QRx Pharma

PROSPECTUS

ABN 16 102 254 151

Underwriter and Lead Manager
JPMorgan

Co-Manager
ORD MINNETT

Co-Manager
PATERSONS
THE AUSTRALIAN STOCKBROKER

A fully underwritten initial public offering of 25 million Shares
at an Offer Price of $2.00 each to raise $50 million

Underwriter and Lead Manager J.P. Morgan Australia Limited ABN 52 002 888 011
Co-Manager Ord Minnett Limited ABN 86 002 733 048
Co-Manager Patersons Securities Limited ABN 69 008 896 311

IMPORTANT NOTICE

The Offer contained in this Prospectus is an invitation to apply for Shares in QRxPharma Limited (QRxPharma or the Company).

This Prospectus is dated 27 April 2007 and a copy of this Prospectus was lodged with ASIC on that date. This Prospectus expires on 27 May 2008. Neither ASIC nor the ASX takes responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Applications will be accepted nor will Shares be issued on the basis of this Prospectus:

- earlier than seven days after lodgment of this Prospectus with ASIC or any longer period required by ASIC under section 727(3) of the Corporations Act (Exposure Period); or
- later than its expiry date.

NO REPRESENTATIONS OTHER THAN THIS PROSPECTUS

No person is authorised to provide any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by QRxPharma, the Underwriter or any other person in connection with the Offer.

The Offer does not take into account the investment objectives, financial situation and particular needs of individual investors. It is important that investors read this Prospectus in its entirety before deciding to invest in the Shares and, in particular, in considering the prospects for QRxPharma, that they consider the risk factors that could affect the performance of QRxPharma. Investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and seek professional guidance from their stockbroker, solicitor, accountant or other professional financial advisor before deciding whether to invest. Some risk factors that investors should consider are outlined in Section 8.

OFFERING RESTRICTIONS APPLY

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

In particular, the Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the US or to, or for the account or benefit of, US persons, except in certain transactions exempt from, or not subject to, the registration requirements of the US Securities Act. In this section of the Prospectus, the term "US person" means (i) any individual resident in the US, (ii) any corporation, pension, profit-sharing or other trust or other entity (including any such entity constituting an investment advisor acting with discretionary authority) whose office most directly involved with the purchase is located in the US or (iii) any person who is a "US person" as such term is defined in Regulation S (as promulgated under the US Securities Act).

It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to his or her application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

PROSPECTUS AVAILABILITY

A paper copy of this Prospectus will be provided free of charge to any person in Australia who requests a copy by contacting the QRxPharma Share Offer Infoline on 1800 612 532 during the period of the Offer.

ELECTRONIC PROSPECTUS

A copy of this Prospectus is available online at QRxPharma's website at www.qrxpharma.com

The electronic version of this Prospectus is available only to Australian residents who access, download or print the electronic version of the Prospectus in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

You must not pass the Application Form on to another person unless it accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

EXPOSURE PERIOD

Applications received during the Exposure Period will not be accepted until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

DEFINED TERMS, AMOUNTS AND TIMES

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Throughout this Prospectus the assumed exchange rate between Australian dollars and US dollars is A$1.00 to US$0.78 unless otherwise stated. Some amounts in this document have been rounded and as a result some totals may not add up exactly. A reference to time in this Prospectus is a reference to Sydney, Australia time. Defined terms and abbreviations used in this Prospectus are explained in the Glossary.

KEY DETAILS OF THE OFFER

The Offer

QRxPharma Limited (QRxPharma or the Company) is seeking to raise $50 million through the fully underwritten Offer of 25 million new Shares at an Offer Price of $2.00 per Share. This Prospectus provides the opportunity to participate in the initial public offering of Shares in QRxPharma.

Number of existing Shares[1]	50 million
Number of new Shares offered under this Prospectus	25 million
Number of Shares on issue after the Offer	75 million
Offer Price per Share	$2.00
Market capitalisation at Offer Price after the Offer (undiluted)	$150 million

[1] This number includes all Shares that will be issued on conversion of existing convertible notes and preference shares on close of the Offer. See Sections 9.4.2 and 9.4.7 for further information.

Important Dates[2]

Prospectus lodged with ASIC	27 April 2007
Opening of the Broker Firm Offer	7 May 2007
Closing of the Broker Firm Offer (Closing Date)	18 May 2007
Expected settlement date	24 May 2007
Deferred Settlement trading on the ASX expected to commence	25 May 2007
Expected dispatch of transaction confirmation statements	25 May 2007
Normal trading on the ASX expected to commence	29 May 2007

[2] These dates are indicative only and may change without notice. QRxPharma reserves the right to close the Offer early or extend the Closing Date or decide to withdraw or otherwise not to proceed with the Offer.

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LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of the Directors, I invite you to become a shareholder of QRxPharma Limited.

QRxPharma is a clinical stage specialty pharmaceutical company focused on developing and commercialising therapies to treat disorders of the central nervous system. Our lead products comprise a patented combination of existing drugs, with a well defined path to regulatory approval and sales.

QRxPharma's most advanced asset is a "dual opioid" drug for the treatment of moderate to severe pain. Opioids are the most common form of drug used to treat moderate to severe pain. An immediate release tablet, using QRxPharma's dual opioid technology, is approved and ready to commence Phase III clinical trials for US regulatory approval; we expect to complete these trials in 2009. First sales are planned for 2010, and the proceeds of this Offer will be used to fully fund the Phase III trials and submission of a New Drug Application for US regulatory approval.

We intend to follow US regulatory approval with approvals for sales and marketing of QRxPharma's drugs in Europe, Australia and other markets.

The global market for pain therapies is large and well defined, particularly in the regulated and closely monitored market for moderate to severe pain that QRxPharma is targeting. In 2005, the target markets for our dual opioid drugs in the US alone had sales of US$6.6 billion.

We believe the clinical breakthrough that will underpin QRxPharma's commercial success is that our dual opioid formulation achieves pain relief at materially lower doses of active ingredient than other existing opioid drugs and, therefore, achieves significantly lower side effects and associated risk profile. Studies show that these benefits address crucially important unmet needs of doctors who prescribe pain drugs.

QRxPharma also has a pipeline of other patented clinical and preclinical stage drug candidates in the fields of pain therapy and neurodegenerative disease. These drugs represent a potentially valuable pipeline for commercialisation, once our dual opioid is in market.

QRxPharma has a world-class Board and Management team, and a highly distinguished international Scientific Advisory Board. All of these stakeholders have an important role to play in the future success of the Company.

I commend the Offer to you, and urge you to read this Prospectus. On behalf of the Board of Directors, I look forward to welcoming you as a shareholder.

Yours faithfully,

Peter C Farrell
Chairman

QRXPHARMA'S PATENTED "DUAL OPIOID" PRODUCES ANALGESIA AT MATERIALLY LOWER DOSES OF DRUG THAN EXISTING OPIOIDS

1. INVESTMENT OVERVIEW

1.1 QRXPHARMA KEY ASSETS AND MILESTONES

QRxPharma's key assets are patented "dual opioid" drugs for the treatment of moderate to severe pain. These combine existing drugs into new formulations with new clinical uses and shortened development paths. An immediate release tablet form of the dual opioid drug is ready to commence Phase III clinical trials for United States (US) regulatory approval.

QRxPharma believes the clinical breakthrough that will underpin its commercial success is that the dual opioid formulation achieves pain relief at materially lower doses than other existing opioid drugs, and therefore achieves a significantly lower side effect and associated risk profile. Studies show that these benefits address crucially important unmet needs of doctors who prescribe pain drugs.

QRxPharma's immediate release dual opioid tablet, Q8003IR, will commence Phase III clinical trials for US regulatory approval in late 2007. Completion of Phase III trials is scheduled for 2009, after which it is expected that approval will be sought for first US sales in 2010. Regulatory approval will also be sought for sales in Europe, Australia and other markets.

A controlled release formulation of Q8003IR targeting extended pain relief, Q8011CR, is also scheduled to commence Phase I clinical studies in 2007.

In addition to its dual opioid drug, QRxPharma has a pipeline of other clinical and preclinical stage drugs in the fields of pain therapy and neurodegenerative disorders.

1.2 MARKET OPPORTUNITY

A report by Jain PharmaBiotech in 2004, estimated that worldwide sales of pain drugs would total US$50 billion in 2005.

Within this market, sales of drugs targeting moderate to severe pain totalled more than US$9 billion in 2005, US$6.6 billion in the US alone, according to data from international consulting and data services company IMS Health (IMS). In the US, sales of opioid pain drugs grew at an average annual rate of 13% from 2001 to 2005 and are expected to continue to grow due to factors including more aggressive surgical procedures, an ageing population, the emergence of specialty pain treatment clinics, increasing integration of pain medication across physician specialities and concerns about the side effects of other drugs.

Q8003IR addresses the market for immediate release pain drugs. IMS estimates that this market in the US alone had total sales of US$2.7 billion in 2005. Similarly, Q8011CR will target the market for controlled release pain drugs that had 2005 US sales of US$3.9 billion.

1.3 QRXPHARMA'S TECHNOLOGY

QRxPharma's dual opioid is based on patented discoveries at the University of Queensland. Scientists at the University postulated that the opioid oxycodone acts through a different set of neural receptors than other opioids like morphine, hydrocodone or fentanyl. In a separate study, they also found that sub-analgesic doses of oxycodone have a synergy effect with sub-analgesic doses of other opioids, and therefore when combined together in low doses, produce pain relief with fewer side effects and risks.

The clinical breakthrough of this patented combination is effective pain relief with a reduction in total daily opioid dose consumption. The dose-related adverse effects of opioid-containing products limit their effectiveness and reduce quality of life. Side effects include respiratory depression, constipation, sedation and drowsiness, nausea and vomiting, psychological dependence (addiction) and tolerance. Fraud and abuse are often also major issues.

The US Food and Drug Administration (FDA) has cleared QRxPharma to commence Phase III clinical trials on Q8003IR.

1.4 INTELLECTUAL PROPERTY

QRxPharma has a comprehensive intellectual property (IP) portfolio with international patent coverage for its clinical pipeline. This comprises a portfolio of at least six patents granted and six patents pending, which are owned or under licence. Section 4.6 provides further details on the status of the Company's patents.

1.5 BOARD AND MANAGEMENT

QRxPharma's Board and Management bring together complementary skills and experience including more than a century of experience in drug development and commercialisation, regulatory management, product sales and marketing in (bio)pharmaceutical companies, general business management and governance of ASX-listed companies.

The Board and Management are assisted by an internationally reputed Scientific Advisory Board. Section 5 provides further details of QRxPharma's Board, Management and Scientific Advisory Board.

1.6 PURPOSE OF THE OFFER

The purpose of the Offer is to fund QRxPharma's pipeline of pharmaceuticals. Specifically, the Offer will fund the Phase III clinical trials and submission of a New Drug Application (NDA) for FDA regulatory approval of Q8003IR. Section 2.3 provides details of how it is intended that the net proceeds of the Offer will be used.

1.7 DIVIDEND POLICY

QRxPharma is not yet profitable and there can be no assurances that the Company will become profitable or that any dividends will be paid in the foreseeable future, nor as to the level to which any dividends would be franked.

1.8 RISK FACTORS

An investment in QRxPharma carries a number of risks. These include risks specific to QRxPharma, such as that QRxPharma is a clinical stage company with uncertain revenues. An investment is also subject to risks which relate to the pharmaceutical industry and investing in shares generally. Risk factors are set out in detail in Section 8 and investors should consider them carefully before making an investment. Investors should seek professional advice before investing. An investment in QRxPharma should be considered speculative.

2. DETAILS OF THE OFFER

2.1 DESCRIPTION OF THE OFFER

Under the Offer, a total of 25 million Shares are being offered to the public for subscription at an issue price of $2.00 per Share, payable in full upon subscription. The Offer is fully underwritten and will raise $50 million.

The key dates for the Offer are as follows:

Event	Date[1]
Prospectus lodged with ASIC	27 April 2007
Opening of the Broker Firm Offer	7 May 2007
Closing of the Broker Firm Offer (Closing Date)	18 May 2007
Expected settlement date	24 May 2007
Deferred Settlement trading on the ASX expected to commence	25 May 2007
Expected dispatch of transaction confirmation statements	25 May 2007
Normal trading on the ASX expected to commence	29 May 2007

[1] These dates are indicative only and may change without notice. QRxPharma reserves the right to close the Offer early or extend the Closing Date or decide to withdraw or otherwise not to proceed with the Offer.

Q8003IR PHASE III STUDIES ARE EXPECTED TO COMPLETE IN 2009 WITH FIRST SALES IN THE US IN 2010

2.2 PURPOSE OF THE OFFER

The purpose of the Offer is to fund QRxPharma's pipeline of pharmaceuticals. Specifically, the Offer will fund the Phase III clinical trials and submission of a NDA for approval by the FDA to sell and market Q8003IR in the US. Section 4.2.1 outlines the development plan and program for Q8003IR, which sees the completion of its two Phase III studies in 2008 and 2009, and first sales in 2010.

Similarly, as QRxPharma undertakes its Phase III trials for Q8003IR it will also progress the clinical program for its controlled release dual opioid Q8011CR. The goal of this program will be to position Q8011CR with a shortened path to sale and marketing approval in view of a successful approval for Q8003IR.

QRxPharma will also selectively continue research and development relating to its other clinical and preclinical stage pipeline. In the short term, it is intended that the majority of preclinical research will be co-funded through ongoing government grants that will be sought in Australia, and through sponsored research agreements in the US.

2.3 OFFER PROCEEDS

QRxPharma will raise $50 million from the issue of new Shares under the Offer.

It is intended that funds raised under the Offer will be used by QRxPharma, over the period from June 2007 to June 2010 as summarised in the table below. QRxPharma believes that it will have sufficient working capital to carry out its objectives as stated in this Prospectus.

Source of Funds	$ million
Proceeds of the Offer	50.0
Expenses of the Offer	(3.6)
Net proceeds of the Offer	**46.4**

Use of Funds	$ million
Drug development expenditure program	40.0
Additional net working capital	6.4
Total	**46.4**

The above use of funds for the drug development expenditure program is broken down as follows:

Drug Development Expenditure Program	$ million
Phase III clinical trials and submission of a NDA for Q8003IR	32.7
Advancement of clinical program for Q8011CR	3.8
Research and development of other clinical and preclinical drugs	3.5
Total	**40.0**

The use of funds has been estimated by the Board and Management of QRxPharma based on their experience in the drug development industry. The actual expenditure program may vary from the anticipated expenditure. Section 4.5 provides a chronology of the Company's intended clinical milestones.

2.4 SHAREHOLDING STRUCTURE

The fully diluted issued capital of QRxPharma following the close of the Offer will be as follows:

Issued Capital	Number of Shares (million)	Percentage Held
Shares held by Existing Shareholders	50.0	62.1%
New Shares offered by the Company	25.0	31.0%
Share options on issue	5.5	6.9%
Total issued capital	**80.5**	**100%**

2. DETAILS OF THE OFFER

The Share options that have been or are to be granted after the close of the Offer are:

Category	Number of Options	Exercise Price	Expiry Date
Chief Executive Officer	805,452	$1.00	7 years from date of grant
Directors[1]	1,651,176	$1.00-$2.00	7 years from date of grant
Other officers, employees and advisors of the Company	2,766,355	$1.00-$2.00	7 years from date of grant
Underwriter[2]	322,181	$2.20	3 years from date of grant
Share options on issue[3]	**5,545,163**		

[1] Includes options issued to Dr Gary Pace pursuant to his consulting agreement.
[2] See Section 9.9 for a summary of the fees payable under the Offer and the underwriting agreement.
[3] The total amount raised by the Company if all of the options above are exercised is $7.5 million. This amount has not been taken into consideration by the Company in calculating its cash flows.

