ASX RELEASE
27 October 2010

QUARTERLY OPERATING UPDATE
30 SEPTEMBER 2010

One of the few Australian companies with a drug in the final stages of clinical development

Sydney, Australia & Bedminster, NJ – QRxPharma Limited (ASX: QRX and OTCQX: QRXPY) announced that the Company retains A$7.4 million in cash reserves at 30 September 2010, as detailed in the Appendix 4C released today.

The balance of cash reserves has since been supplemented by a significantly oversubscribed Placement of A$14 million which was announced on 1 October 2010. The issue of the majority of the Placement shares is subject to shareholder approval at the Company's Annual General Meeting to be held on Monday 8 November 2010. The Company has also opened a Share Purchase Plan (SPP) to enable its retail shareholders to participate in the capital raising for up to A$15,000 per shareholder at A$0.85 per share (same as the Placement price) with the SPP remaining open through to 12 November 2010.

QRxPharma intends to use the proceeds of the SPP and Placement to fund a Phase 3 labelling claim study that will enable the Company to make marketing and advertising claims in Europe and the US for MoxDuo® IR an immediate release Dual-Opioid® pain therapy. This is expected to distinguish MoxDuo IR in the opioid marketplace and increase the attractiveness of MoxDuo IR to potential partners, reimbursement agencies, doctors and patients.

The funds will also be used during CY2011to support the Company as it approaches a major milestone, the filing of its New Drug Application (NDA) with the US Food and Drug Administration (FDA) for MoxDuo IR; advance its Marketing Authorisation Application (MAA) in Europe for MoxDuo IR; and further progress the development programs of MoxDuo CR (controlled release) and MoxDuo IV (intravenous).

"Our goal is to provide physicians and patients with a variety of complementary Dual Opioids for managing moderate to severe pain from hospital to home," said Dr John Holaday, Managing Director and Chief Executive Officer, QRxPharma. "The success of this capital raising will enable all three MoxDuo product candidates to be in the clinic and progressing towards commercialisation, targeting a global opioid pain market of over US$12 billion."

In September 2010, the Company announced a successful interim analysis of its final MoxDuo IR pivotal Phase 3 study required for NDA submission. The analysis indicated the planned sample size of 140 patients has greater than 90% power to detect differences of analgesic effect, indicating there is no need to enrol additional patients. The Company anticipates completing enrolment and analysis of this study in Q4 CY2010 and filing a NDA for MoxDuo IR in Q1 CY2011.

In August 2010, the Company announced positive results of its Phase 2 comparative proof-of-concept study to evaluate the efficacy and safety of MoxDuo IV (intravenous) formulation of morphine plus oxycodone versus IV morphine alone for the treatment of moderate to severe post-operative pain in patients following hip replacement surgery. The main findings demonstrated that QRxPharma's formulation of MoxDuo IV resulted in fewer side effects and offered better pain relief than morphine alone.

"To date the Company has now treated well over 500 patients with MoxDuo IR following bunionectomy or total knee replacement surgery and data indicated excellent pain relief with a 50-75% reduction in moderate to severe side effects. Further data from studies with its MoxDuo IV compared with intravenous morphine in 40 patients following hip replacement surgery also demonstrated superior pain relief with fewer side effects. Collectively, results have consistently shown that MoxDuo, whether given orally or intravenously, provides superior pain relief with significantly fewer side effects than comparator opioids like Morphine, Oxycodone or Percocet®," added Holaday.

The operating cash outflow for the quarter is in accordance with the expectations of the Board of Directors and resulted from continuing research and development activities in the progression of the Company's clinical pipeline candidates and preclinical stage drugs.

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For more information please contact:

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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 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 co-promote its products in the US and seeks strategic partnerships for worldwide markets. QRxPharma's lead product candidate, MoxDuo®IR, is in Phase 3 clinical development and has successfully completed multiple comparative studies evaluating its efficacy and safety against equi-analgesic doses of morphine, oxycodone and Percocet® for the treatment of acute pain. QRxPharma expects to complete its Phase 3 program in Q4 CY2010 and file its New Drug Application (NDA) with the US Food and Drug Administration (FDA) for MoxDuo IR in Q1 CY2011. The Company's preclinical and clinical pipeline includes other technologies in the fields of pain management, neurodegenerative disease and venomics. For more information, visit 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 September 2010

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for (*a*) staff costs	(886)	(886)
	(b) advertising and marketing	-	-
	(c) research and development	(3,034)	(3,034)
	(d) leased assets	-	-
	(e) other working capital	(729)	(729)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	22
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund / (paid)	-	-
1.7	Other	-	-
	Net operating cash flows	(4,627)	(4,627)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Net operating cash flows (carried forward)	(4,627)	(4,627)
	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	(19)	(19)
	(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	(19)	(19)
1.14	**Total operating and investing cash flows**	(4,646)	(4,646)
	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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(4,646)	(4,646)
1.21	Cash at beginning of quarter/year to date	12,760	12,760
1.22	Exchange rate adjustments to item 1.20	(758)	(758)
1.23	**Cash at end of quarter**	7,356	7,356

+ 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	$109
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	475	1,032
4.2	Deposits at call	207	192
4.3	Bank overdraft	-	-
4.4	Bank Accepted Commercial Bills and Term Deposits with maturity of less than 3 months	6,674	11,536
	Total: cash at end of quarter (item 1.23)	7,356	12,760

Acquisitions and disposals of business entities

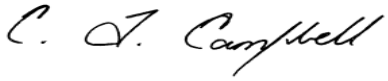
		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Nil	Nil
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

+ 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 October 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.