)	(5,132)
Other comprehensive income	-	46	-	46	-	46
Total comprehensive (loss) for the half-year	**-**	**46**	**(5,129)**	**(5,083)**	**(3)**	**(5,086)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	10,884	-	-	10,884	-	10,884
Employee share scheme	-	635	-	635	-	635
	10,884	635	-	11,519	-	11,519
Balance at 31 December 2013	**155,317**	**13,527**	**(152,510)**	**16,334**	**(54)**	**16,280**

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

QRxPharma Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2013

	Note	Half-year	
		31 Dec 2013	31 Dec 2012
		$'000	$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,336)**	(8,099)
Payments for patents		**(246)**	(93)
Interest received		**37**	38
Cost recoveries		**549**	1,634
License fee received		**-**	485
Research and development tax incentive received		**34**	-
Net cash outflow from operating activities		**(5,962)**	(6,035)
Cash flows from investing activities			
Payments for property, plant and equipment		**(60)**	(9)
Net cash outflow from investing activities		**(60)**	(9)
Cash flows from financing activities			
Proceeds from issue of shares	9	**11,586**	8
Payments made in relation to capital raising	9	**(702)**	-
Net cash inflow from financing activities		**10,884**	8
Net increase/(decrease) in cash and cash equivalents		**4,862**	(6,036)
Cash and cash equivalents at the beginning of the financial year		**11,960**	22,950
Effects of exchange rate changes on cash and cash equivalents		**337**	(316)
Cash and cash equivalents at end of half-year		**17,159**	16,598

The above consolidated statement of cash flows 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 2013 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 2013 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.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As reported for the year ended 30 June 2013, the Group incurred a net loss of $10.1 million (2012: $16 million) and had net cash outflows from operating activities of $11.7 million (2012: $11.7 million). For the 6 months to 31 December 2013, the Group incurred a loss of $5.1 million (2012: $5.2 million) and had net cash outflows from operating activities of $6.0 million (2012: $6.0 million). As at 31 December 2013, the Group holds cash and cash equivalents of $17.2 million (30 June 2013: $12 million).

The ability of the Group to continue as a going concern for a period of at least 12 months from the date of signing this financial report is dependent upon the Group being successful in obtaining further funding to execute on the Group's commercial and corporate strategies and to meet ongoing research and development costs. Given the past success of the Group in obtaining further funding, the directors consider it appropriate to prepare the financial statements on the going concern basis.

However, in the event that the Group is unable to obtain further funding sufficient to execute on the Group's commercial and corporate strategies and to meet ongoing research and development costs, significant uncertainty would exist as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) New accounting standards and interpretations

(i) Standards and interpretations adopted during the period

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year (31 December 2013), which include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

(c) New accounting standards and interpretations (continued)

- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

The above accounting standards do not have any material impact on the recognition and measurement of financial statement items. The Group has updated its accounting policy relating to *Principles of Consolidation* in accordance with the new and revised requirements.

Principles of consolidation - Subsidiaries
Subsidiaries are all those entities (including special purpose entities) which are controlled by the Company. Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the company controls an investee if and only if the company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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.

3 Revenue from continuing operations

	Half-year	
	31 Dec 2013 $'000	31 Dec 2012 $'000
License fees	**592**	2,202
Interest	**28**	33
	620	2,235

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 $5.9 million (US$6 million). The fee was recognised from the date of the signing of the LOI to the anticipated FDA approval date representing an approximation of the time relating to the submission of the filing with the FDA and associated processes. The Group recognised the remaining balance of deferred income of $0.6 million (2012: $1.7 million) as revenue in the period to 31 December 2013.

In the previous half-year ended 31 December 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 $485,000 (US$500,000). The fee was recognised as revenue in the period to 31 December 2012.

4 Other income

	Half-year	
	31 Dec 2013 $'000	31 Dec 2012 $'000
Net foreign exchange gain	**337**	-
Research and development tax incentive	**34**	-
	371	-

5 Other current assets

	31 Dec 2013 $'000	30 June 2013 $'000
Prepayments	**227**	220

6 Trade and other payables

	31 Dec 2013 $'000	30 June 2013 $'000
Trade payables	**363**	1,160
Other payables	**201**	550
	564	1,710

7 Provisions

	31 Dec 2013 $'000	30 June 2013 $'000
Employee Benefits		
Current	**914**	435
Non-current	**46**	39
	960	474

8 Other liabilities

	31 Dec 2013 $'000	30 June 2013 $'000
Deferred Revenue		
Other current liabilities – see note 3	**-**	592
Other non-current liabilities	**55**	-
	55	592

On 26 November 2013, the Company signed a licencing agreement with ABIC Marketing Limited, the Israeli domestic subsidiary of Teva Pharmaceutical Industries Limited for the commercialisation rights to immediate release Moxduo in Israel. The license agreement was secured by a fee of $55,000 (US$50,000). The fee has been recognised as deferred revenue in the period to 31 December 2013.

9 Equity securities issued

		Number of shares	Issue price	$'000
Ordinary shares fully paid				
1 July 2013	Balance	144,785,606		144,433
19 November 2013	Share Placement	12,500,000	0.60	7,500
13 December 2013	Share Purchase Plan	6,810,363	0.60	4,086
Less: transaction costs arising on issue of shares		-		(702)
31 December 2013	Balance	164,095,969		155,317

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 2013 %	30 June 2013 %
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 Contingent liabilities

There have been no changes in the company's contingent liabilities reported as at 30 June 2013.

12 Events occurring after the reporting period

No significant events have occurred after the reporting period which would have a material impact on the financial results of the Group.

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 13 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 2013 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: 25 February 2014

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 condensed statement of financial position as at 31 December 2013, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed 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 6 to 14.

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 2013 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.

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 2013 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the half year financial report which indicates that for the half year ended 31 December 2013, the consolidated entity incurred a net loss of $5.1 million (half year 2012: $5.2 million) and had net cash outflows from operating activities of $6.0 million (half year 2012: $6.0 million). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 25 February 2014