2.5 STRUCTURE OF THE OFFER

The Offer comprises a Broker Firm Offer to Australian resident retail investors who receive a firm allocation of Shares from their broker (Broker Firm Applicants), and an Institutional Offer to certain Institutional Investors.

2.6 BROKER FIRM OFFER

The Broker Firm Offer is only open to Broker Firm Applicants. The Broker Firm Offer opens at 9.00am on 7 May 2007 and closes at 5.00pm on 18 May 2007. QRxPharma, in conjunction with the Underwriter, reserves the right to vary the Closing Date of the Broker Firm Offer without notice.

Applicants who have been offered a firm allocation by their broker will be treated as Broker Firm Applicants in respect of that allocation. Broker Firm Applicants should complete and lodge the Application Form, together with a cheque(s) for the Application Money, in accordance with the instructions of the broker from whom the firm allocation of Shares was received.

Broker Firm Applicants should not send their Application Forms to the Share Registry.

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and in depositing your Application Money into the designated applications account. Your broker is responsible for ensuring the availability of funds, and the Underwriter, QRxPharma and the Share Registry take no responsibility for any acts or omissions by the broker in connection with your Application, Application Form or Application Money.

Applications under the Broker Firm Offer must be for a minimum 1,000 Shares ($2,000) and thereafter in multiples of 500 Shares ($1,000). No brokerage is payable by Broker Firm Applicants under the Broker Firm Offer.

A handling fee of 1.5% of the Application Money will be paid to a retail investor's financial advisor in respect of Shares allotted pursuant to stamped Application Forms from retail investors, subject to the following conditions: The handling fee will be limited to $3,000 in respect of any one Application or aggregate of Applications if a single investor submits more than one Application. Accordingly, no handling fee will be paid on any Application (or aggregate of applications if a single investor submits more than one application) on the amount of monies above $200,000 (i.e. more than 100,000 Shares) and handling fees will only be paid to participating organisations of the ASX and members of the Financial Planning Association.

2.7 INSTITUTIONAL OFFER

The Offer to Institutional Investors will be managed by the Underwriter. Institutional Investors must apply in accordance with the instructions received from the Underwriter.

QRxPharma and the Underwriter will determine the allocation of Shares among applicants in the Institutional Offer. QRxPharma and the Underwriter have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any applicant will be allocated any Shares, or the number of Shares for which they have applied.

QRXPHARMA IS A CLINICAL STAGE SPECIALTY PHARMACEUTICAL COMPANY

2.8 ALLOCATION POLICY

2.8.1 ALLOCATIONS UNDER THE BROKER FIRM OFFER

Firm stock which has been allocated to a broker for allocation to their Australian resident retail investors will be issued to Broker Firm Applicants nominated by the broker. It will be a matter for the broker as to how they allocate firm stock among their retail investors, and they (and not QRxPharma or the Underwriter) will be responsible for ensuring that retail investors who have received a firm allocation from them receive the relevant Shares.

Broker Firm Applicants will be able to confirm their firm allocations through their broker. However, applicants in the Broker Firm Offer who sell Shares before receiving an initial transaction confirmation statement do so at their own risk, even if they have obtained details of their holding from their broker.

2.8.2 ALLOCATIONS UNDER THE INSTITUTIONAL OFFER

The allocation of Shares amongst Institutional Investors in the Institutional Offer will be determined by the Underwriter in consultation with QRxPharma at their absolute discretion. There is no assurance that any Institutional Investor lodging a bid in the Institutional Offer will be allocated any Shares or the number of Shares for which it has bid.

2.9 RESTRICTED SECURITIES

Pursuant to the ASX listing rules, certain Existing Shareholders will be required to enter into restriction agreements pursuant to which they are restricted from dealing in a specified number of Shares or Options held by them for periods up to 24 months from the date of Quotation. Some Existing Shareholders are also subject to voluntary escrow. See Section 9.5 for further details.

2.10 RIGHTS ATTACHING TO SHARES

The new Shares issued under this Offer will rank equally in all respects with the Shares held by the Existing Shareholders. The rights attaching to all Shares following Quotation are detailed in the Company's Constitution. A summary of the major provisions of the Constitution is set out in Section 9.2.

2.11 ASX LISTING

Not later than seven days after the date of this Prospectus, application will be made to the ASX for QRxPharma to be admitted to the official list of the ASX and for Quotation. The fact that the ASX may admit QRxPharma to its official list is not to be taken in any way as an indication of QRxPharma's value or the merits of the Shares offered. Quotation, if granted, is expected to commence on 25 May 2007, initially on a Deferred Settlement basis. Trading on a normal settlement basis is expected to commence on 29 May 2007. If permission for Quotation is not granted within three months after the date of this Prospectus, all Application Money will be returned without interest as soon as practicable.

2.12 APPLICATION MONEY AND REFUNDS

All Application Money received will be held in a special purpose trust account until Shares are issued and allotted to successful applicants under the Offer. Refunds will be made in the following circumstances:

- the Offer does not proceed; or
- the Company is not admitted to the official list of the ASX and the Shares issued under this Prospectus are not granted Quotation within three months of the date of this Prospectus; or
- your Application is not accepted or you were allocated a lower number of Shares than you applied for.

QRxPharma reserves the right to decline any Application in whole or in part, without giving any reason. Application Money received in respect of Applications that are declined in whole or in part will be refunded (without interest) in whole or in part (as the case may be). Refunds for unsuccessful Applications will be posted on the same day that transaction confirmation statements are posted to successful applicants. Interest will not be paid on any Application Money refunded to applicants. Any interest earned on Application Money will be retained by QRxPharma. QRxPharma reserves the right to waive or correct any errors made in completing an Application Form.

2. DETAILS OF THE OFFER

2.13 WITHDRAWAL

QRxPharma may, at any time, decide to withdraw this Prospectus and the Offer, in which case QRxPharma will return all Application Money (without interest) within 21 days of giving notice of its withdrawal.

2.14 OVERSEAS DISTRIBUTION / FOREIGN INVESTORS

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer of shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

In particular, the Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the US or to, or for the account or benefit of, US persons, except in certain transactions exempt from, or not subject to, the registration requirements of the US Securities Act. In this section of the Prospectus, the term "US person" means (i) any individual resident in the US, (ii) any corporation, pension, profit-sharing or other trust or other entity (including any such entity constituting an investment advisor acting with discretionary authority) whose office most directly involved with the purchase is located in the US or (iii) any person who is a "US person" as such term is defined in Regulation S (as promulgated under the US Securities Act).

It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to his or her application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

2.15 CHESS AND HOLDING STATEMENTS

QRxPharma will apply to the ASX to participate in the security transfer system CHESS, in accordance with ASX listing rules and the ASTC Settlement Rules. On admission to CHESS, QRxPharma will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister.

QRxPharma will not issue certificates to shareholders. Shareholders will receive a transaction confirmation statement advising them of the number of Shares allotted to the shareholder under this Prospectus. This statement will also advise the shareholder of their holder identification number (HIN) in the case of a holding on the CHESS subregister, or security holder reference number (SRN) in the case of a holding on the issuer-sponsored subregister, and allows the Shares to be traded electronically.

At the end of the month of allotment, CHESS (acting on behalf of QRxPharma) will provide shareholders with a holding statement that sets out the transactions on their holdings and confirms the number of Shares held. The Registrar will issue holding statements for shareholders on the issuer-sponsored subregister. If you buy or sell Shares after the initial allotment, a holding statement will be provided to you at the end of the month in which the balance of your holding changed in the register.

2.16 TAXATION

The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the applicant. QRxPharma accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore it is the responsibility of the applicant to determine the appropriate tax treatment for them.

2.17 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by applicants for Shares under the Offer.

2.18 ENQUIRIES

If after reading this Prospectus in its entirety you do not fully understand it or the rights attaching to the Shares offered by it, you should consult a stockbroker, solicitor, accountant, or other qualified professional financial advisor for assistance.

Further information and additional copies of this Prospectus can be obtained online at www.qrxpharma.com or by contacting the QRxPharma Share Offer Infoline on 1800 612 532.

THE MARKET OPPORTUNITY IS LARGE... IMS DATA IMPLIES THAT WORLDWIDE SALES OF OPIOID PAIN DRUGS EXCEEDED US$9 BILLION IN 2005... AND US SALES OF OPIOID PAIN DRUGS GREW AT AN ANNUAL RATE OF 13% FROM 2001 TO 2005

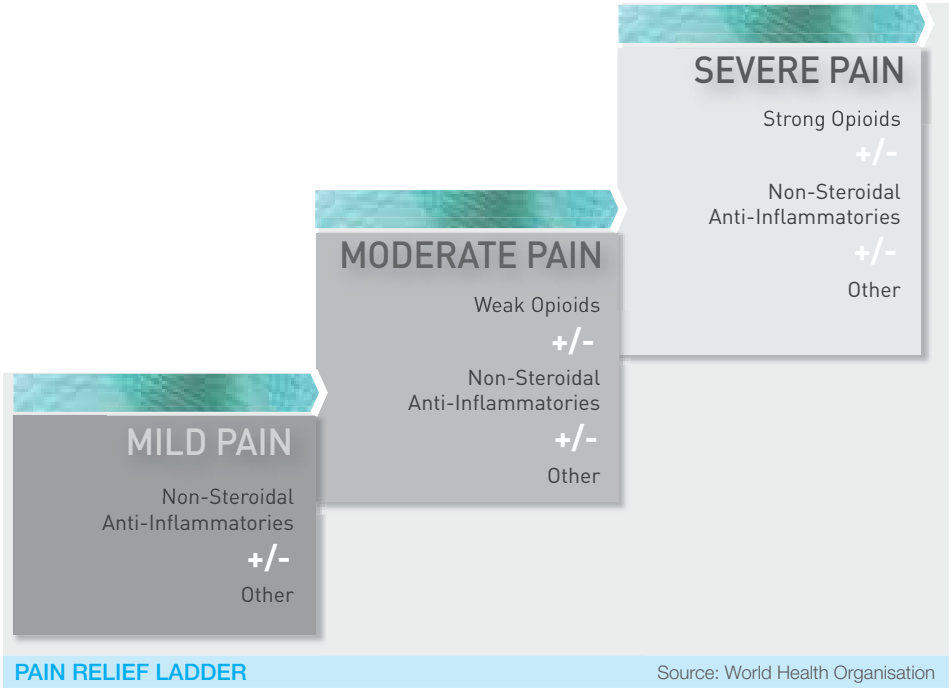
3. INDUSTRY OVERVIEW

3.1 WORLDWIDE PAIN THERAPY MARKET

'Pain' is defined in broad terms as an unpleasant sensory experience associated with actual or potential tissue damage. Despite pain being a difficult condition to treat effectively, it is a large therapeutic market. In 2004, a report by Jain PharmaBiotech estimated that the worldwide market for pain management drugs would total approximately US$50 billion in 2005, an average annual rate of growth of 10% per annum since 2002. Furthermore, by 2010, Jain estimated that the worldwide market value of pain therapies will have grown to US$75 billion.

Growth in the market for pain drugs is driven by factors including:

- demographic change such as an ageing population;
- increased awareness of the medical and economic need to treat pain by regulators, patients and physicians;
- integration of pain management across physician specialties and a growing number of specialty clinics for the treatment of pain; and
- medical advances increasing survival for patients with long-term illnesses, and allowing for conditions such as cancer and lower back pain to be treated surgically, increasing pain drug usage in post-surgical settings.



PAIN RELIEF LADDER Source: World Health Organisation

Condition (US$ billion)	Market Value 2002	Market Value 2005	Market Value 2010
Arthritis	10.0	12.0	18.0
Backache	1.8	2.5	4.0
Cancer pain	12.0	15.2	23.0
Headache (including migraine)	2.8	4.0	5.5
Neuropathic pain	2.2	3.0	5.0
Post surgical pain	1.2	2.5	6.0
Rest of conditions	8.0	10.8	13.5
Total	**US$38 billion**	**US$50 billion**	**US$75 billion**

Source: Jain PharmaBiotech, 2004

To understand the progression in chronic pain and the drugs that would ordinarily be prescribed, the World Health Organisation has promulgated the concept of a “Pain Relief Ladder”. This concept has been widely adopted by physicians specialising in pain in many different disease states ranging from cancer to osteoarthritis.

As pain increases in severity, from “mild pain” to “moderate pain” to “severe pain”, successful treatment requires the prescription of drugs of increasing strength. Opioids are a distinct class of drugs that are broadly related to opium and are the strongest form of pain drug. Opioids act on neural receptors in the central nervous system and have been prescribed for moderate to severe pain for over 70 years. Common opioids include morphine, hydrocodone, fentanyl, pethidine, tramadol, oxycodone and oxymorphone. In 2005, IMS data implies that the worldwide market for opioid pain drugs exceeded US$9 billion.

3. INDUSTRY OVERVIEW

3.2 POSITIONING OF QRXPHARMA

The focus of QRxPharma's lead products is the market for moderate to severe pain. Common conditions that are treated with drugs of this type are arthritis, cancer, post surgical pain and back pain. QRxPharma conducted Phase II trials for its dual opioid on patients experiencing pain as a result of some of these conditions. As a result of successful outcomes from studies, QRxPharma has now been cleared by the FDA to conduct Phase III trials on patients with moderate to severe lower back pain and osteoarthritis. It is anticipated that when on the market, QRxPharma's products will have a broad label indication for any form of moderate to severe pain.

The market for treatment of moderate to severe pain is commonly classified as a 'specialty pharmaceutical' market, and is served by a number of pharmaceutical firms in the pain therapy area. Opioids are highly regulated by authorities such as the FDA and the Drug Enforcement Agency (DEA) in the US, and the Therapeutic Goods Administration (TGA) in Australia.

3.3 DEFINING THE TARGET MARKET FOR QRXPHARMA

The first target market for QRxPharma's pain therapy drugs is the US. This is the largest and most commercially attractive market for pain drugs in the world. The total market value of prescription opioid sales in the US was US$6.6 billion in 2005, just over 70% of the global total. The opioid market in the US has grown on average by 13% each year since 2001.

The market for opioid drugs can be segmented into drugs for the immediate relief of pain (immediate release or IR) and drugs for the relief of pain over time (controlled or extended release, CR or ER), which is typically a number of hours. Q8003IR is an immediate release drug and Q8011CR is a controlled release drug.

3.3.1 US ORAL IMMEDIATE RELEASE MARKET

Immediate release opioids can be prescribed for pain following surgery and pain associated with conditions such as back pain, cancer and arthritis. An additional important application is breakthrough pain, which is the pain that 'breaks through' as the effects of controlled release opioid products wear off over time. Further, specialists have historically been reluctant to prescribe opioids for pain unless the pain is not able to be controlled with less potent drugs. There are significant side effects associated with opioid drugs.

