ASX RELEASE
27 January 2010

SECOND QUARTER OPERATING UPDATE

QRxPharma on track to complete Phase 3 trials of MoxDuo™IR after successful capital raising

Sydney, Australia & Bedminster, NJ – QRxPharma Limited (ASX: QRX and OTCQX: QRXPY), announced that the Company retains A$27.2 million in cash reserves at 31 December 2009, as detailed in the Appendix 4C released today.

The Company's improved cash position is the result of a successful A$21.6 million (before expenses) fully underwritten capital raising undertaken during the quarter.

QRxPharma CEO and Managing Director, Dr John Holaday commented "It is pleasing to see the support we have received from the market for our capital raising. We welcomed many new institutional shareholders to our register and look forward to them sharing our success as we progress towards the commercialisation of our lead compound MoxDuo™IR. We were encouraged by this strong level of support for completing the registration program for MoxDuo™IR."

The funds raised will be used by QRxPharma to fund the final two pivotal Phase 3 registrational studies and to file a New Drug Application (NDA) for MoxDuo™IR which is intended to be lodged at the end of the 2010 calendar year with the US Food and Drug Administration (FDA).

Clinical trials to date have shown that MoxDuo™IR provides as good or better pain relief with significantly fewer side effects than morphine, oxycodone or Percocet®. These comparator opioid drugs are standards of care worldwide. QRxPharma's studies indicate that equianalgesic doses of MoxDuo™IR produce significantly less nausea, vomiting, dizziness and constipation and therefore increase the possibility of doctor and patient compliance.

As well as enabling the Company to complete the remaining two MoxDuo™IR pivotal trials, the capital raising also allows QRxPharma to continue the development of MoxDuo™IV and MoxDuo™CR as part of its product portfolio, to address pain management from hospital to home.

During the quarter QRxPharma initiated the first of the final two MoxDuo™IR registrational studies, Study 008, which compares the efficacy and safety profiles of MoxDuo™IR against component doses of morphine and oxycodone alone for the management of moderate to severe post-operative pain following bunionectomy surgery. Results of this study are expected by end of Q2 2010 and if successful, this trial will satisfy the "Combination Rule" requirement of the FDA.

The second and final Phase 3 registrational trial, Study 009, is a double-blind controlled study to evaluate the effectiveness of MoxDuo™IR in patients following total knee replacement surgery, and is scheduled to begin in Q1 2010, with study results expected during Q3 2010.

Clinical work progressed in Germany on the comparative proof-of-concept study to evaluate the efficacy and safety of MoxDuo™IV versus IV morphine alone for the treatment of moderate to severe post-operative pain in patients following hip replacement surgery, with 19 patients administered drugs in this study up to 31 December 2009. The Company expects to complete the dosing of a further 21 patients in this investigator study during Q1 2010 and issue results in Q2 2010.

During the quarter the Company also announced a contractual agreement with Patheon to manufacture clinical supplies of QRxPharma's controlled release Dual-Opioid™ formulation MoxDuo™CR. MoxDuo™CR is designed to provide 12 hours of pain relief in patients suffering from moderate to severe chronic pain (including cancer, lower back, osteoarthritis and neuropathic). Initial Phase 1 studies are scheduled to begin in Q1 2010 to evaluate the pharmacokinetic profile of this patented formulation.

The Company continues to pursue business development opportunities and the development of its product portfolio, while closely managing the cash burn.

Finally, under the terms of its license with Venomics Hong Kong Limited (a joint venture with Liaoning Nuokang Medicines Co Ltd), the Company commenced the transfer of intellectual property and know how associated with its venomics assets Textilinin and Haempatch™, to its Chinese partner to enable the commencement of development work in China on these assets. The Hong Kong entity holds the license to commercialise Textilinin and Haempatch™ in China. Data generated through the development of these products in China will support partnering activities in other territories, the rights of which have been retained by QRxPharma's subsidiary, Venomics Pty Limited.

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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.

About QRxPharma

QRxPharma (ASX: QRX and OTCQX: QRXPY) is a clinical-stage specialty pharmaceutical company focused on the development and commercialisation of therapies for pain management and central nervous system (CNS) disorders. Based on a business strategy to expand the clinical utility and commercial value of marketed and/or existing compounds, QRxPharma's product portfolio includes both late and early stage clinical drug candidates with well-defined paths to regulatory approval and sales. The Company intends to directly commercialise its products in the US and seek strategic partnerships for worldwide markets. QRxPharma's lead compound, MoxDuo™IR (Q8003IR), is in Phase 3 clinical development

and has successfully completed multiple comparative studies evaluating its efficacy and safety against equianalgesic doses of morphine, oxycodone and Percocet® for the treatment of acute pain. Study results consistently demonstrate MoxDuo™IR's greater overall tolerability, achieving as good or better pain relief with substantially fewer incidences of moderate to severe side effects. The Company's preclinical and clinical pipeline includes other technologies in the fields of pain management, neurodegenerative disease and venomics. For more information: www.QRxPharma.com.

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")

31 December 2009

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for (a) staff costs	(1,449)	(2,770)
	(b) advertising and marketing	-	-
	(c) research and development	(3,709)	(5,826)
	(d) leased assets	-	-
	(e) other working capital	(952)	(1,481)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	36	63
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund / (paid)	-	-
1.7	Other – Foreign Currency Option Premium	(439)	(439)
	Net operating cash flows	(6,513)	(10,453)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities admitted on the basis of commitments

		Current quarter $A'000	Year to date (6 months) $A'000
1.8	Net operating cash flows (carried forward)	(6,513)	(10,453)
	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	(14)	(14)
	(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	(14)	(14)
1.14	**Total operating and investing cash flows**	(6,527)	(10,467)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc [(i)]	20,326	20,905
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 (provide details if material)	-	
	Net financing cash flows	20,326	20,905
	Net increase (decrease) in cash held	13,799	10,438
1.21	Cash at beginning of quarter/year to date	13,490	17,773
1.22	Exchange rate adjustments to item 1.20	(116)	(1,038)
1.23	**Cash at end of quarter**	27,173	27,173

[(i)] During the quarter the Company completed a Placement and Rights Issue raising $21.6 million before Offer Expenses.

+ 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	344
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, director fees, 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	1,726	1,462
4.2	Deposits at call	2,500	-
4.3	Bank overdraft	-	-
4.4	Bank Accepted Commercial Bills and Term Deposits with maturity of less than 3 months	22,947	12,028
	Total: cash at end of quarter (item 1.23)	27,173	13,490

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 January, 2010.
(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.