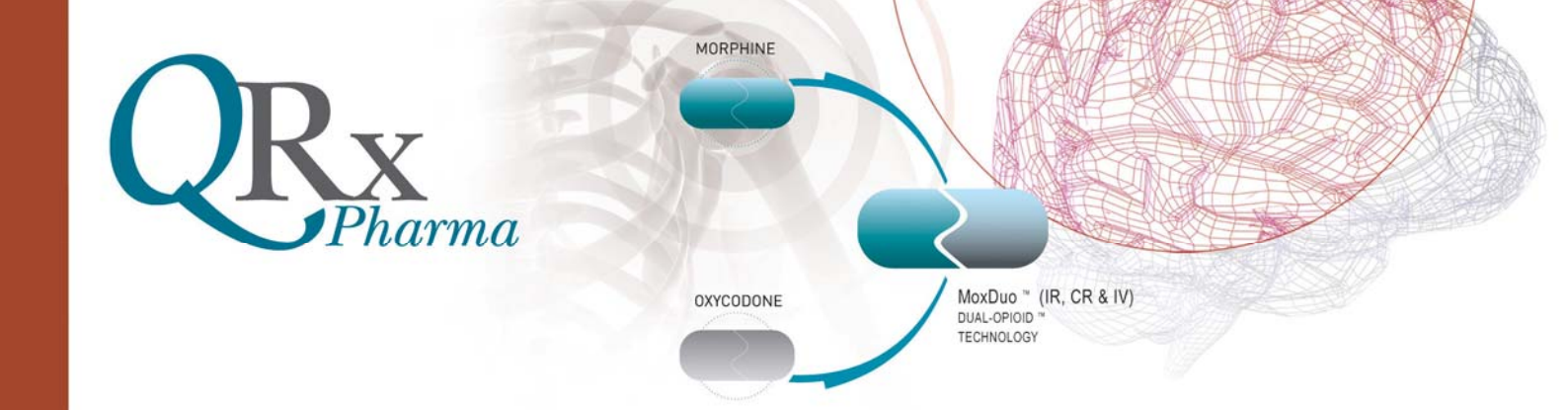

ASX RELEASE
28 January 2009

SECOND QUARTER OPERATING UPDATE

QRxPharma Initiates Comparative Study for MoxDuo ™IR Dual-Opioid ™Pain Therapy

Sydney, Australia & Bedminster, NJ – QRxPharma Limited (ASX: QRX and OTCQX: QRXPY), announced that the Company retains A$29.9 million in cash reserves at 31 December 2008, as detailed in the Appendix 4C released today.

"Our focus continues to be an emphasis on enhancing the value of our existing asset portfolio through ongoing development activities concurrent with business development efforts. We continue to closely manage our cash position while progressing the Phase 3 development programme for the lead product candidate MoxDuo™IR (Q8003IR), an immediate release Dual Opioid ™ (morphine plus oxycodone) product for the treatment of moderate to severe acute pain" said Dr. John Holaday, Managing Director and CEO of QRxPharma.

The Company's patented Dual Opioid™ products target moderate to severe acute and chronic pain, a $7 billion US prescription market. QRxPharma is on track to launch its first dual opioid product, MoxDuo™IR, in 2011.

In late December 2008 the Company initiated a pilot comparative study to evaluate the efficacy and safety profile of MoxDuo™IR against the individual component analgesic doses of morphine and oxycodone alone for the treatment of acute moderate to severe pain. Data collected from this study will be used to support final Phase 3 trials required for New Drug Application (NDA) submission with the US Food and Drug Administration (FDA). The study is targeted to enrol 180 patients and is being conducted at 6 US clinical research sites. Enrolments have been strong and the Company expects to complete dosing prior to March 2009.

A further pilot comparator study to determine the clinical profile of MoxDuo™IR in the treatment of pain following total knee replacement will be in initiated by February 2009. Data collected from this study will also be used to support final Phase 3 trials required for NDA submission. The study is targeted to enrol 45 patients and is being conducted at 3 US clinical research sites. The Company expects to complete dosing prior to July 2009.