According to IMS, the US immediate release opioid market had sales of US$2.7 billion in 2005. It was dominated by a fentanyl lozenge called Actiq®, the weak opioid tramadol, and by generics of three opioid combinations: Vicodin® (hydrocodone and acetaminophen), Darvocet® (propoxyphene and acetaminophen) and Percocet® (oxycodone and acetaminophen).

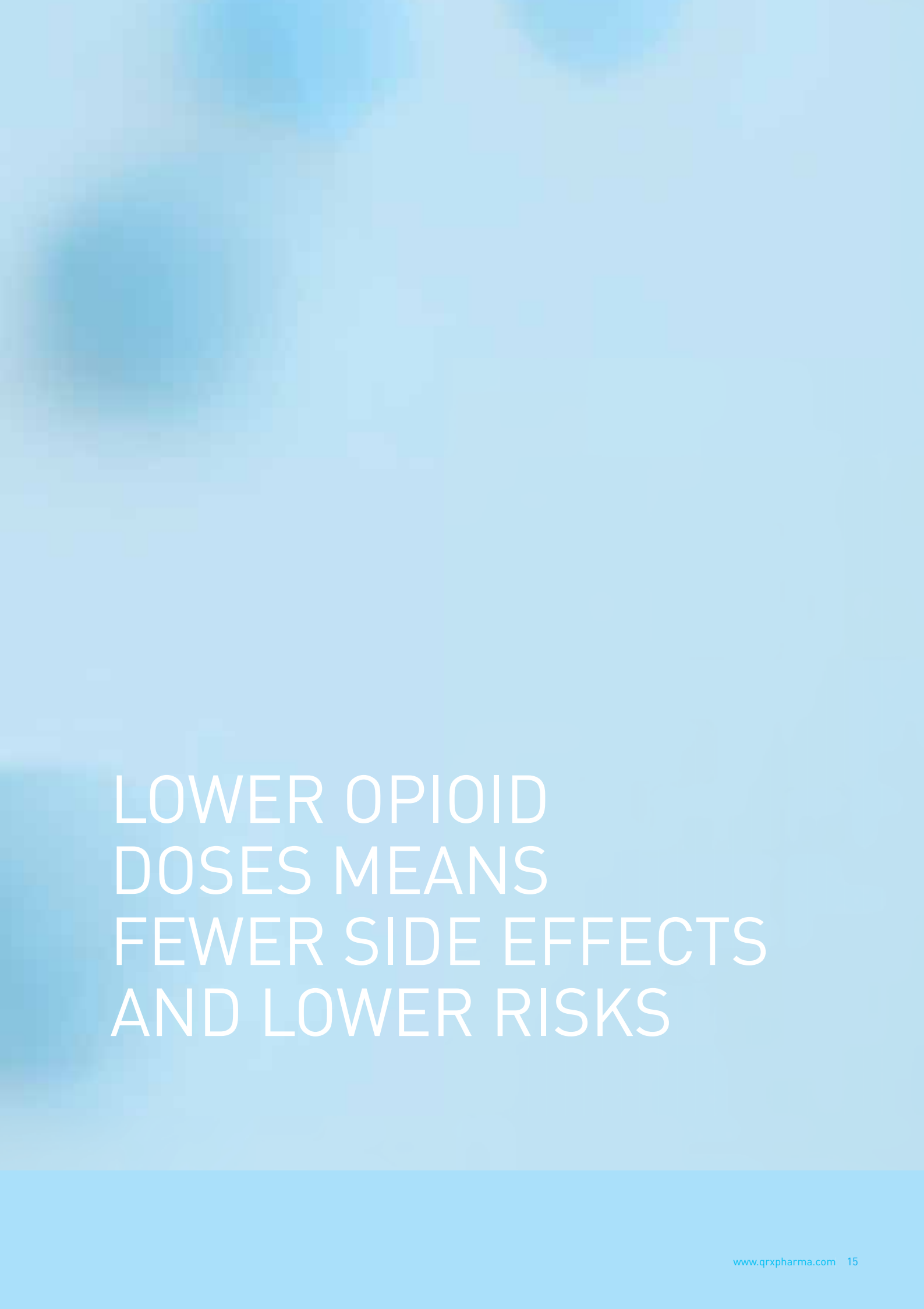
3.3.2 US ORAL CONTROLLED RELEASE MARKET

Controlled release formulations of opioids, which provide patients with the flexibility of taking only one or two tablets a day, are increasingly being prescribed for longer duration pain relief. In addition, practitioners are seeking improved controlled release drugs to avoid altogether the need for breakthrough pain medications.

According to IMS, the US oral controlled release opioid market had sales of US$2.4 billion in 2005. In addition, the controlled release market is served by branded and generic fentanyl patches which, in 2005, totalled a further US$1.4 billion. The controlled release market is dominated by the drug OxyContin®.

3.3.3 OTHER MARKETS

According to IMS, the broad European opioid market totalled at least US$1.5 billion and the Australian opioid market was over US$65 million in 2005. Despite the smaller sizes of these markets, they are among the fastest growing worldwide. The European market has almost tripled, and the Australian market has more than doubled since 2001.



LOWER OPIOID DOSES MEANS FEWER SIDE EFFECTS AND LOWER RISKS

4. BUSINESS DESCRIPTION

4.1 QRXPHARMA'S DUAL OPIOID TECHNOLOGY

4.1.1 TECHNOLOGICAL APPROACH

QRxPharma believes the clinical breakthrough that will underpin the commercial success of its dual opioid drugs is that it combines existing opioids, whose characteristics have been known for many decades, into a lower dosage formulation that achieves pain relief with fewer side effects and lower associated risks than existing therapies. According to a report by Datamonitor in 2005, the most common unmet needs in the market for moderate to severe pain are reduced side effects, improved therapeutic effect, and the availability of different opioid formulations. QRxPharma therefore believes that its drugs will offer doctors who prescribe pain drugs a unique and differentiated value proposition.

QRxPharma's dual opioid derives from patented discoveries at the University of Queensland. Scientists at the University postulated that the opioid oxycodone acts through a different set of neural receptors to other opioids. In a separate study, they also found that sub-analgesic doses of oxycodone have a synergy effect with sub-analgesic doses of other opioids, and therefore combinations

of oxycodone with other opioids in lower doses can produce pain relief with fewer side effects and associated risks. Evidence from the University of Queensland's discovery has now been observed in both animal and human trials and published in peer reviewed research papers.

The use of opioid pain drugs such as morphine, oxycodone and fentanyl is closely monitored by regulatory authorities and other governmental agencies. This is because they have a high potential for abuse, and high potential for physical and psychological dependence. Equally, in a clinical setting, strong pain drugs have been significantly limited by their side effects, which include respiratory depression (the most common cause of opioid-related fatalities), constipation, sedation and drowsiness, nausea and vomiting, psychological dependence (addiction) and tolerance.

The highly monitored and carefully controlled nature of the market for opioid drugs also enables companies to establish a sustainable "branded" competitive advantage. The risk of competition from generic drugs, for example, is protected by QRxPharma's strong IP. This was highlighted by the recent patent infringement and forced withdrawal of generic OxyContin® from the US market. Equally, QRxPharma believes the risks to "substitution" of its dual opioid drugs (prescribing two individual drugs each containing the separate opioid components) is low. Apart from the lack of evident economic incentive to do so (as patient insurances would require double co-pays), such behaviour would attract scrutiny from the DEA, and the low dose fractional nature of QRxPharma's branded drugs increases the complexity (and risks) for prescribers prescribing two individual and separate drugs.

4.1.2 Q8003IR, IMMEDIATE RELEASE

QRxPharma's lead product is the immediate release tablet Q8003IR. This is a low dose combination of morphine and oxycodone. Six animal toxicology studies have been completed at the FDA's request, and have demonstrated the safety of this combination.

Six clinical studies have also been conducted in human trials: three studies in healthy volunteers (Studies 2, 5 and 6) and three studies in patients with chronic, moderate to severe non-cancer pain (Studies 1, 3 and 4). These studies all used different dosing regimens and combinations of morphine and oxycodone.

The Phase II studies 3 and 4 were powered for evaluating a pain efficacy (effectiveness) endpoint. Notwithstanding, they also established some statistically significant safety differences.

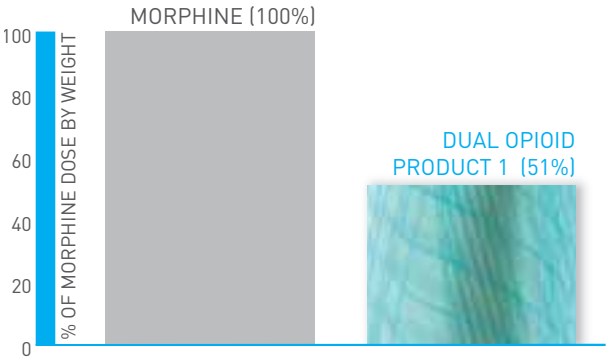
Study	Comment
1	An open-label study was conducted on 17 post-surgical patients testing different morphine and oxycodone combinations administered intravenously. Patients were titrated to pain control during a 44 hour post-surgery interval. The results showed that particular fixed combinations of morphine and oxycodone were optimal for achieving potentiation of pain control and further, that all combinations were well tolerated.
2	A double-blind, placebo-controlled, randomised crossover study was conducted on 10 healthy volunteers to determine whether or not adverse ventilatory effects of these opioids were synergistic in human healthy subjects. The results showed no unexpected or disproportionate effects that could impede the use of the morphine and oxycodone combination in pain management. These observations are in agreement with the notion of greater analgesic potency and reduced respiratory depression by low dose combinations of morphine and oxycodone.
3	A double-blind crossover study was conducted on patients with chronic non-cancer pain with an oral liquid formulation in a fixed ratio combination of morphine and oxycodone (Dual Opioid Product 1) against morphine alone. In 21 patients, a steady state pain control dose was achieved with both dose formulations, but 49% less drug by weight or 40% less by morphine equivalents were needed when the dual opioid product was dosed ($p<0.001$).
4	A crossover study of similar design to Study 3 was conducted. Twenty three patients with chronic non-cancer pain were studied using a different morphine to oxycodone ratio (Dual Opioid Product 2) than was used in Study 3. The dose reduction seen in Study 4 was 49% by weight and 34% by morphine equivalents ($p<0.003$). These data indicated that both products were analgesic, thereby supporting the results from animal studies.
5	A single dose randomised 2-way crossover study under fasting and fed conditions was conducted on 16 healthy volunteers. The study compared the rate and extent of absorption of Q8003IR capsules using the fixed ratio of morphine to oxycodone used in Study 3. The study showed no unexpected findings.
6	Study was conducted on 17 healthy subjects in a three-period randomised crossover design to determine the safety, tolerance and dose proportionality. Q8003IR was evaluated after the single administration of one, two or three capsules. Pharmacokinetic analysis showed that increasing blood levels of morphine and oxycodone were proportional to increasing dose. There were no unexpected findings.

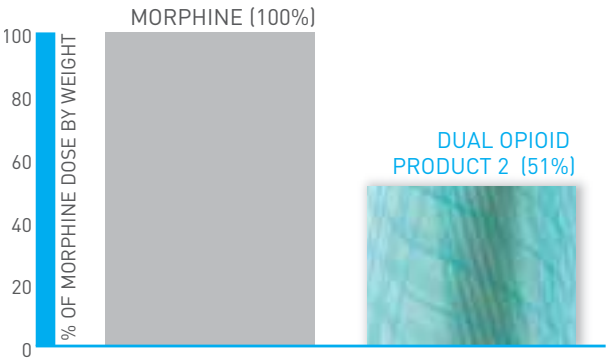
4. BUSINESS DESCRIPTION

In particular, statistically defined relative risks for constipation, nausea and drowsiness clearly favoured the dual opioid treatment against morphine alone. These results support the premise that larger Phase III studies will detect significant treatment differences in the incidence of opioid-specific adverse events.

The following graphs show the comparable amounts of two dual opioid formulations used in Studies 3 and 4 with differing ratios of morphine to oxycodone required to achieve equivalent analgesia compared to morphine alone. These two separate Phase II studies resulted in very similar reductions in the opioid dose achieved by the dual opioid.

QRXPHARMA PHASE II TRIAL RESULTS:
49% Less Opioid Used with QRxPharma's Dual Opioid Product





Separately, an independent clinical study by Lauretti et al in the British Journal of Cancer (2003), showed a similar reduction in opioid usage for patients with advanced cancer pain, when comparing patients dosed with morphine alone to those dosed with a combination of morphine and oxycodone.

Based on the toxicology studies and six clinical study results, QRxPharma has received FDA approval to proceed with Phase III clinical trials for Q8003IR in the US.

4.1.3 Q8011CR, CONTROLLED RELEASE

The target market for the Company's oral controlled release capsule, Q8011CR, is doctors who are seeking products that will reduce the number of opioid doses necessary per day, extend the duration of effect to achieve true 12 hour pain control, and minimise any side effects. QRxPharma believes Q8011CR will deliver all of these benefits.

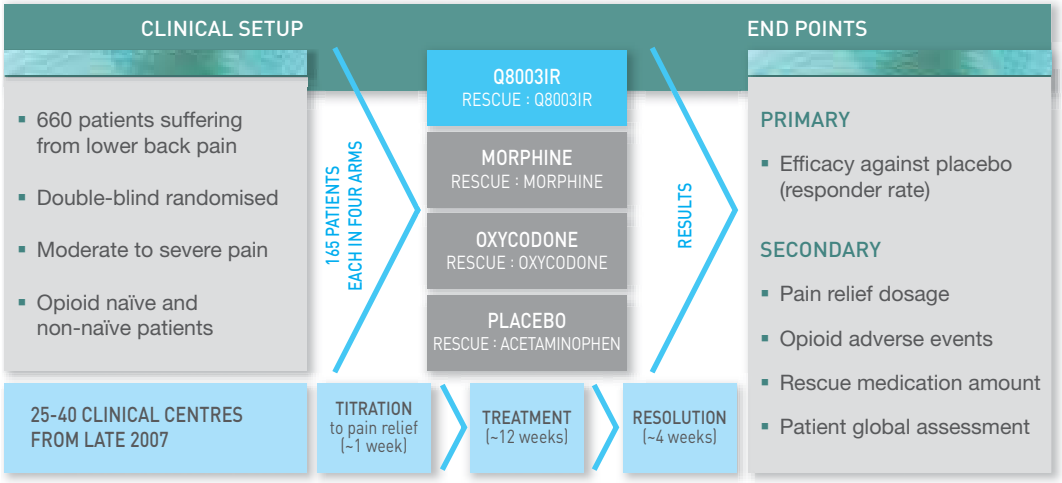
Apart from lower amounts of active ingredients than competing products, Q8011CR has also been designed with patented tamper-proof features. QRxPharma has worked with Supernus Pharmaceuticals who have a proprietary controlled release technology that delivers superior anti-fraud and anti-abuse characteristics to existing controlled release technologies. Three prototypes of Q8011CR will be ready for Phase I testing before the end of 2007.

DOCTORS LIST REDUCED SIDE EFFECTS, IMPROVED THERAPEUTIC EFFECT, AND THE AVAILABILITY OF DIFFERENT FORMULATIONS AS THEIR KEY UNMET NEEDS IN TREATING MODERATE TO SEVERE PAIN

4.2 DUAL OPIOID CLINICAL PROGRAM

4.2.1 Q8003IR, IMMEDIATE RELEASE

QRxPharma's Phase III clinical program will involve two separate studies. The design of the first study is shown below. QRxPharma expects the second study will be similarly configured, and is currently in discussions with the FDA. The Company plans to carry out a Special Protocol Assessment with the FDA.



