



QRxPharma Limited

ABN 16 102 254 151

ASX Half year interim financial report – 31 December 2015

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 2015 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.

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QRxPharma Limited

ABN 16 102 254 151

Reporting period: Half year ended 31 December 2015

(Previous corresponding period: Half year ended 31 December 2014)

Results for announcement to the market

				AS'000
Revenue from ordinary activities	Down	17%	to	5
Net loss from ordinary activities after tax	Down	74%	to	1,228
Net loss for the half year attributable to members	Down	74%	to	1,228

Note:

On 22 May 2015 the Board of Directors (Board) formed a view that the Company's circumstances rendered its ongoing solvency unlikely and that the best possible interests of shareholders may be achieved by placing the Company into Voluntary Administration. Timothy Heesh and Amanda Lott were appointed as Joint and Several Administrators (Administrators) to the Company. A Deed of Company Arrangement (DOCA) was wholly effectuated on 23 December 2015, thereby returning the management and control of the Company to the Board.

At 31 December 2015, the Group holds cash and cash equivalents of \$1.8 million (30 June 2015: \$3.4 million), with \$0.2 million of these funds being held in escrow. Pursuant to the terms of the Escrow Deed the balance of funds held by the escrow agent of A\$0.2 million were returned to the Group in early January 2016. 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 an Emphasis of Matter as noted in the Independent auditors' review report to the members of QRxPharma Limited on pages 13 to 14 of the Interim Financial Report.

Dividends

It is not proposed to pay a dividend.

Other Appendix 4D information

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Net tangible assets per ordinary share	\$0.010	\$0.026

QRxPharma Limited

ABN 16 102 254 151

Interim report for the half-year ended 31 December 2015

QRxPharma Limited ABN 16 102 254 151

Interim report – 31 December 2015

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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 2015 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 10 March 2016, 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 2015.

Directors

The following persons were directors of QRxPharma Limited during the whole of the financial half-year and up until the date of this report, unless otherwise indicated:

Bruce A Hancox
Richard S Treagus

Principal Activities

The principal activities of the Group has been 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.

On 22 May 2015 the Board of Directors (Board) formed a view that the Company's circumstances rendered its ongoing solvency unlikely and that the best possible interests of shareholders may be achieved by placing the Company into Voluntary Administration. Timothy Heesh and Amanda Lott were appointed as Joint and Several Administrators (Administrators) to the Company. A Deed of Company Arrangement (DOCA) was wholly effectuated on 23 December 2015, thereby returning the management and control of the Company to the Board.

Review of operations

The net loss for the half-year from ordinary activities was \$1.2 million (2014: net loss \$4.7 million) and includes the following key items:

Operating expenditures were down by 74% to \$1.4 million (2014: \$5.3 million) and were inclusive of:

- Research and development expenditure of \$0.1 million (2014: \$1.5 million). The expenditure for this 2015 financial half-year was primarily incurred in patent and trademark maintenance (2014: \$0.1 million). The 2014 financial half-year included \$0.4 million for the finalisation of clinical and regulatory activities associated with immediate release Moxduo[®], and spend of \$0.8 million on product and manufacturing process development inclusive of costs associated with the closing of all development programmes.
- Employee benefits expense of \$0.1 million (2014: \$2.8 million), which comprises salaries and wages expense of \$0.1 million (2014: \$1.5 million). The decrease in salaries and wages is attributable to the Group's decision to significantly reduce headcount. The 2014 financial half-year also included termination benefits of \$1.4 million and a net write back of non-cash share based payments expense of \$(0.1) million.
- Restructuring expense of \$0.8 million (2014: \$0.1 million) associated with the placement of the Company into Voluntary Administration.
- General and administrative expense of \$0.4 million (2014: \$0.7 million). The decrease in expenditure is attributable to the Group's decision to wind down activities inclusive of the closure of the US operations.

At 31 December 2015, the Group holds cash and cash equivalents of \$1.8 million (30 June 2015: \$3.4 million), with \$0.2 million of these funds being held in escrow. Pursuant to the terms of the Escrow Deed the balance of funds held by the escrow agent of A\$0.2 million were returned to the Group in early January 2016. 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 an Emphasis of Matter as noted in the Independent auditors' review report to the members of QRxPharma Limited on pages 13 to 14 of this Interim Financial Report.

