



ASX RELEASE

29 January 2008

SECOND QUARTER OPERATING UPDATE

On Track with Phase 3 Clinical Trial Program for Dual-Opioid Pain Product

QRxPharma (ASX: QRX), concludes a successful second quarter, with the initiation of its Phase 3 clinical trial program for its lead compound Q8003IR.

“Our commitment to shareholders was to initiate our Phase 3 studies before the end of 2007. We have succeeded in that goal on time and with less cost than originally budgeted. Our NDA submission date for the second half of 2009 remains on track” said Dr. John Holaday, Managing Director and CEO of QRxPharma.

Specific events since 30 September 2007 relating to the Q8003IR clinical trial program include:

- Initiation of the first Phase 3 clinical trial. It is a double-blind, placebo-controlled study comparing the efficacy and safety of four different dosage strengths of Q8003IR vs. placebo in a post-surgical pain model. The study is being conducted at six US clinical research sites and is targeted to enrol 250 patients experiencing moderate to severe pain following a scheduled surgical procedure (bunionectomy).
- Initiation of a second Phase 3, placebo controlled, and double blind safety extension clinical trial designed to collect longer-term use patient safety data in support of the Company’s planned New Drug Application (NDA) to the US Food and Drug Administration (FDA) for the use of Q8003IR in the management of moderate to severe pain.

Cash utilisation in the quarter ending 31 December 2007, as detailed in the Appendix 4C released today, is aligned with prior expectations, and the Company retains A\$40.7 million in cash reserves and short-term investments with the Company maintaining its confidence on sufficient funding being available to fully fund the Phase 3 clinical trials and New Drug Application (NDA) submission for Q8003IR in the US market.

QRxPharma can also confirm quarterly progress relating to its other clinical pipeline candidates and preclinical stage drugs. Since 30 September 2007:

- Q8011CR, a formulation of QRxPharma dual opioids designed to provide 12 hours of pain relief in patients with moderate to severe pain, is being formulated to initiate and complete Phase I studies in 2008.
- QRxPharma’s Dystonia and Parkinson’s Disease development program represents a family of small molecules that have shown to be effective in several preclinical models. Lead molecule selection activities are currently underway.

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- Signing of an Australian Government Research Grant Agreement that provides A\$0.8 million over 3 years to the University of Queensland's snake venom proteins development program that is being conducted in collaboration with QRxPharma. This snake venom development program includes a series of potential clinical applications in the field of blood homeostasis.

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About QRxPharma

QRxPharma (ASX: QRX) is a clinical-stage specialty pharmaceutical company focused on the development and commercialisation of new treatments for pain management and central nervous system (CNS) disorders. Based on a focused business strategy to expand the clinical utility and commercial value of marketed compounds, the Company's product portfolio includes both late and early stage clinical drug candidates, with the focus being on achieving accelerated development paths, reduced development risk and improved patient outcomes. QRxPharma's lead compound, Q8003IR, began Phase 3 clinical trials in November 2007. 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.

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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 2007

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	(503)	(949)
(b) advertising and marketing	(18)	(126)
(c) research and development	(2,466)	(3,686)
(d) leased assets	-	-
(e) other working capital	(1,271)	(1,515)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	652	1,132
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refund/(paid)	125	125
1.7 Other	-	-
Net operating cash flows	(3,481)	(5,019)

+ 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)	(3,481)	(5,019)
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	(18)	(31)
(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 with maturity greater than 3 months – see Note (i) below)	9,691	9,691
Net investing cash flows	9,673	9,660
1.14 Total operating and investing cash flows	6,192	4,641
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	(31)	(31)
Net financing cash flows	(31)	(31)
Net increase (decrease) in cash held	6,161	4,610
1.21 Cash at beginning of quarter/year to date	33,719	35,690
1.22 Effect of exchange rate changes on cash	2	(418)
1.23 Cash at end of quarter – see Note (ii) below	39,882	39,882

Note (i) – A Bank Accepted Commercial Bill of \$9.7 million was matured early during this quarter, with the proceeds 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) – The Company has a Term Deposit of \$0.8 million (maturity 18 May 2008), having a maturity of greater than 3 months from original investment date, has been classified as a short term investment and excluded from disclosure as cash and cash equivalents in accordance with AASB 107 “Cash Flow Statements”. On maturity, if these funds are not reinvested for a period of greater than 3 months they will be 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	\$ 324
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.

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

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	970	1,717
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 - see Note (iii) below	38,912	32,002
Total: cash at end of quarter (item 1.23)	39,882	33,719

Note (iii) – The Company has a Term Deposit of \$0.8 million (maturity 18 May 2008), having a maturity of greater than 3 months from original investment date, has been classified as a short term investment and excluded from disclosure as cash and cash equivalents in accordance with AASB 107 “Cash Flow Statements”. On maturity, if these funds are not reinvested for a period of greater than 3 months they will be reclassified and disclosed as part of cash and cash equivalents in accordance with AASB 107 “Cash Flow Statements”.

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.