This Phase III study is a randomised, multi-centre, double-blind, parallel group, safety and efficacy study of Q8003IR versus placebo and two reference drugs, morphine and oxycodone. Patients with moderate to severe chronic lower back pain will be orally administered Q8003IR tablets. The primary endpoint of this study is establishing statistically significant pain relief in patients taking Q8003IR versus patients taking placebo. In addition to the primary endpoint, QRxPharma has established secondary endpoints that are aimed at testing the safety and therapeutic effectiveness of Q8003IR which will allow for marketing and labelling that clearly differentiates the use of Q8003IR over use of morphine or oxycodone alone.

Both Phase III studies will involve 660 patients each, or 1,320 patients in total. Each will take about 15 months to complete. QRxPharma intends to recruit approximately 40 trial sites per study, mostly in the US but potentially also in Australia. The trial design has been specifically configured to account for potential placebo effects and anticipated patient drop-out rates. Further, particular attention has been paid to the rate of patient enrolment and monitoring, and QRxPharma is in discussions with specialised clinical contract research organisations to help with the detailed preparation, execution, analysis and reporting of the studies.

4.2.2 Q8011CR, CONTROLLED RELEASE

During Phase III trials for Q8003IR, QRxPharma intends to continue clinical development of Q8011CR so that this drug should have a shortened path to US marketing approval based on leveraging the results of the testing on Q8003IR.

4. BUSINESS DESCRIPTION

4.3 COMMERCIALISATION STRATEGY

4.3.1 UNITED STATES

QRxPharma expects to complete its Phase III studies and file a NDA for Q8003IR during 2009. The successful completion of Phase III will underpin QRxPharma's sales and marketing plans for the US, and will also crystallise plans to sell Q8003IR in other markets.

The US pain therapy market is a true specialty pharmaceutical market. QRxPharma's target customer base comprises dedicated pain management specialists and pain doctors, who are a highly focused practice group. By way of illustration, approximately 30% of all prescriptions for opioid drugs (based on morphine prescriber patterns) in the US are written by only 1,500 pain doctors.

QRxPharma intends to focus its sales efforts on the top 30% of opioid prescribers. Other opioid drugs on the market have successfully penetrated this prescriber group with an initial sales force of 70 to 100 people. The Company has established a strategic relationship with Stack Pharmaceuticals, whose principal David Stack is a senior Consultant to the Company (see Section 5.4). Stack Pharmaceuticals brings significant proven experience, having successfully implemented go-to-market strategies for specialty pharmaceutical companies like QRxPharma. At this stage, QRxPharma may chose to build its own sales force with assistance from Stack Pharmaceuticals, or it could elect to contract a third party specialty pharmaceutical sales organisation.

Because of the narcotic nature of opioids, the process of drug distribution is highly regulated by authorities, including the DEA in the US. QRxPharma therefore intends that its drugs will be distributed through the three major US national wholesalers who control more than 90% of the US distribution market.

4.3.2 AUSTRALIA AND OTHER MARKETS

Once a NDA approval is obtained and market launch takes place in the US, it is intended that QRxPharma will file applications for sale and marketing of Q8003IR with the TGA in 2010.

Under the IPO Deed, QRxPharma must appoint Sigma Pharmaceuticals Pty Limited (Sigma) as its exclusive marketer, seller and distributor for certain products related to this IP in Australia and New Zealand. See Section 9.4.2 for further details.

QRxPharma intends to out-license the rights to Q8003IR and Q8011CR in Europe and other markets. It is expected that regulatory approvals in the US and Australia will significantly accelerate the process for regulatory approvals in Europe.

4.4 OTHER PIPELINE DRUGS

In addition to Q8003IR and Q8011CR, QRxPharma intends to ultimately develop an intravenous, an oral liquid and a "patch" version of its dual opioid. QRxPharma also intends to explore combinations of oxycodone with other opioids, and preliminary studies have suggested the efficacy of some of these combinations.

QRxPharma also has a number of pipeline assets in the broader field of central nervous system disorders. These represent potential for future commercial development, and it is intended that the majority of preclinical research will be co-funded through government grants that will be sought in Australia, and through sponsored research agreements in the US.

4.4.1 NEURODEGENERATIVE DISEASES - TORSIN

QRxPharma owns licences to technology targeting the causes of movement disorders in patients with dystonia and Parkinson's disease.

Dystonia (literally, "abnormal muscle tone") is a term used to describe a movement disorder involving involuntary, sustained muscle contractions. Parkinson's disease is a degenerative disorder of the central nervous system. Both progressively impair the sufferer's motor skills and speech and together are the most common movement disorders in the developed world (affecting an estimated 800,000 people in North America, and at least 90,000 people in Australia). At present, there are no known therapies that arrest the progression of these diseases.

During the past decade it was discovered that a gene (DYT-1) and the protein it encodes, called "Torsin", is critical for normal cellular function in the brain. Torsin is a "chaperone protein" that prevents mutations of proteins that cause neurological disorders such as dystonia and Parkinson's disease. The core Torsin technology licensed by QRxPharma was developed at the University of Alabama in the US, where scientists demonstrated that a known and already approved drug appears to activate the Torsin system, preventing mutations in other proteins and improving movement disorders in preclinical models of these diseases. Preliminary anecdotal clinical observations with patients suffering from dystonia also support these findings.

QRxPharma intends to co-develop this research in a Phase II study coordinated through the University of Alabama. It is believed that investigators at the Beth Israel Medical Center in New York City will agree to host clinical studies, and the Dystonia Medical Research Foundation will agree to collaborate on the trial which should be completed during 2008.

QRxPharma has exclusively licensed the molecules and portfolio of IP that surrounds these inventions at the University of Alabama.

4.4.2 VENOMICS

QRxPharma also has a unique therapeutic drug discovery platform focusing on pain relief and blood coagulation products derived from components of Australian snake venoms. This combines the work of researchers at the University of Queensland and the Queensland Institute for Medical Research.

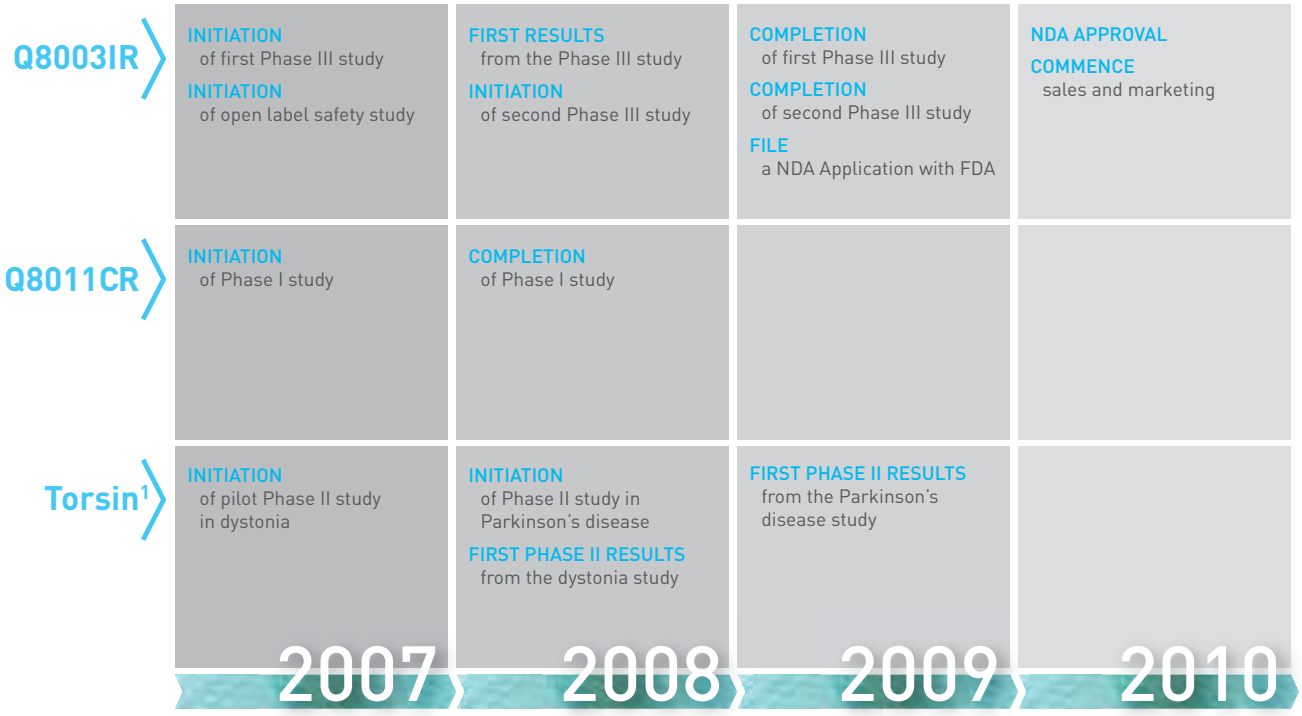
"CLINICAL STUDIES WITH THE QRXPHARMA COMBINATION ARE QUITE PROMISING. ALTHOUGH PHASE II STUDIES AND INDEPENDENT RESEARCH GIVE PRELIMINARY INDICATIONS THAT CLINICAL SYNERGY WITH REDUCED SIDE EFFECTS IS OBSERVED, LARGER PHASE III TRIALS AS PLANNED BY QRXPHARMA WILL BE NEEDED TO VALIDATE THE HYPOTHESIS AND TO FIRMLY ESTABLISH THE PRESENCE OF SYNERGY AND DIMINISHED SIDE-EFFECTS. CERTAINLY THE EVIDENCE TO DATE SUGGESTS THE COMBINATION IS SAFE AND EFFECTIVE IN THE CONTROL OF PAIN, AND EARLY STUDIES SUGGEST THAT DUAL OPIOIDS PROVIDE OPIOID SPARING WITH A CONCOMITANT DECREASE IN SIDE-EFFECTS."

Gavril W. Pasternak, MD PhD
Ann Burnett Tandy Chair in Neurology
Attending Neurologist and Laboratory Head, Molecular Pharmacology and Chemistry Program
Memorial Sloan-Kettering Cancer Center

4. BUSINESS DESCRIPTION

4.5 CLINICAL MILESTONES

The following diagram outlines QRxPharma's intended clinical milestones through to sales and marketing approval of Q8003IR.



[1] Clinical trials will be conducted under an "investigator IND" in an academic setting with partial Company support and collaboration to enable access to findings by pre-arrangement. Milestone payments to the University of Alabama, as detailed in Section 9.4.3, are not triggered by an investigator-sponsored IND.

4.6 STATUS OF PATENTS

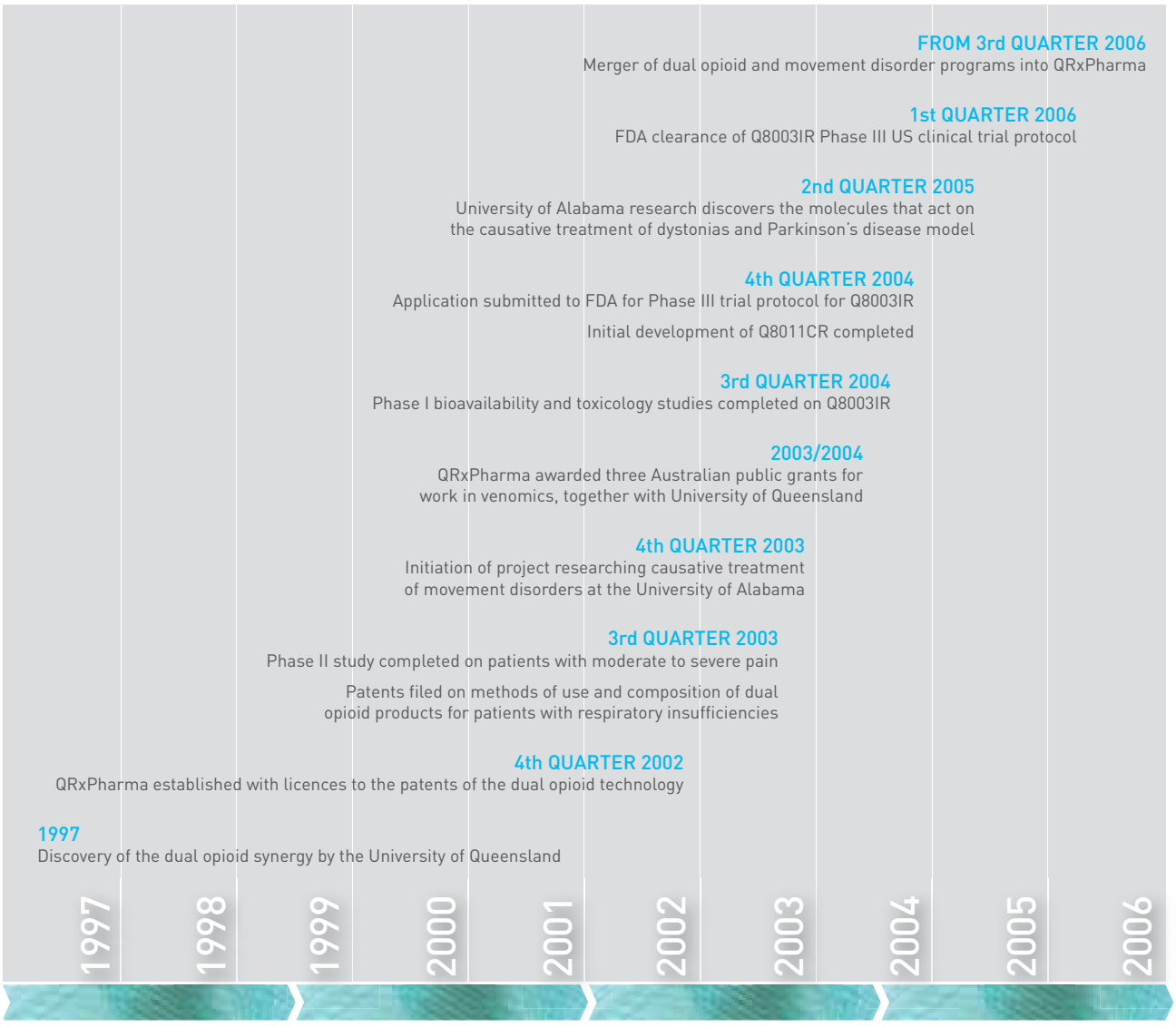
QRxPharma owns IP which supports its pipeline drugs. The IP includes six patents granted and six patents pending, together with trade secrets, know-how and some IP licensed from third parties. The first of QRxPharma's patents related to aspects of Q8003IR begin to expire in 2016. Where appropriate, QRxPharma expects to apply for patent extensions, including extensions in the US under the Hatch-Waxman exemption. Details of the Company's dual opioid IP portfolio are outlined in the reports by Davies Collison Cave and Dreier LLP, the Company's patent attorneys, in Section 7.

Note that, in particular, QRxPharma's IP provides protection over any product combinations of oxycodone with other opioids including fentanyl, sufentanil, alfentanil, hydromorphone and oxymorphone.