Following the appointment of the Administrators on 22 May 2015, the First Meeting of creditors was held on 3 June 2015 with notice of the Second Meeting to be sent by 22 June 2015 being within the "convening period" from the date of appointment pursuant to sections 439A(1) and 439A(5) of the Corporations Act 2001 (Act). Due to the complexity of the financial affairs of the Company, the Administrators made two applications to the Federal Court to have the convening period extended. On 19 June 2015, her Honour Justice Jagot of the Federal Court ordered, inter alia, pursuant to Section 439A(6) of the Act that the convening period within which to hold the Second Meeting be extended to 31 August 2015. By further order made on 28 August 2015 and pursuant to Section 447A(1) of the Act, the convening period was further extended until 30 November 2015. The Administrators issued report dated 3 November 2015 together with a Notice of Meeting of the Second Meeting of Creditors to be held on 30 November 2015.

The meeting considered the Administrators' Report and voted in favour of the execution of a Deed of Company Arrangement (DOCA) which was proposed by a creditor of the Company, Cavwain Pty Limited (a corporate adviser to the Company prior to the appointment of the Administrators). The DOCA was signed on 8 December 2015 and wholly effectuated on 23 December 2015, thereby returning the management and control of the Company to the Board.

Under the terms of the DOCA that has been effectuated and the terms of s.444D of the Act, and as confirmed in legal advice from Senior Counsel obtained by the Company, the Directors are of the opinion that the Company has no liability in respect of:

- (i) any claims made by shareholders that arose prior to 22 May 2015, as they are extinguished and barred; and
- (ii) any claims made by former directors against the Company seeking indemnity in respect of claims made by shareholders against them personally, as such claims are either excluded or limited to the extent of the Company's insurance coverage.

Specifically, during the term of Administration the Company was subject to a class action initiated in the United States against the Company and a former director by holders of certain American Depository Receipts (ADRs). The proceedings against the Company were stayed at 31 December 2015.

Matters subsequent to the end of the financial half-year

Subsequent to the end of the financial half-year the Company was granted (on 10 February 2016 in New York) permanent injunctive relief and the class action by holders of certain ADRs against the Company was dismissed.

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 4.

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



Bruce A Hancox
Director

Sydney
Date: 10 March 2016

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

10 March 2016

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 2015, 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

QRxPharma Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Half - year 31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue from continuing operations	3	5	6
Employee benefits expense			
- employee salary benefits		(121)	(1,524)
- termination benefits		-	(1,423)
- defined contribution superannuation		(12)	(30)
- share based payments write-back		-	144
Research and development expense		(93)	(1,475)
Business development expense		-	(204)
Restructuring expense		(838)	(86)
General and administration expense		(355)	(736)
Depreciation and amortisation		(1)	(11)
Loss on disposal of fixed assets		-	(81)
Net foreign exchange gain		187	683
(Loss) before income tax		<u>(1,228)</u>	<u>(4,737)</u>
Income tax benefit		-	-
(Loss) from continuing operations		<u>(1,228)</u>	<u>(4,737)</u>
(Loss) for the half-year		<u>(1,228)</u>	<u>(4,737)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		9	140
Other comprehensive income for the half-year, net of tax		9	140
Total comprehensive (loss) for the half-year		<u>(1,219)</u>	<u>(4,597)</u>
Loss is attributable to:			
Owners of QRxPharma Limited		(1,228)	(4,729)
Non-controlling interest		-	(8)
		<u>(1,228)</u>	<u>(4,737)</u>
Total comprehensive (loss) is attributable to:			
Owners of QRxPharma Limited		(1,219)	(4,589)
Non-controlling interests		-	(8)
		<u>(1,219)</u>	<u>(4,597)</u>
Earnings per share for loss attributable to the ordinary equity holders of the company:		Cents	Cents
Basic and diluted (loss) per share		(0.7)	(2.9)

