ASX RELEASE
30 July 2008

FOURTH QUARTER OPERATING UPDATE

Establishes Preferred Dose for Optimal Efficacy and Tolerability; Study Goals and Secondary Endpoints Met

QRxPharma (ASX: QRX), announced that cash utilisation in the quarter ending 30 June 2008, as detailed in the Appendix 4C released today, is aligned with prior expectations, and the Company retains A$29.7 million in cash reserves.

"The Company continues to closely manage its cash position as it progresses the Phase 3 development program for its lead product candidate Q8003IR an immediate release dual opioid product candidate intended for the management of moderate to severe pain, a $7 billion dollar market in the U.S. alone" said Dr. John Holaday, Managing Director and CEO of QRxPharma.

The Company completed during this quarter its first Phase 3 study establishing a 12mg/8mg morphine and oxycodone combination of Q8003IR as the preferred dose for optimal efficacy and tolerability. This study was completed ahead of schedule and capped off a further successful quarter of development activity for the Q8003IR programme.

While the initial Phase 3 efficacy data demonstrated statistically significant pain reduction activity of Q8003IR at all dose levels, further analysis suggested that the 12mg/8mg dose delivers the best analgesic effect and tolerability profile. The data confirmed that the Company's patented dual opioid combination of morphine and oxycodone provided strong pain relieving effects and was well tolerated by most patients. These results support the concept that this combination of opioids (dual opioid technology, the first product of its type) is a strong analgesic and will be able to control pain at doses lower than single entity opioid analgesics, thus leading to effective analgesia with fewer adverse events.

"Our Phase 3 study met all primary and secondary endpoints and provides important information as we orchestrate the remaining clinical studies required for product approval and marketing." said Dr. Holaday.

The goal of the double-blind, placebo-controlled Phase 3 study was to compare four different dosage regimens of Q8003IR in patients with moderate to severe post-surgery pain (bunionectomy) and establish the preferred dose parameters. Secondary endpoints included: (1) an overall assessment by each patient of the effectiveness of the treatment and the extent of reduction of use of supplemental analgesics compared to the patients who received placebo. The results showed that 58% of the patients receiving Q8003IR rated the effect as good to excellent compared to only 13% of placebo treated subjects; (2) safety, as measured by the incidence and intensity of opioid-related adverse events. Pain following buinionectomy surgery is usually intense enough to require treatment with an opioid for about 2 days. Few patients receiving Q8003IR were discontinued from dosing due to an adverse event and the incidence of severe adverse events was typically 0-

5% of patients The study, conducted at six US clinical research sites with 256 patients experiencing moderate to severe pain, was completed ahead of schedule.

Additional clinical trials with Q8003IR will begin in the next few months to comply with the US Food and Drug Administration's (FDA) requirement for the combination product Q8003IR to be compared to its individual components in acute post-surgical pain. These data will further support submission of the Company's planned NDA to the FDA in 2009.

QRxPharma can also confirm quarterly progress relating to its other clinical pipeline candidates and preclinical stage drugs:

- Q8011CR, a formulation of QRxPharma dual opioid designed to provide 12 hours of pain relief in patients with moderate to severe pain is being formulated to initiate Phase I studies.

- The intravenous formulation of QRxPharma's dual opioid Q8012IV for the immediate post-surgical treatment of hospital-based pain is proposed to commence clinical trials in 2009.

- QRxPharma's Dystonia and Parkinson's Disease development program with a family of small molecules continues under a collaborative research agreement with the University of Alabama on lead molecule selection.

- QRxPharma's venomics platform based on collaboration with the University of Queensland to identify and characterise proteins and peptides from the venom of Australian snake species that may have potential therapeutic applications.

Apart from its development activities the Company also initiated during the quarter a Level 1 American Depositary Receipt (ADR) program which was listed on the International OTCQX, and trading began on June 30 on the International PrimeQX under the ticker QRXPY.

The International OTCQX is the leading electronic trading, quotation and disclosure venue to the U.S. over-the-counter (OTC) market. The International OTCQX provides issuers with an efficient and robust platform on which to list securities and access some of the deepest pools of liquidity in the world. The listing of the ADR program on the International OTCQX enables QRxPharma shares to be more accessible to U.S. institutions and private investors, including those permitted to buy only U.S. based securities. It also distinguishes the QRxPharma ADR program from the approximately 8,000 OTC securities currently traded in the U.S.

With the Company achieving its critical development milestones as projected and reporting positive clinical data to date, the OTCQX listing initiative is part of a broad strategy to maximize value, provide access to U.S. investors, and increase international liquidity.

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Forward Looking Statements

This document contains forward-looking statements that involve risks and uncertainties. The forward-looking statements contained herein represent the judgment of QRxPharma as of the date of this release. These forward-looking statements are not guarantees for future performance. Actual results could differ materially from those currently anticipated due to a number of factors including 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 commercialization of the Company's proposed products.

About QRxPharma

QRxPharma (ASX: QRX) is a clinical-stage specialty pharmaceutical company focused on the development and commercialization of new treatments for pain management and central nervous system (CNS) disorders. Based on a development strategy which 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 directly commercialize its products in the U.S. and seek strategic partnerships abroad. QRxPharma's lead compound, Q8003IR, successfully completed initial Phase 3 studies, meeting primary and secondary endpoints. 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	Quarter ended ("current quarter")
16 102 254 151	30 June 2008

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for (*a*) staff costs	(990)	(2,816)
	(b) advertising and marketing	-	(126)
	(c) research and development	(4,526)	(10,987)
	(d) leased assets	-	-
	(e) other working capital	(268)	(1,893)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	301	1,550
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund / (paid)	-	125
1.7	Other (provide details if material)	-	-
	Net operating cash flows	(5,483)	(14,147)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(5,483)	(14,147)
	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	10	(68)
	(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 – **see Notes (i) and (ii) below**)	825	10,846
	Net investing cash flows	835	10,778
1.14	**Total operating and investing cash flows**	(4,648)	(3,369)
	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 (provide details if material)	-	(31)
	Net financing cash flows	-	(31)
	Net increase (decrease) in cash held	(4,648)	(3,400)
1.21	Cash at beginning of quarter/year to date	35,368	35,690
1.22	Exchange rate adjustments to item 1.20	(1,048)	(2,618)
1.23	**Cash at end of quarter**	29,672	29,672

Note (i) – A Bank Accepted Commercial Bill of $9.7 million matured in December 2007. The proceeds together with interest of $0.3 million were converted into US dollars and reinvested in Term Deposits having maturities of less than 3 months from original investment date. Accordingly these Term Deposits have been classified and disclosed as cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements".

+ See chapter 19 for defined terms.

Note (ii) – A Term Deposit of $0.8 million matured on 18 May 2008. The proceeds were reinvested in Commercial Bills having a maturity of less than 3 months from the original investment date. Accordingly these funds have been reclassified and disclosed as part of cash and cash equivalents in accordance with AASB 107 "Cash Flow Statements".

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	$339
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	654	1,133
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	29,018	34,235
	Total: cash at end of quarter (item 1.23)	29,672	35,368

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: 30 July 2008
(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.

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