THE TARGET MARKET IS HIGHLY IDENTIFIABLE... APPROXIMATELY 30% OF ALL OPIOID PRESCRIPTIONS (BASED ON MORPHINE PRESCRIBER PATTERNS) IN THE US ARE WRITTEN BY ONLY 1,500 PAIN DOCTORS

4. BUSINESS DESCRIPTION

4.7 QRXPHARMA HISTORY



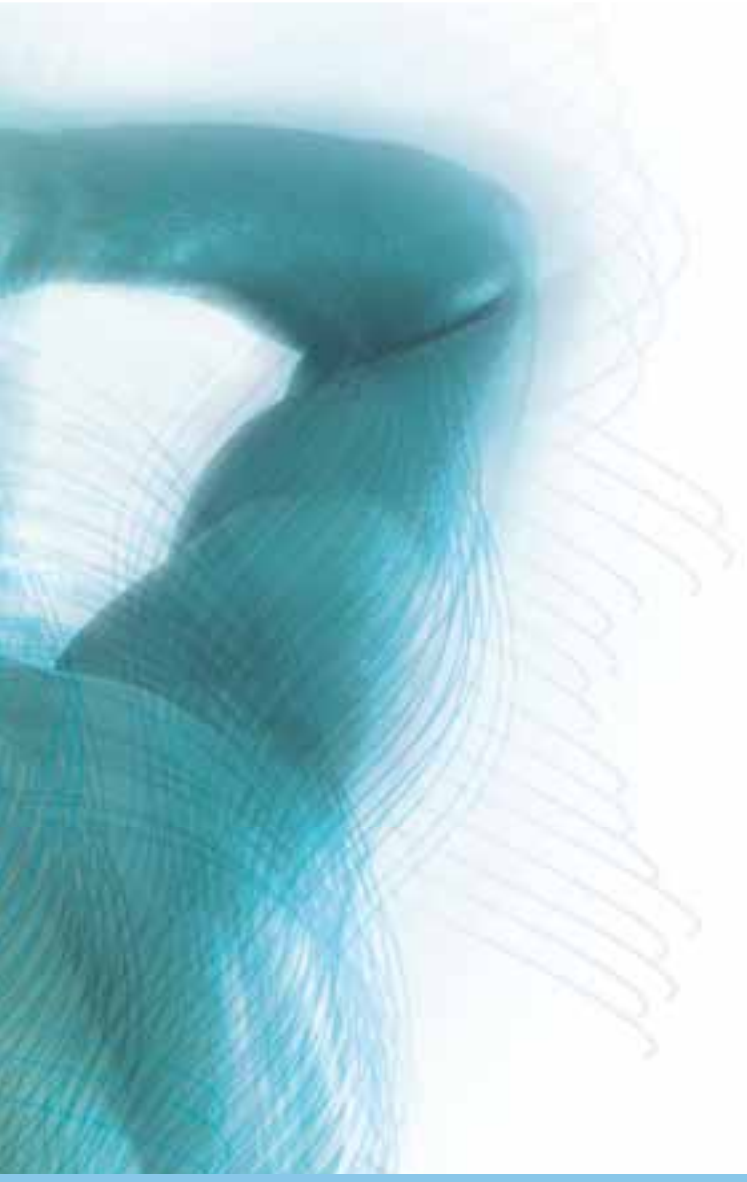
4.8 CORPORATE DETAILS

4.8.1 REGISTERED OFFICES AND OPERATIONS

QRxPharma is headquartered in Sydney, Australia, and will also have an office in Bethesda, Maryland, where the Company will base its clinical trial programs.

4.8.2 EMPLOYEES

QRxPharma plans to continue its strategy of contracting clinical trial operations and preclinical research to third parties such as contract research organisations and universities. The Company employs corporate and operational staff to manage these outsourcing processes.



5. MANAGEMENT AND CORPORATE GOVERNANCE

5. MANAGEMENT AND CORPORATE GOVERNANCE

5.1 BOARD OF DIRECTORS

The Board of QRxPharma comprises an independent non-Executive Chairman, two other non-Executive Directors, the Managing Director and one Director who is a Consultant to the Company.

PETER C FARRELL, PHD, SCD, AM
Non-Executive Chairman

Dr Farrell has been associated with QRxPharma since 2002, and is non-Executive Chairman. Dr Farrell has over 30 years executive and consulting experience in the medical device industry, and is the Chairman and Chief Executive Officer of ResMed Inc (ASX and NYSE: RMD), which he founded in 1989. Dr Farrell is also a Director of Pharmaxis Limited (ASX: PXS).

Dr Farrell is a Fellow of several professional bodies, including the Australian Institutes of Management and Company Directors. He is the Vice Chair of the Executive Council of the Division of Sleep Medicine at Harvard Medical School, he serves on the Board of Trustees of UCSD and is on the Health Sciences Advisory Board of the Dean of Medicine and the Advisory Board of UCSD's Jacobs School of Engineering. Dr Farrell is also a Visiting Professor at the University of New South Wales Graduate School for Biomedical Engineering, of which he was founding Director in 1978.

In 1994, the Australian Institution of Engineers awarded Dr Farrell the honour of National Professional Engineer of the Year and, in 1997, he received the David Dewhurst Award (Biomedical Engineer of the Year) from the same institution. He was also named San Diego Entrepreneur of the Year for Health Sciences in 1998, Australian Entrepreneur of the Year for 2001, and US National Entrepreneur of the Year for Health Sciences for 2005. Dr Farrell was admitted to membership of the Order of Australia in 2004. He holds Bachelors and Masters degrees in chemical engineering from the University of Sydney and the Massachusetts Institute of Technology (MIT) respectively, a PhD in bioengineering from the University of Washington in Seattle, and a ScD from the University of New South Wales for research related to dialysis and renal medicine.

JOHN W HOLADAY, PHD
Managing Director and Chief Executive Officer

Dr Holaday joined QRxPharma in 2007 as Managing Director and Chief Executive Officer, and is also President of QRxPharma's US operations. Dr Holaday brings 39 years of experience as a scientist, executive manager of biotechnology and biopharmaceutical companies, and as a banker.

Dr Holaday has extensive experience building specialty pharmaceutical companies. In 1992, Dr Holaday was a co-founder of EntreMed Inc (NASDAQ: ENMD), of which he served as President, Chief Executive Officer, and Chairman of the Board. In 1988, Dr Holaday also co-founded Medicis Pharmaceutical Corporation (NYSE: MRX), where he served as a Board Director, as Scientific Director, and as Senior Vice President for Research and Development. Dr Holaday also founded MaxCyte Inc, a cell therapy company, where he served as Chairman until retiring in 2003. Dr Holaday also sits on the boards of CytImmune Sciences Inc, a privately held cancer research company, Xceleron, a private UK firm that accelerates clinical trials, and Accelovance, a privately held contract research organisation within the US and China. From 1968 to 1989, Dr Holaday served as a Captain in the US Army and subsequently as a senior civilian employee at the Walter Reed Army Institute of Research, where he founded the Neuropharmacology Branch in 1980.

Dr Holaday currently serves as an officer and Fellow in several biomedical societies and has authored and edited over 200 scientific articles in journals and books. He holds over 30 patents. He served as Chairman of the Maryland BioAlliance, is a Judge for the Ernst and Young Entrepreneur of the Year Award (2003 to present) and was named to the Ernst and Young Entrepreneur of the Year Hall of Fame in 2006. Dr Holaday is an Associate Professor of Anaesthesiology and Critical Care Medicine and Senior Lecturer in Medicine at The Johns Hopkins University of Medicine and Adjunct Professor of Psychiatry at the Uniformed Services University School of Medicine, Bethesda, Maryland. Dr Holaday obtained his Doctorate in Pharmacology at the University of California, San Francisco in 1977.

R PETER CAMPBELL
Non-Executive Director
Mr Campbell is a non-Executive Director of QRxPharma and Chairman of QRxPharma's Audit and Risk Committee. Mr Campbell is a Chartered Accountant and company Director with more than 35 years of business consulting and advisory experience, and operates his own chartered accountancy practice based in Sydney.

Mr Campbell is a Director of Silex Systems Limited (ASX: SLX) and Sonic Healthcare Limited (ASX: SHL), where he serves as Chairman of the Audit Committee, a Director of Admerex Limited (ASX: ADL) and both Director and Chairman of St Laurence Australia Limited. From 1999 to 2005, he was also a Director of SciGen Limited (ASX: SIE). Mr Campbell is a Fellow of both the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia. He is also a registered Company Auditor.

GARY W PACE, PHD
Director and Consultant
Dr Pace is a co-founder of QRxPharma and continues to work with the Company as a Consultant. Until recently, Dr Pace was Chairman and Chief Executive Officer of QRxPharma. Dr Pace is a seasoned biopharmaceutical executive with over 30 years of experience in the industry. He has co-founded a number of early stage life science companies where he built products from the laboratory to commercialisation.

Dr Pace is currently a Visiting Scientist at MIT, and a Director of ResMed Inc, Transition Therapeutics Inc (CDNX: TTH), Celsion Corp (AMX: CLN), Resonance Health Limited (ASX: RHT), and Peplin Limited (ASX: PEP). Dr Pace is an elected Fellow of the Australian Academy of Technological Sciences and Engineering, author and co-author of over 50 research papers, reviews, and patents. In 2003, Dr Pace was awarded a Centenary Medal by the Australian Government for service to Australian society in research and development. Dr Pace holds a Bachelor of Science (Honours) from the University of New South Wales and a PhD from MIT, where he was a Fulbright Scholar.

MICHAEL A QUINN, MBA
Non-Executive Director
Mr Quinn is a Director of QRxPharma, with which he has been associated since 2002. Mr Quinn has more than 30 years executive experience in technology companies in Australia, the US and the UK. Mr Quinn is co-founder and Chairman of Innovation Capital, an Australian and US venture fund, which is a foundation shareholder of the Company.

Since 1992, Mr Quinn has been a Director of ResMed Inc, and chairs the Audit Committee. Mr Quinn is Chairman of the New South Wales Entrepreneurship Centre Limited, and a Director of the Warren Centre for Advanced Engineering, a not-for-profit foundation at Sydney University. In 1983 he co-founded Memtec Limited, and has also served as Chief Executive Officer of Phoenix Scientific Industries Limited, a manufacturer and distributor of health care and scientific products. Mr Quinn has been a Director of several listed companies in Australia and the US and numerous unlisted technology based companies. Mr Quinn holds a Bachelor of Science, a Bachelor of Economics, and an MBA from Harvard.

5.2 MANAGEMENT

QRxPharma's management team brings together significant experience in clinical trial management, regulatory process, commercialisation of marketing and sales in biopharmaceutical companies, general business management, and governance and management of ASX listed companies.

JOHN W HOLADAY, PHD
Managing Director and Chief Executive Officer
(See Section 5.1 for a biography of John Holaday)

GARY W PACE, PHD
Director and Consultant
(See Section 5.1 for a biography of Gary Pace)

DOUGLAS A SALTEL
Chief Operating Officer
Mr Saltel joined QRxPharma in 2007, and brings more than 20 years experience as a senior executive with responsibilities for the commercialisation of products for leading companies in the pharmaceutical industry. Mr Saltel was most recently the founding CEO of Edgemont Pharmaceuticals LLC, a specialty pharmaceutical company focused on diseases of the central nervous system.

5. MANAGEMENT AND CORPORATE GOVERNANCE

Prior to Edgemont, Mr Saltel was Vice President of Sales and Marketing at JDS Pharmaceuticals, a New York based specialty pharmaceutical company. Before JDS, Mr Saltel ran Novartis' US Neuroscience Business, and was Vice President, Central Nervous System and Anti-infectives, for Parke-Davis US. Mr Saltel has also worked in Canada as Vice President of Sales for Roche Canada Limited, Vice President of Marketing at Syntex Canada Inc, and Specialty Products Business Unit Manager for Abbott Canada Limited. Mr Saltel is co-inventor on several issued patents in the field of pain management, and holds a Bachelor of Commerce (Honours) degree from the University of Manitoba, Canada.

WARREN C STERN, PHD
Executive Vice President, Drug Development
Dr Stern is a biopharmaceutical executive with over 25 years experience in central nervous system drug development and performing preclinical and clinical trials in psychopharmacology. Dr Stern joined QRxPharma in 2007 from Dov Pharmaceuticals, where he was Senior Vice President for Drug Development.

Dr Stern has had an extensive career in the drug development industry including roles as Senior Vice President of Scientific and Medical Services at PAREXEL International Corporation, a contract research organisation, Cato Research Limited, Forest Laboratories Inc, Burroughs Wellcome Co, and Pharmatec Inc. Dr Stern also co-founded two drug delivery companies, Research Triangle Pharmaceuticals and Nobex Inc.

Dr Stern directed the NDA submissions of bupropion (Wellbutrin) and citalopram (Celexa). He is the inventor on six patents, including patents related to central nervous system products, and two drug delivery systems. He received his PhD in psychopharmacology from Indiana University in 1969, and completed Postdoctoral Fellowships at Boston State Hospital and at the Worcester Foundation for Experimental Biology.

CHRIS J CAMPBELL
Chief Financial Officer
Mr Campbell joined QRxPharma in 2007, prior to which he served as Chief Financial Officer of CAP-XX Limited, an Australian technology company, for six years. In his role as CFO of CAP-XX, he was closely involved with the listing of the company on the London Stock Exchange Alternative Investment Market in 2006.

Mr Campbell has also previously held senior finance roles in the telecommunications, manufacturing, construction and services sectors. Mr Campbell was Chief Financial Officer and an Executive Director of Lucent Technologies Australia Limited (2000 to 2001), and Finance Manager for the Australia/Asia Pacific Explosives Group of Orica Limited (ASX: ORI) from 1994 to 2000. Mr Campbell holds a Bachelor of Commerce and is an Associate of the Institute of Chartered Accountants in Australia.

5.3 SCIENTIFIC ADVISORY BOARD

The Company's global Scientific Advisory Board comprises internationally recognised leaders in the fields of pain therapy, central nervous system drug discovery, pharmaceutical commercialisation and regulatory approvals.

SOLOMON H SNYDER, MD
Chairman of the Scientific Advisory Board
Dr Snyder is regarded as one of the world's leading neuroscientists, and serves as Chairman of QRxPharma's Scientific Advisory Board. In 1973, Dr Snyder identified the opioid receptor. For this he was awarded the Albert Lasker Award for Basic Medical Research in 1978. He also received the (US) National Medal of Science in 2003. Many advances in molecular neuroscience have stemmed from Dr Snyder's work.

Dr Snyder currently serves as the Distinguished Service Professor of Neuroscience, Pharmacology and Psychiatry at The Johns Hopkins University School of Medicine. Among many professional and academic honors, Dr Snyder is a member of the United States National Academy of Sciences and a Fellow of the American Academy of Arts and Sciences. He is also Associate Editor of the *Proceedings of the National Academy of Sciences* of the US, and he is the author of more than 1,000 journal articles and several books. He is listed by the Institute for Scientific Information as one of the world's ten most-often cited biologists.

Dr Snyder also co-founded Nova Pharmaceuticals and Guilford Pharmaceuticals, where he served on the Boards of Directors.