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

QRxPharma Limited
Condensed consolidated statement of financial position
As at 31 December 2015

	Note	31 Dec 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	1,819	3,383
Trade and other receivables		106	45
Other current assets	5	43	125
Total current assets		<u>1,968</u>	<u>3,553</u>
Non-current assets			
Property, plant and equipment		2	3
Total non-current assets		<u>2</u>	<u>3</u>
Total assets		<u>1,970</u>	<u>3,556</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	6	375	554
Provisions	7	2	190
Total current liabilities		<u>377</u>	<u>744</u>
Non-current liabilities			
Provisions	7	-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>377</u>	<u>744</u>
Net assets		<u>1,593</u>	<u>2,812</u>
EQUITY			
Contributed equity	8	155,342	155,342
Reserves		13,644	13,635
Accumulated losses		(167,328)	(166,100)
Capital and reserves attributable to the owners of QRxPharma Limited		<u>1,658</u>	<u>2,877</u>
Non-controlling interest		(65)	(65)
Total equity		<u>1,593</u>	<u>2,812</u>

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

QRxPharma Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2015

Attributable to the owners of
QRxPharma Limited

	Contributed Equity \$'000	Share- based Payments Reserve \$'000	Foreign Currency Translation Reserve \$'000	Transactions with Non- Controlling Interest Reserve \$'000	Accumulated Losses \$'000	Total \$'000	Non- controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2014	155,342	13,782	263	456	(160,716)	9,127	(57)	9,070
Loss for the half-year	-	-	-	-	(4,729)	(4,729)	(8)	(4,737)
Other comprehensive income	-	-	140	-	-	140	-	140
Total comprehensive loss for the half-year	-	-	140	-	(4,729)	(4,589)	(8)	(4,597)
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-	-
Employee share scheme	-	(144)	-	-	-	(144)	-	(144)
	-	(144)	-	-	-	(144)	-	(144)
Balance at 31 December 2014	155,342	13,638	403	456	(165,445)	4,394	(65)	4,329
Balance at 1 July 2015	155,342	12,784	395	456	(166,100)	2,877	(65)	2,812
Loss for the half-year	-	-	-	-	(1,228)	(1,228)	-	(1,228)
Other comprehensive income	-	-	9	-	-	9	-	9
Total comprehensive loss for the half-year	-	-	9	-	(1,228)	(1,219)	-	(1,219)
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-	-
Employee share scheme	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Balance at 31 December 2015	155,342	12,784	404	456	(167,328)	1,658	(65)	1,593

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

QRxPharma Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2015

	Note	Half-year	31 Dec 2014
		31 Dec 2015	31 Dec 2014
		\$'000	\$'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(1,756)	(5,180)
Interest received		5	6
Receipts from licensee of cost recoveries		-	109
License fee refunded		-	(57)
Research and development tax incentive received		-	-
		<u> </u>	<u> </u>
Net cash (outflow) from operating activities		<u>(1,751)</u>	<u>(5,122)</u>
Cash flows from investing activities			
Payments for plant and equipment		-	(7)
		<u> </u>	<u> </u>
Net cash (outflow) from investing activities		<u> </u>	<u>(7)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payments made in relation to capital raising		-	-
		<u> </u>	<u> </u>
Net cash inflow from financing activities		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents		(1,751)	(5,129)
Cash and cash equivalents at the beginning of the financial year		3,383	10,525
Effects of exchange rate changes on cash and cash equivalents		<u>187</u>	<u>683</u>
Cash and cash equivalents at end of half-year		<u>1,819</u>	<u>6,079</u>

The above condensed 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 2015 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 2015 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 2015 annual financial report for the financial year ended 30 June 2015, 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.

During the half-year ended 31 December 2015, the Group incurred a net loss of \$1.2 million (2014: \$4.7 million) and had net cash outflows from operating activities of \$1.8 million (2014: \$5.1 million).

The Company has been under Voluntary Administration (Administration) from 22 May 2015 to 23 December 2015. During the period from 22 May 2015 until the date of signing this report, the Group had minimal operations and transactions, other than the costs incurred in restructuring the business. A Deed of Company Arrangement (DOCA) was executed on 8 December 2015 and wholly effectuated on 23 December 2015, thereby returning the management and control of the Company to the Board.