To mitigate approval risk associated with the two remaining Phase 3 study protocols for MoxDuo™IR, the Company has decided to submit requests for Special Protocol Assessment (SPA) with the FDA. The SPA process provides a mechanism by which the Company can achieve a binding agreement with the FDA regarding the acceptability of the study design and proposed statistical analysis plan prior to implementation of the clinical trial.

In December 2008 the Company submitted its "combination rule" Phase 3 study protocol to the FDA for SPA approval. This double-blind study is intended to compare MoxDuo™IR 6 mg/4mg to its components (to 6 mg morphine and to 4 mg oxycodone) in patients with moderate-severe post-surgical pain following bunionectomy. QRxPharma expects a response on this SPA from the FDA no later than March 2009.

The Company expects to file in mid-2009, after completion of the 45 patient pilot comparator study noted above, the SPA for the other Phase 3 study, a placebo controlled study in patients following total knee replacement.

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

- A clinical trial has been designed to evaluate the safety and efficacy of the intravenous formulation of QRxPharma's Dual Opioid™, MoxDuo™IV (Q8012IV) for the immediate post-surgical treatment of hospital-based pain. This study comparing up to 48 hours of dosing of morphine plus oxycodone to that of IV morphine alone is scheduled to be initiated in Germany in March 2009. This double-blind "proof of concept" trial will compare these two treatment regimens for pain management in 40 patients with moderate to severe pain following hip replacement surgery.

- MoxDuo™CR (Q8011CR), a formulation of QRxPharma Dual Opioid ™ designed to provide 12 hours of pain relief in patients with moderate to severe pain, continues on track to initiate Phase I studies in 2009. This formulation will encompass not only sustained delivery technology, but also technologies to deter abuse and tampering.

- QRxPharma's Dystonia and Parkinson's Disease development program (Torsin) with a family of small molecules is making progress under a collaborative research agreement at the University of Alabama (Caldwell Labs) to confirm the preclinical efficacy of its lead molecules. In October 2008 the University announced the award of grant funding (undisclosed amount) from the Michael J. Fox Foundation (MJFF) to its Centre for Neurodegeneration and Experimental Therapeutics to validate TorsinA in mammalian models as a therapeutic target for Parkinson's Disease.

- Business development efforts continue to proceed with QRxPharma's venomics platform to secure strategic relationships for the clinical and commercial development of these venom-derived coagulants.

In respect to management, the Company recently announced the appointment of Jesus Soriano, MD, PhD, MBA as Executive Vice President. Dr. Soriano brings more than 17 years of experience in healthcare management, basic and clinical research, professional services, regulatory compliance, licensing and business development, including negotiating and executing deals with present and future value of more than US$3 billion.

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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, 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 directly commercialise its products in the US and seek strategic partnerships abroad. QRxPharma's lead compound, MoxDuo™IR (Q8003IR), the first combination opioid product for the improved control of moderate to severe pain, successfully completed Phase 3 studies and met 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

16 102 254 151

Quarter ended ("current quarter")

31 December 2008

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	(900)	(1,523)
	(b) advertising and marketing	-	-
	(c) research and development	(2,906)	(5,461)
	(d) leased assets	-	-
	(e) other working capital	(341)	(633)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	290	617
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes refund / (paid)	-	-
1.7	Other (provide details if material)	-	-
	Net operating cash flows	(3,857)	(7,000)

+ 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)	(3,857)	(7,000)
	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)	(28)
	(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)	(28)
1.14	**Total operating and investing cash flows**	(3,871)	(7,028)
	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)	-	
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(3,871)	(7,028)
1.21	Cash at beginning of quarter/year to date	29,920	29,672
1.22	Exchange rate adjustments to item 1.20	3,891	7,296
1.23	**Cash at end of quarter**	29,940	29,940

+ 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	230
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	1,066	457
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	28,874	29,463
	Total: cash at end of quarter (item 1.23)	29,940	29,920

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: C J Campbell ..... Date: 28 January, 2009
(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.