Dr Snyder received his medical degree from Georgetown University in 1958, and graduated from Georgetown Medical School in 1962. Post-doctorally, he studied at the National Institute of Health and completed his residency in psychiatry at The Johns Hopkins Hospital. In 1966, Dr Snyder joined the faculty of The Johns Hopkins University School of Medicine where he formed the Department of Neuroscience in 1980.

ROBERT H LENOX, MD
Dr Lenox is currently President of RHL Consulting LLC. Until recently he served as Vice President and Global Head of Central Nervous System Drug Discovery for Sanofi-Aventis, with responsibilities of target identification, lead discovery and candidate profiling for entry into preclinical/Phase I development for all psychiatry and neurology programs. Prior to entering the pharmaceutical industry in 2001, Dr Lenox was the Karl and Linda Rickels Professor of Psychiatry, Pharmacology and Neuroscience and Vice Chairman for Research and Development at the University Of Pennsylvania School Of Medicine, where he is currently Adjunct Professor of Psychiatry. Dr Lenox has had a distinguished academic research and teaching career for over 25 years as a psychiatrist and neuroscientist with more than 150 peer reviewed publications as well as reviews and book chapters in the fields of molecular neuropharmacology and clinical psychopharmacology.

Dr Lenox is former Editor-in-Chief of the journal *Neuropsychopharmacology*. Among his other professional and academic honors, he has received the Ziskind-Sommerfeld Research Award from the Society of Biological Psychiatry, the NARSAD Distinguished Investigator Award, and is a Fellow of the American College of Neuropsychopharmacology. Dr Lenox has been a member of numbers of scientific and pharmaceutical scientific advisory boards related to central nervous system drug discovery and development. He holds a Bachelor of Science in Biochemistry from MIT, a medical degree from University of Vermont College of Medicine and a Masters of Arts (Honours) from the University of Pennsylvania.

FELIX A DE LA IGLESIA, MD

Dr de la Iglesia is a co-founder of QRxPharma and until recently, he was Chief Scientific Officer and Vice President of Research and Development. Dr de la Iglesia has over 35 years of experience in pharmaceutical research and development and in 2000 he retired as Vice President of Worldwide Preclinical Safety, Pfizer Global Research and Development.

Currently, Dr de la Iglesia is Adjunct Professor of Pathology, School of Medicine and Adjunct Professor of Toxicology at the School of Public Health, University of Michigan. He is Adjunct Professor in Microbial and Molecular Sciences at the University of Queensland. A Diplomate and Fellow of the Academy of Toxicological Sciences, Dr de la Iglesia has published well over 200 scientific papers, books and chapters in books. He is member of several scientific advisory boards in several health companies in America and Europe. In 2007, Dr de la Iglesia was appointed Chief Enterprise Officer of the Michigan Technology and Research Institute, a private think-tank and strategic solutions provider for the pharmaceutical industry.

GUY A CALDWELL, PHD

Dr Caldwell is an Associate Professor of Biological Sciences at the University of Alabama, where he teaches genomics and neurobiology. Dr Caldwell and his wife, Dr Kim Caldwell, led the scientific discovery regarding the TorsinA protein, and their work has been published in the *Journal of Neuroscience, Human Molecular Genetics* and *Science*. Through the University of Alabama, Dr Caldwell holds several patents and patent applications, which are licensed to QRxPharma. Dr Caldwell has received over 20 contracts and grants for his research, including from the American Parkinson's Disease Association, the Dystonia Medical Research Foundation, the Michael J. Fox Foundation for Parkinson's Research, and FoldRx Pharmaceuticals Inc.

Dr Caldwell was twice named a recipient of a Postdoctoral Fellowship in neurogenetics from the National Institute of Neurological Disorders (NINDS) while at Columbia University and was the 2005 Carnegie Foundation US Professor of the Year, State of Alabama. He has been on the editorial board of the *Journal of Opioid Management* and is a reviewer of the *Proceedings of the National Academy of Sciences*. Dr Caldwell has authored over 30 textbooks, book chapters and journal articles and has a PhD in Cell and Molecular Biology from the University of Tennessee.

MICHAEL J COUSINS, MD, SCD, AM

Professor Cousins is the Foundation Professor of Anaesthesia and Pain Management and Director at the Pain Management Research Institute at the Royal North Shore Hospital in Sydney. Aside from the University of Sydney, he has held posts at Stanford Medical School and Flinders University where he researched the relief of post operative pain following vascular surgery, the development of more effective local anaesthetic drugs and opioid and non-opioid drug administration by novel routes.

Professor Cousins was also instrumental in developing a laboratory for allowing some of the first Phase I studies of novel anaesthetic agents and analgesic agents in Australia, for which he received numerous awards. Professor Cousins was made a member of the Order of Australia in 1996. He is the author of over 200 original publications, reviews and book chapters. He chaired a Working Party which developed Australia's first "Evidence Based Medicine" guideline on the Management of Acute Pain. He is the only Australian to have served as President of the International Association for the Study of Pain, and was the Founding President of the Australian Pain Society, and the Founding Dean of the Faculty of Pain Medicine at the Australian and New Zealand College of Anaesthetists. Professor Cousins and his colleagues' clinical and basic research review of the spinal administration of opioid drugs has become the third most frequently cited reference in the pain medicine literature over the last 20 years and the most cited reference in the anaesthesiology literature over the last 60 years. Professor Cousins completed his medical degree at the University of Sydney.

HORACE H LOH, PHD

Dr Loh is the Frederick and Alice Stark Professor and Head of Pharmacology at the University of Minnesota. His field of expertise is the area of opioid drug action: specifically, the neurochemical mechanisms of narcotic addiction and its treatment potential; the molecular nature of opioid receptors and their gene structures; and the pharmacology and functions of endogenous opioid peptides. Dr Loh is the recipient of the Alexander von Humboldt Award from Germany.

Dr Loh is also the Associate Editor for the *Annual Review of Pharmacology* and *Current Opinions in Pharmacology*, and serves on the editorial board of more than ten other scientific journals. In 1986, Dr Loh was elected a member of the Academia Sinica of the Republic of China. He currently serves as scientific advisor to the national governments of Taiwan and China and the regional government of Hong Kong. Dr Loh is also a member of a number of scientific advisory committees around the world. He has a PhD in biochemistry from the University of Iowa, and completed a fellowship in the Department of Pharmacology at the University of California, San Francisco.

5. MANAGEMENT AND CORPORATE GOVERNANCE

ANTHONY J SINSKEY, SCD

Dr Sinskey is a Professor of Microbiology in the Department of Biology and Professor of Health Sciences and Technology at MIT. Dr Sinskey's research is focused on interdisciplinary metabolic engineering, including the fundamental physiology, biochemistry and molecular genetics of organisms. In particular, his studies focus on key factors that regulate the synthesis of different biomolecules including those related to biofuels. Dr Sinskey earned a Bachelor of Science from the University of Illinois and a ScD from MIT. He completed his Postdoctoral Fellowship at the Harvard School of Public Health.

5.4 SCIENTIFIC ADVISORY BOARD — SENIOR CONSULTANTS

The QRxPharma Scientific Advisory Board is complemented by two specialist Consultants who bring significant expertise in fields of specific relevance to QRxPharma's drug approval and commercialisation plans.

CYNTHIA G MCCORMICK, MD

Regulatory Consultant

Dr McCormick is a clinical and regulatory consultant to government and pharmaceutical companies developing products for central nervous system disorders. Dr McCormick served as medical reviewer in the Division of Neuropharmacological Drug Products at the FDA for five years. During this time she was the lead reviewer for all antiepileptic drug product INDs and NDAs such as Neurontin, Tiagabine, and Topiramate.

Dr McCormick later assumed the position of Director of the Division of Anaesthetic, Critical Care and Addiction Drug Products where she oversaw the review and approval of anaesthetic agents, drugs targeted for the treatment of pain and addiction, and supervised the Controlled Substances Review staff. During this time she initiated strategies to ensure that a standardised approach to the development of drugs for pain was undertaken. She held positions sequentially on the FDA's pediatric drug development, labelling and pediatric (exclusivity) implementation team during her tenure at the FDA.

Prior to her FDA experience, Dr McCormick served as a medical officer in the National Institute of Neurological Disorders (NINDS) Antiepileptic Drug Development Program which led the development of new therapies for the treatment of epilepsy. Her last position in the federal government was that of Deputy Director of Extramural Research for the NINDS. She also played a key role in the implementation of the National Vaccine Injury Compensation Program as Chief Medical Officer and Deputy Director. Dr McCormick is a graduate of Bryn Mawr College and the Medical College of Pennsylvania. She received her postgraduate residency training at the University of Michigan, Department of Pediatrics and the University of Pennsylvania, Department of Neurology.

DAVID M STACK, RPH

Marketing and Sales Consultant

Mr Stack has been associated with the Company since 2005 and until recently was a Director. He is the Founding Partner and Chief Executive Officer of Stack Pharmaceuticals Inc, a commercialisation, marketing and strategy consultancy serving emerging healthcare companies. He also is an Executive Partner at MPM Capital, a Venture Partner at Morgan Stanley Venture Partners and a Director of BioImaging Technologies Inc (NASDAQ: BITI), Molecular Insight Pharmaceuticals Inc (NASDAQ: MIPI), Medsite Inc, and PepTx Inc. Prior to forming Stack Pharmaceuticals, Mr Stack was President, Chief Executive Officer and Director of The Medicines Company (NASDAQ: MDCO). Mr Stack also served as the President and General Manager of the Americas for Innovex Inc, the Vice President of Business Development and Marketing for Immunomedics Inc (NASDAQ: IMMU), a biopharmaceutical company focusing on monoclonal antibodies in infectious disease and oncology, and the Director of Business Development and Planning for Infectious Disease, Oncology and Virology for Roche Labs where he was also the Therapeutic World Leader of Infectious Disease. Mr Stack was recognised as the Ernst and Young US Entrepreneur of the Year in 2003. He holds a Bachelor of Science in Biology from Siena College and Bachelor of Science in Pharmacy from Albany College of Pharmacy.

5.5 CORPORATE GOVERNANCE FRAMEWORK

5.5.1 CORPORATE GOVERNANCE

QRxPharma has implemented a corporate governance framework consistent with the ASX best practice recommendations for listed companies to protect the interests of shareholders.

5.5.2 THE BOARD

The Board comprises an independent non-Executive Chairman, two other non-Executive Directors, the Managing Director and one Director who is a Consultant to the Company.

QRxPharma's Board and Management bring together complementary skills and experience. This includes more than a century of experience in drug development and commercialisation, regulatory management, product sales and marketing in (bio)pharmaceutical companies, general business management, and governance of ASX-listed companies.

5.5.3 BOARD COMMITTEES

The Board has established three committees of Directors, the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. These committees are responsible for considering specific issues and making recommendations to the Board. Each committee has a formal charter.

5.5.4 AUDIT AND RISK COMMITTEE

The role of the Audit and Risk Committee is to provide advice and assistance to the Board to allow it to:

- fulfill its audit, risk management, accounting and reporting obligations;
- monitor the performance and independence of the Company's auditors;
- monitor compliance with applicable accounting standards and other requirements; and
- fulfill its responsibilities relating to financial statements, internal accounting and financial control systems.

The Audit and Risk Committee is currently comprised of Peter Campbell (Chairman) and Michael Quinn, each of whom is a non-Executive Director with appropriate financial and business expertise to act effectively as members of the Audit and Risk Committee. The Audit and Risk Committee will meet at least four times a year and report regularly to the Board. The Audit and Risk Committee has direct access to any employee, the auditors or any other independent experts and advisors as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

5.5.5 REMUNERATION COMMITTEE

The role of the Remuneration Committee is to provide recommendations to the Board on matters including:

- appropriate remuneration policies and monitoring their implementation including with respect to executives, senior managers and non-Executive Directors;
- incentive schemes designed to enhance corporate and individual performance; and
- retention strategies for executives and senior Management.

The Remuneration Committee is currently comprised of Peter Farrell (Chairman) and Michael Quinn, both non-Executive Directors and John Holaday. The Remuneration Committee will meet at least once a year and at such other times as the Chairman of that committee considers necessary.

5.5.6 NOMINATIONS COMMITTEE

The role of the Nominations Committee is to provide recommendations to the Board on matters including:

- composition of the Board and competencies of Board members;
- appointment and evaluation of the Managing Director;
- succession planning for Board members and senior Management; and
- processes for the evaluation of the performance of the Managing Director and other Directors.

The Nominations Committee is currently comprised of Peter Farrell (Chairman), Michael Quinn and Peter Campbell, all non-Executive Directors.

5.5.7 COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

QRxPharma is committed to:

- ensuring that shareholders and the financial markets are provided with timely disclosure about its activities;
- fully complying with continuous disclosure obligations contained in applicable ASX listing rules and the Corporations Act; and
- ensuring that all investors have equal and timely access to material information concerning QRxPharma.

Information is communicated to shareholders through the distribution of the annual report and whenever there are other significant developments to report. In addition, all information released to the ASX pursuant to QRxPharma's continuous disclosure obligations will be posted on the Company's website www.qrxpharma.com, as soon as possible following disclosure to the ASX.

5.5.8 SECURITIES TRADING POLICY

All QRxPharma officers, employees and Directors are prohibited from dealing in any QRxPharma securities, except while not in possession of unpublished price sensitive information. It is also contrary to the Company's policy for Directors and employees to be engaged in short term trading of the Company's securities. Directors and employees may only deal in the Company's securities during specified periods after the release of the Company's results or after the AGM. Directors must obtain the approval of the Chairman and employees and the approval of the Company Secretary prior to dealing in the Company's securities outside those periods.

In addition, all QRxPharma's officers and Directors have entered into voluntary escrow arrangements in relation to their shareholdings. A summary of these arrangements is set out in Section 9.5.

6. HISTORICAL FINANCIAL INFORMATION

6.1 INTRODUCTION

The financial information below should be read in conjunction with the summary of significant accounting policies in this section, the risk factors in Section 8 and other information contained in this Prospectus.

6.2 CONSOLIDATED HISTORICAL ADJUSTED INCOME STATEMENTS

Set out below is a summary of the adjusted financial performance for the years ended 30 June 2005 and 30 June 2006 and for the six months ended 31 December 2006 for QRxPharma and its controlled entities (referred to in this section as the Group).

The historical results for the years ended 30 June 2005 and 30 June 2006 and the six month period ended 31 December 2006 were audited by PricewaterhouseCoopers which issued an unqualified audit opinion modified to reflect the inherent uncertainty regarding continuing as a going concern due to the need for QRxPharma to raise further capital.

	Year ended 30 June 2005 $'000	Year ended 30 June 2006 $'000	Six months ended 31 December 2006 $'000
Expenses			
Research and development expenses	(3,423)	(1,060)	(232)
Marketing expenses	(618)	(179)	–
Administration expenses	(719)	(565)	(358)
Depreciation and amortisation	(27)	(30)	(7)
Loss before interest and income tax	**(4,787)**	**(1,834)**	**(597)**
Adjustments – Interest[1]	(10)	(1,676)	(2,076)
Net Loss per audited financial statements	**(4,797)**	**(3,510)**	**(2,673)**

[1] The historical results were adjusted to eliminate all interest income and finance costs.