The going concern assessment has been made on the assumption that the Group will continue to settle its liabilities arising in the ordinary course of its existing business with minimal operations. At 31 December 2015, the Group holds cash and cash equivalents of \$1.8 million (30 June 2015: \$3.4 million), with \$0.2 million of these funds being held in escrow. These remaining escrow funds were returned to the Group in early January 2016.

The Board will continue to review potential opportunities for the Group and consider additional strategies to be undertaken by the Group. In the event that the Group commences any due diligence activities associated with any of the opportunities identified, then the Group is likely to incur additional costs for which it is likely to seek funding. At the date of this report no such opportunities have been identified. The cash flow forecast prepared by the Company does not include the costs associated with any due diligence activities.

In the event the potential opportunities are identified and the Company is unable to obtain funding to pursue such opportunities, significant uncertainty would exist as to the ability of the Group to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities 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 ended 31 December 2015, which do not have any material impact on this financial report.

2 Segment information

Based on the internal reports that are reviewed and used by the Board (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 was that of the research and development of biopharmaceutical products for commercial sale.

3 Revenue from continuing operations

	Half-year	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Interest income	5	6

4 Current assets – Cash and cash equivalents

	31 Dec 2015 \$'000	30 June 2015 \$'000
Cash at bank	1,628	3,073
Escrowed cash	191	310
	1,819	3,383

On 4 July 2014 the Group entered into an Escrow Deed arrangement with its then current employees, consultants and the former CEO, covering potential liabilities arising from i) Notice entitlements, ii) Termination payments and where applicable, iii) Retention payments, for an aggregate amount of \$3.6 million. The Group deposited these funds into a bank account under the administration of an escrow agent in accordance with the terms of the Escrow Deed. A significant portion of these liabilities had been met through to 31 December 2015. Pursuant to the terms of the Escrow Deed the balance of funds held by the escrow agent of \$191,000 were returned to the Group in early January 2016.

5 Other current assets

	31 Dec 2015 \$'000	30 June 2015 \$'000
Prepayments	43	125

6 Trade and other payables

	31 Dec 2015 \$'000	30 June 2015 \$'000
Trade payables	82	183
Other payables	293	371
	375	554

7 Provisions

	31 Dec 2015 \$'000	30 June 2015 \$'000
Employee Benefits		
Current	2	190
Non-current	-	-
	<u>2</u>	<u>190</u>

8 Equity securities issued

		Number of shares	Issue price	\$'000
Ordinary shares fully paid				
1 July 2015	Balance	164,190,969		155,342
Movement		-		-
31 December 2015	Balance	<u>164,190,969</u>		<u>155,342</u>

9 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 2015 %	30 June 2015 %
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	87.4	87.4
Stealthguard Pty Limited	Australia	Ordinary	100	100
Safeguard Therapeutics Pty Limited	Australia	Ordinary	100	100

10 Contingent liabilities

There have been no changes in the Company's contingent liabilities reported as at 30 June 2015.

11 Events occurring after the reporting period

During the term of Administration the Company was subject to a class action initiated in the United States against the Company and a former director by holders of certain American Depository Receipts (ADRs). The proceedings against the Company were stayed at 31 December 2015.

Subsequent to the end of the financial half-year the Company was granted (on 10 February 2016 in New York) permanent injunctive relief and the class action by holders of certain ADRs against the Company was dismissed.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 11 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 2015 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.



Bruce A Hancox
Director

Sydney
Date: 10 March 2016

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 consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 12.

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 gives a true and fair view and 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 consolidated entity's financial position as at 31 December 2015 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 consolidated entity's financial position as at 31 December 2015 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(b) in the half-year financial report which indicates the at the consolidated entity incurred a net loss of \$1.2 million (2014: \$4.7 million) and had net cash outflows from operating activities of \$1.8 million (2014: \$5.1 million) for the half year ended 31 December 2015. These conditions, along with matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will 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, 10 March 2016