6.3 REVIEW OF HISTORICAL RESULTS

6.3.1 YEAR ENDED 30 JUNE 2005

The operating loss before interest and income tax of $4.79 million for the year was largely incurred through the continued research and development spend on the Company's drug development programs principally on the lead product Q8003IR together with initial development spend on Q8011CR. During the year the Company also undertook an extensive market research study on its dual opioid products. It also partly funded research on Venomics at University of Queensland and the Queensland Medical Institute of Research.

6.3.2 YEAR ENDED 30 JUNE 2006

The operating loss before interest and income tax of $1.83 million for the year was lower than the previous year principally due to reduced spend across all activities as the Company was conserving cash resources to complete toxicology studies and file the Phase III trial protocol for Q8003IR with the FDA.

6.3.3 SIX MONTH PERIOD ENDED 31 DECEMBER 2006

The operating loss before interest and income tax for the six months ended 31 December 2006 of $0.60 million was as a result of continuing efforts by the Company to conserve cash, minimising the spend on research and development as the Company prepared for a capital raising to conduct the Phase III clinical trials of Q8003IR.

6.4 PRO FORMA CONSOLIDATED BALANCE SHEET

The pro forma consolidated balance sheet of QRxPharma and its controlled entities as of 31 December 2006 is prepared under AIFRS as described in Section 6.6.2 of this Prospectus. It reflects the pro forma adjustments detailed in Section 6.7 to reflect the pro forma historical consolidated balance sheet of the Group after accounting for the impact of the significant transactions that are likely to occur after 31 December 2006, but whose occurrence is contingent upon completion of the Offer by QRxPharma.

6. HISTORICAL FINANCIAL INFORMATION

	Notes	Audited 31 December 2006 $'000	Pro Forma Adjustments $'000	Pro Forma 31 December 2006 $'000
Current assets				
Cash and cash equivalents		114	48,519	48,633
Total current assets		114	48,519	48,633
Non-current assets				
Property, plant & equipment		12	–	12
Intangible assets		–	15,502	15,502
Total non-current assets		12	15,502	15,514
Total assets		126	64,021	64,147
Current liabilities				
Trade and other payables		384	300	684
Borrowings		5,263	(5,263)	–
Total current liabilities		5,647	(4,963)	684
Non-current liabilities				
Borrowings		14,250	(14,250)	–
Total non-current liabilities		14,250	(14,250)	–
Total liabilities		19,897	(19,213)	684
Net (liabilities)/assets		**(19,771)**	**83,234**	**63,463**
Equity				
Contributed equity	6.8.1	671	79,346	80,017
Accumulated losses		(20,607)	1,976	(18,631)
Reserves		165	1,912	2,077
Total (deficiency)/equity		**(19,771)**	**83,234**	**63,463**

6.5 PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of pro forma adjusted cash flows for the six months ended 31 December 2006 has been prepared on the basis that the transactions outlined in Section 6.7 had occurred on or before 31 December 2006.

	Audited 31 December 2006 $'000	Pro Forma Adjustments $'000	Pro Forma 31 December 2006 $'000
Cash flows from operating activities			
Receipts from customers	–	–	–
Payments to suppliers & employees	(665)	–	(665)
Interest received	4	–	4
Net cash flows from operating activities	**(661)**	**–**	**(661)**
Cash flows from investing activities			
Costs relating to the acquisition of CNSCo	–	(202)	(202)
Net cash flows from investing activities	**–**	**(202)**	**(202)**
Cash flows from financing activities			
Proceeds from borrowings	525	2,200	2,725
Proceeds from issues of Shares	1	50,000	50,001
Costs of issuing Shares	–	(3,589)	(3,589)
Proceeds from exercise of options	–	110	110
Net cash flows from financing activities	**526**	**48,721**	**49,247**
Net increase/(decrease) in cash and cash equivalents	**(135)**	**48,519**	**48,384**
Cash and cash equivalents at beginning of the period	249	–	249
Cash at end of the period	**114**	**48,519**	**48,633**

The reconciliation of loss attributable to members of QRxPharma to Net Cash Outflow from Operating Activities:

	Audited 31 December 2006 $'000	Pro Forma Adjustments $'000	Pro Forma 31 December 2006 $'000
Operating loss after income tax	(2,673)	2,076	(597)
Depreciation and amortisation	7	–	7
Non-cash employee benefits expense – share based payments	2	–	2
Decrease in creditors	(216)	–	(216)
Increase/(decrease) in other operating liabilities	2,219	(2,076)	143
Net cash outflow from operating activities	**(661)**	**–**	**(661)**

6. HISTORICAL FINANCIAL INFORMATION

6.6 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied, unless otherwise stated.

6.6.1 GOING CONCERN

The Group has continued to experience operating losses of $2.67 million and operating cash outflows of $0.7 million during the six months ended 31 December 2006 as the Group continues to focus on the achievement of key milestones set out in the funding of its R&D program and operating plan. As at 31 December 2006 the Group had a deficiency in capital of $19.77 million and cash balances of $0.11 million. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon:

- the Group being successful in negotiating and obtaining additional funding, specifically, the successful completion of an underwritten IPO; and
- the Group successfully implementing its business strategy and operating plan.

The Directors are confident that QRxPharma will continue as a going concern for a period of 12 months from the allotment of new Shares under the Offer and consequently it will realise its assets and settle its liabilities and commitments in the ordinary course of business and at the amount stated in Section 6.4.

Significant matters considered by the Directors in determining that it is appropriate for the financial information included in this section to be prepared on a going concern basis include the existence of a signed underwriting agreement for the Offer at the level of $50 million.

6.6.2 BASIS OF PREPARATION

The financial information in this section has been prepared in accordance with the recognition and measurement requirements of Australian equivalents to International Financial Reporting Standards (AIFRSs) and other authoritative pronouncements of the Australian Accounting Standards Board. Some of the disclosure requirements under these accounting standards have not been included where the information that would be disclosed is not considered material or relevant to potential investors.

6.6.3 PRINCIPLES OF CONSOLIDATION

The financial information incorporates the assets and liabilities of all subsidiaries of QRxPharma as at 31 December 2006 and the results of all subsidiaries for the six month period then ended. QRxPharma and its subsidiaries together are referred to in this financial information as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

6.6.4 INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial information, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax consolidation legislation

QRxPharma and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, QRxPharma, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each

entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, QRxPharma recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

6.6.5 BUSINESS COMBINATIONS

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assests acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

6.6.6 IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

6.6.7 CASH AND CASH EQUIVALENTS

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

6.6.8 PROPERTY, PLANT AND EQUIPMENT

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives of four years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6.6.9 INTANGIBLE ASSETS

Costs incurred in acquiring IP are capitalised and amortised on a straight line basis over the period of the expected benefit. IP acquired as part of the CNSCo, Inc (CNSCo) acquisition will be amortised over the remaining life of the patents of 18 years. Management reviews the useful economic life of the IP each financial year.

6. HISTORICAL FINANCIAL INFORMATION

6.7 PRO FORMA CONSOLIDATED ADJUSTMENTS

The pro forma consolidated balance sheet as at 31 December 2006 and the pro forma adjusted statement of cash flows for the six months ended 31 December 2006 have been prepared on the basis that the following significant transactions had occurred as at 31 December 2006:

	Notes	Balance sheet classification	Debit $'000	Credit $'000
Final call on convertible notes	6.7.1	Cash	700	
Value of convertible notes at 31 December 2006		Share Capital		700
Value of convertible notes at 31 December 2006	6.7.2	Borrowings	5,263	
Conversion of convertible notes and warrants to preferred A shares to ordinary Shares		Cash Share Capital	1,500	6,876
Net additional of interest on convertible notes		Retained earnings	113	
Value of preferred A shares at 31 December 2006	6.7.3	Borrowings	14,250	
Conversion of preferred A shares to ordinary capital		Share Capital		10,249
Reversal of interest on preferred A shares		Retained earnings		4,001
Exercise of employee share options	6.7.4	Cash	110	
Issue of 1,953,997 ordinary Shares		Share Capital		110
Transaction costs relating to the acquisition of CNSCo	6.7.5	Cash		202
Liabilities assumed upon acquisition of CNSCo		Liabilities		300
Intangible assets acquired upon acquisition of CNSCo		Intangible assets	15,502	
Ordinary Shares issued upon acquisition of CNSCo		Share Capital		15,000
Research and Development expenditure	6.7.6	Retained earnings	1,912	
Issue of 1,912,500 ordinary Shares to Uniquest		Share Reserve		1,912
Funds raised from IPO Listing	6.7.7	Cash	50,000	
Transaction costs relating to the IPO		Cash		3,589
Issue of 25,000,000 ordinary Shares pursuant to IPO		Share Capital		46,411

6.7.1 CONVERTIBLE NOTES

A final call was made in February 2007 on the convertible notes.

6.7.2 CONVERSION OF CONVERTIBLE NOTES

The pro forma adjustment accounts for the conversion by holders of convertible notes and associated warrants to preferred A shares prior to their conversion to ordinary Shares. Warrant holders are expected to exercise their option to acquire preferred A Shares via the payment of $1.50 million in cash.

6.7.3 CONVERSION OF PREFERRED A SHARES

The pro forma adjustment accounts for the conversion by holders of preferred A shares in QRxPharma, to ordinary Shares prior to the completion of the Offer by QRxPharma. $14.25 million of borrowings was converted to $10.25 million ordinary Shares, and interest accrued of $4.00 million has been reversed. Details of all conversions prior to the IPO are outlined in Section 6.8.1.

6.7.4 EXERCISE OF OPTIONS

The pro forma balance sheet is prepared on the basis that all employee share options on issue at 31 December 2006 were exercised via the payment of cash at 31 December 2006.

6.7.5 ACQUISITION OF CNSCO

QRxPharma acquired 100% of the equity of CNSCo on 26 April 2007 for consideration equivalent to 10% of its post IPO ordinary capital. QRxPharma has issued financial instruments valued at $15.00 million. Details of the acquisition and the IP acquired appear in the table below.

The IP acquired is the licence to the Torsin technology as described in Section 4.4.1.

The calculations reflected in the pro forma financial information assume that QRxPharma acquired CNSCo on 31 December 2006. Management believe that this provides readers of the Prospectus with more meaningful information on the financial position of the group than would be the case if the actual date of acquisition of 26 April 2007 was applied.

	$'000
Costs of acquisition	202
Net liabilities assumed at acquisition	300
Intangible Assets	15,502
Cost of acquisition of CNSCo	15,000

6.7.6 SHARES ISSUED TO UNIQUEST PTY LIMITED

Immediately prior to the Offer 1,912,500 Shares will be issued to Uniquest Pty Limited at a market value of $1.00 (as determined at the grant date) in relation to an agreement to compensate Uniquest for early settlement of an IP subscription deed.

6.7.7 IPO FUND RAISING

This pro forma adjustment reflects the net proceeds expected from the issue of 25 million ordinary Shares at a price of $2.00 each ($50 million) less estimated costs of issue of $3.6 million, subject to the execution of an underwriting agreement and the successful completion of the listing process.

6.8 NOTES TO THE FINANCIAL INFORMATION

6.8.1 SHARE CAPITAL

The movement in the contributed equity of QRxPharma in the consolidated historical and pro forma statements of financial performance at 31 December 2006 after the proposed share reduction is detailed below:

	Number of Shares Issued	Pro Forma $'000
Ordinary Shares	6,838,846	671
Fully paid ordinary Shares issued to the public at a cost of $2.00 per share	25,000,000	50,000
Less: costs of the IPO	–	(3,589)
Ordinary Shares issued for CNSCo acquisition	7,500,000	15,000
Ordinary Shares issued to Uniquest at a fair value of $1.00	1,721,449	–
Preferred A Shares converted into ordinary Shares	32,180,905	17,825
Ordinary Shares issued under ESOP plan	1,758,800	110
Total contributed equity	**75,000,000**	**80,017**

6. HISTORICAL FINANCIAL INFORMATION

The table below provides the Share holdings prior to the IPO and Share reduction which reduced the number of Shares on issue by a factor per share of 0.9001.

	Number of Shares Issued	Share reduction	Number of Shares after IPO
Ordinary Shares	7,597,841	(758,995)	6,838,846
Fully paid ordinary Shares issued to the public at a cost of $2.00 per share	25,000,000	–	25,000,000
Ordinary Shares issued for CNSCo at $2.00	7,500,000	–	7,500,000
Ordinary Shares issued to Uniquest at a fair value of $1.00	1,912,500	(191,051)	1,721,449
Preferred A Shares converted into ordinary Shares	35,752,436	(3,571,531)	32,180,905
Ordinary Shares issued under ESOP plan	1,953,997	(195,197)	1,758,800
Total contributed equity	**79,716,774**	**(4,716,774)**	**75,000,000**

The table below provides a detailed breakdown, by type of financial instrument converted, of the Shares issued to the respective shareholders/lenders. The preferred A shares, convertible notes and warrants have been converted to ordinary Shares at a 1.85 conversion rate.

Type of financial instrument	Balance outstanding $'000	Number of ordinary Shares issued on Conversion	Total value of share capital recognised $'000
Preferred A share	10,249	18,960,913	10,249
Convertible notes[1]	4,576	11,241,523	4,576
Warrants	3,000	5,550,000	3,000
Total	**17,825**	**35,752,436**	**17,825**

[1] The convertible notes initially convert into preferred A shares before being converted to ordinary Shares at a 1.85 conversion rate.

The table set out in Section 2.4 provides details of all options currently on issue and to be issued upon the successful completion of the IPO process to employees under the Company's Employee Share Option Plan.

6.8.2 UTILISATION OF INCOME TAX LOSSES CARRIED FORWARD

At 31 December 2006 QRxPharma had unused tax losses of $17.47 million representing a potential tax benefit of $5.24 million. These losses have not been recognised in the financial information of QRxPharma as their use was not probable due to uncertainty of QRxPharma's ability to generate sufficient assessable income.

These tax losses should be available for QRxPharma to carry forward subject to satisfying the 50% continuity of ownership test, or failing that, the same business test.

6.9 INVESTIGATING ACCOUNTANT'S REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

The Directors
QRxPharma Limited
Suite 4.01, 35 Lime Street
SYDNEY NSW 2000
Australia

27 April 2007

Subject: Investigating Accountant's Report on Historical Financial Information

Dear Directors

We have prepared this report on the historical financial information of QRxPharma Limited and controlled entities (*the Group*) for inclusion in a Prospectus dated on or about 30 April 2007 (*the Prospectus*) relating to the issue of ordinary shares in QRxPharma Pty Limited *(the Company*).

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cwlth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Background

QRxPharma Limited is a clinical stage specialty pharmaceutical company. The purpose of this Offer is to enable the Company to list on the Australian Stock Exchange (ASX) and to raise funds to support further research and development.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following historical financial information:

(a) the consolidated adjusted historical statements of financial performance of the Company for the years ended 30 June 2005, 30 June 2006 and the six month period ended 31 December 2006;

PRICEWATERHOUSECOOPERS

(b) the historical consolidated balance sheet as at 31 December 2006 and the pro forma consolidated balance sheet as at 31 December 2006 which assumes completion of the contemplated transactions disclosed in Section 6.7 of the Prospectus (the pro forma transactions); and

(c) the pro forma consolidated statement of cash flows for the six months ended 31 December 2006 which assumes completion of the pro forma transactions in section 6.7,

collectively, the Historical Financial Information.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 6 of the Prospectus has been extracted from the audited financial statements of the Company, which were audited by PricewaterhouseCoopers that issued an unqualified audit opinion modified to reflect the inherit uncertainty regarding continuity as a going concern due to the need for the Company to raise additional capital. The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of the Company going forward. The Directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the adjustments made to the historical financial performance
- a review of the assumptions used to compile the pro forma balance sheet
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 6 of the Prospectus, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

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- the pro forma consolidated statement of financial position has not been properly prepared on the basis of the pro forma transactions
- the pro forma transactions do not form a reasonable basis for the pro forma statement of financial position
- the Historical Financial Information, as set out in Section 6 of the Prospectus does not present fairly:

  (a) the consolidated adjusted historical statements of financial performance of the Company for the years ended 30 June 2005, 30 June 2006 and the six month period ended 31 December 2006;
  (b) the consolidated historical and pro forma balance sheet of the Company as at 31 December 2006; and
  (c) the pro forma consolidated statement of cash flows for the six months ended 31 December 2006,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in Section 6 of the Prospectus.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

Andrew Sneddon
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

6. HISTORICAL FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE
This Financial Services Guide is dated 27 April 2007

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617), Australian Financial Services Licence no 244572 ("PwC Securities"), has been engaged by QRxPharma Limited to provide a report in the form of an Independent Accountant's Report in relation to the pro forma Historical Financial Information (the "Report") for inclusion in the Prospectus dated 27 April 2007.

2. **This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. **Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. **General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been based on time expected to be incurred at our usual hourly rates and as set out in Section 9.9**.**

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

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6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers have been appointed as auditors for the financial year ended 30 June 2006.

7. **Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("**FICS**"), an external complaints resolution service. You will not be charged for using the FICS service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Andrew Sneddon

201 Sussex Street

SYDNEY NSW 1171

7. PATENT ATTORNEYS' REPORTS

DREIER LLP

ATTORNEYS AT LAW

Daniel F. Coughlin, Ph.D. *Partner*
Direct 212 652 3814 Mobile 203 722 5268
www.dreierllp.com

12 April 2007

Directors
QRxPharma Ltd
c/o Suite 4.01, 35 Lime St
Sydney, NSW, 2000
Australia

RE: QRxPharma Patent Report

Dear Sirs:

We are providing this Patent Report (the "Report") for inclusion in a Prospectus to be issued by QRxPharma Ltd ("QRx"). It is our understanding that this Report shall supplement a similar Report prepared by Australian Counsel, Davies Collison Cave, addressing the status of Australian patents and related foreign filings owned by the University of Queensland and licensed by QRx.

Dreier LLP has prepared this Report at the request of QRx, and the firm will be paid at standard billing rates for the work entailed in preparation of this Report.

Coverage of the QRx Formulations under Supernus Patents

The controlled release formulations currently under development by Supernus were selected to optimize both specific clinical objectives, as well as to insure, to the extent possible, that the final product(s) for which marketing approval will be sought will come within the scope of the claims of issued Supernus patents. These patents include at least U.S. Patent No. 6,287,599 (the "'599 patent"), entitled "Sustained release pharmaceutical dosage forms with minimized pH dependent dissolution profiles." We also understand from information provided by Supernus that Supernus has filed counterpart applications in Europe, Japan, Canada and Australia. The claims of this patent, in general, are directed to pharmaceutical compositions comprising a pH-dependent active ingredient, one or more non-pH-dependent sustained release agents, and one or more pH-dependent agents that increase the rate of dissolution (*in vitro*) of the active ingredient at a pH level in excess of 5.5.

We have examined the claims of the '599 patent, in light of both the specification and the file history of the patent (the public record), with respect to the current formulations of the QRx CR product. It is our initial conclusion that the current product formulation will

7. PATENT ATTORNEY'S REPORTS

fall within the scope of one or more claims of the '599 patent. However, it should be noted that the current lead formulations of the QRx CR product have not yet been tested on humans. If the results of human trials indicate that it is necessary or advisable to further refine the product formulation, then the preliminary conclusion stated herein may not apply to the revised formulation.

Presuming that the final approved product comes within the scope of one or more claims of issued Supernus patents, then that product will be able to take advantage of the patent exclusivity provided by those patents, as well as, in the USA, Hatch-Waxman Act procedures dealing with patent challenges arising from products seeking to obtain generic marketing approval from the Food and Drug Administration ("FDA") referencing the QRx CR product. The expiry date of '599 patent is Dec 20th, 2020.

Further, we understand from information provided by QRx and Supernus that Supernus has filed applications for two additional patent families directed toward drug formulations that incorporate features that reduce the potential for drug abuse. We also understand that it is the explicit intent of the parties to the QRx/Supernus development agreement that, where feasible, Supernus will incorporate such anti-abuse features in the QRx CR product.

The QRx Patent Applications

The QRx patent applications are directed, in general, to novel, and unexpected, clinical advantages discovered for analgesic compositions comprising sub-analgesic doses of both a μ-opioid agonist (such as morphine) and a κ_2-opioid agonist (such as oxycodone). Specifically, these advantages arise from the unexpected observation that, despite synergistically enhanced analgesic effects, the compositions of the invention result in a significantly reduced occurrence of complications in the form of depression of respiration, universally recognized as one of the most clinically significant side-effects of the administration of opioid analgesics.

1. U.S. Patent Application Serial No. 10/661,458

Serial No. 10/661,458	
Title:	*Methods and Compositions for Reducing the Risk Associated with the Administration of Opioid Analgesics in Patients with Diagnosed or Undiagnosed Respiratory Illness.*
Filing Date:	10 September 2003
Priority Date:	10 September 2003
Expiration Date:	10 September 2023

Serial No. 11/544,187 (Divisional continuation)	
Title:	*Methods and Compositions for Reducing the Risk Associated with the Administration of Opioid Analgesics in Patients with Diagnosed or Undiagnosed Respiratory Illness.*
Filing Date:	6 October 2006
Priority Date:	10 September 2003
Expiration Date:	10 September 2023

Claims: The claims of the '458 application as filed were directed to methods for reducing the risk associated with the administration of opioid analgesics in patients with a respiratory illness comprising the administration of a sub-analgesic dose of a μ-opioid agonist and a κ_2-opioid agonist. Dependent claims recited specific opioid agonists, routes of administration of the composition, mass limitations of the opioid analgesics, and specific respiratory illnesses. An additional independent claim was directed specifically to reducing the risks associated with administering opioid analgesics to patients suffering from sleep apnea of various forms. Also, the application contained claims directed to compositions containing sub-analgesic doses of morphine and oxycodone.

As a result of Office Actions received in the case imposing restriction and species election requirements, claims 1 - 3, 5 - 12, and 17 - 19 were elected for further consideration and the remaining claims were withdrawn. The elected claims reflected selection of a group of opioids comprising morphine, oxymorphone and hydromorphone, as well as selection of sleep apnea as the respiratory illness that is the subject of the methods of the claimed invention.

To date, we are in receipt of one substantive communication from the U.S. Patent Office addressing the patentability of the pending claims. Although the Examiner has raised issues arising from the effects of prior art, the references cited were known to us during preparation of the application and, we believe, do not present any substantive issues impacting the patentability of the claims. We know of no other prior art any more relevant than the references already cited in the pending application.

Subsequent to the restriction requirement and election of species, a divisional application, the '187 application, was filed. We have received no substantive communications regarding this continuation application.

7. PATENT ATTORNEY'S REPORTS

Directors
QRxPharma Ltd
12 April 2007

Foreign filing corresponding to the '458 application

US04/029731	
Type:	Patent Cooperation Treaty
Title:	*Methods and Compositions for Reducing the Risk Associated with the Administration of Opioid Analgesics in Patients with Diagnosed or Undiagnosed Respiratory Illness.*
Filing Date:	10 September 2004
Priority Date:	10 September 2003
Expiration Date:	10 September 2023

2006-526349	
Type:	National Phase filing in Japan
Title:	*Methods and Compositions for Reducing the Risk Associated with the Administration of Opioid Analgesics in Patients with Diagnosed or Undiagnosed Respiratory Illness.*
Filing Date:	10 September 2004
Priority Date:	10 September 2003
Expiration Date:	10 September 2023

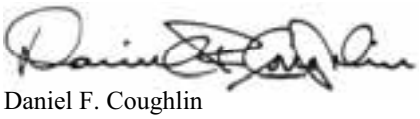
04783810.7	
Type:	National Group out of PCT application
Title:	*Methods and Compositions for Reducing the Risk Associated with the Administration of Opioid Analgesics in Patients with Diagnosed or Undiagnosed Respiratory Illness.*
Filing Date:	10 September 2004
Priority Date:	10 September 2003
Expiration Date:	10 September 2023

Claims: The claims of these counterpart applications correspond to the claims as originally filed in the parent U.S. case, the '458 application. No substantive correspondence on these applications has been received to date.

Directors
QRxPharma Ltd
12 April 2007

We have obtained the information provided in the above summaries from in-house databases of file-related information. The information was subsequently verified against publicly available information, where available.

Sincerely,



Daniel F. Coughlin
Partner
Dreier LLP

7. PATENT ATTORNEY'S REPORTS

DAVIES COLLISON CAVE

Davies Collison Cave
Patent and Trade Mark Attorneys
Australia and New Zealand

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12 April, 2007

Directors
QRxPharma Ltd
c/o Suite 4.01, 35 Lime Street
Sydney NSW 2000
Australia

Our Ref: 12179882/VPA/sjp

Re: QRxPharma Pty Ltd Patent Report

Dear Directors

This Patent Report ("Report") is provided for inclusion in a Prospectus to be issued by QRxPharma Ltd ("QRxPharma"). The Report provides information on the status of Australian and foreign patents and patent applications relating to the treatment of pain, which are owned by The University of Queensland. These patents and patent applications have been licensed to QRxPharma and will be referred to hereafter as the "QRxPharma patents." The status information provided in this Report is correct to the best of our knowledge as of the date above.

Davies Collison Cave has represented QRxPharma from March 2003 and since that time, we have provided services for prosecution of pending QRxPharma patent applications.

Neither Davies Collison Cave nor any of its Partners has, or is, entitled to any shares in QRxPharma. Davies Collison Cave has no other interests in the promotion of QRxPharma. This report has been prepared at the request of QRxPharma, and Davies Collison Cave will be paid at commercial rates for the preparation of this report.

Intellectual Property

Intellectual property may be regarded as a collective term for a group of rights, which provide varying degrees of protection of products, processes, names, designs and drawings in industry science or commerce. Patent rights represent an important form of intellectual property, and provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted for new or improved products, compositions and processes in almost all areas of scientific, commercial and industrial activities, including pharmaceuticals, and a brief summary of the Patent System is ***attached*** to this Report.

Brisbane
Melbourne
Sydney
Canberra

In association with:
Davies Collison Cave Solicitors
Intellectual Property Law

Review of QRxPharma's Patent Portfolio

The QRxPharma patents are directed to an invention that is useful for the treatment of pain. In particular, the claims of these patents are drawn to pain-relieving compositions and methods, which are based on the use of two different opioid analgesics and more particularly, on the concurrent administration of a sub-analgesic dosage of a μ-opioid agonist such as morphine and a sub-analgesic dosage of a κ_2-opioid agonist such as oxycodone. The compositions and methods produce strong analgesia with reduced risk of causing undesirable side effects. We understand the QRxPharma products (i) Q8003IR, a low dose combination of morphine and a low dose combination of oxycodone in an oral immediate release dosage form and (ii) Q8011CR a low dose combination of morphine and a low dose combination of oxycodone in an oral controlled release dosage form have been designed to fall within the claims of the QRxPharma patents.

Presuming that the final approved QRxPharma products fall within the scope of one or more claims of the QRxPharma patents, then these products will be able to take advantage of the patent exclusivity provided by those patent. Additionally, they would be able in the United States to take advantage of the procedures under the Hatch-Waxman Act, which allows a patent owner a way, depending on circumstances, to delay approval by the United States Federal Drug Administration (FDA) for up to 5 years of a generic alternative.

Set out below are details of the QRxPharma patents, including title, priority information, status and the countries in which the patents have been granted or are pending, and any substantive action to be taken.

Information concerning the status of patent applications outside Australia is based upon reports provided to us by various patent firms around the world. Their reports are variously based on inspection of public records and/or databases of their national (or regional) patent offices. Information concerning Australian patent applications is based upon search of Australian patent office records, including assignment recordations, or upon the internal files of Davies Collison Cave. In view of the possibility of short delays in communication between Davies Collison Cave and foreign attorney firms, it is possible that some status information listed below is not completely accurate as at the date of this report.

"Production of Analgesic Synergy by Co-administration of Sub-Analgesic Doses of a *μ*-Opioid Agonist and a *κ_2* Opioid Agonist"

1. Patent Family deriving from International Application No. PCT/AU96/00656

PCT/AU96/00656	
Filing date:	21 October, 1996
Priority Date:	19 October, 1995 (AU No: PN6038/95)
Expiration Date of any deriving patents:	21 October, 2016

7. PATENT ATTORNEY'S REPORTS

Countries in which Patents have Granted:

Australia:	Patent No:	706691
	Patent Application No:	72076/96
	Grant Date:	12 April, 2000
	Status:	Next maintenance fee due: 21 October, 2007
	Expiration Date:	21 October, 2016
Peoples Republic of China:	Patent No:	ZL96199071.6
	Patent Application No:	96199071.6
	Grant Date:	9 April, 2003
	Status:	Next maintenance fee due: 21 October, 2007
	Expiration Date:	21 October, 2016
Europe:	Patent No:	0871488
	Patent Application No:	96933277.4
	Grant Date:	13 April, 2005
	Expiration Date:	21 October, 2016
	Patent validated in:	
	Denmark:	DK/EP0871488 T3
	Finland:	0871488
	France:	0871488
	Germany:	DE 696 34 609 T2
	Greece:	0871488
	Republic of Ireland:	0871488
	Italy:	0871488
	The Netherlands:	0871488
	Spain:	ES 2241003 T3
	Sweden:	0871488
	Switzerland:	0871488
	United Kingdom:	0871488
	Status:	Next maintenance fee due: 21 October, 2007
New Zealand:	Patent No:	319531
	Patent Application No:	319531
	Grant Date:	9 March 2000
	Status:	Next maintenance fee due: 21 October, 2009

United States:	Patent No:	6,310,072
	Patent Application No:	08/921,187 (CIP of PCT/AU96/00656)
	Grant Date:	13 October, 2001
	Status:	Next maintenance fee due: 30 April, 2009

Countries in which Patent Applications are Pending:

Canada:	Patent Application No:	2235375
	Status:	Under Examination: Response to Examination Report issued 10 August, 2006, filed: 24 January, 2007 Next maintenance fee due: 22 October, 2007
Japan:	Patent Application No:	515357/97
	Status:	Under Examination: Response to Examination Report issued 4 April, 2006, filed: 4 October, 2007 Next maintenance fee due: 21 October, 2007

2. Republic of South Africa Patent

Patent No:	96/8808
Filing date:	18 October, 1996
Patent Application No:	96/8808
Priority Dates:	19 October, 1995 (AU No: PN6038/95)
Grant Date:	27 August, 1997
Status:	Next maintenance fee due: 18 October, 2007
Expiration Date:	18 October, 2016

It is important to note that caveats exist with any patent or patent application.

Patents are typically granted on the condition that their claims are directed to both novel and non-obvious subject matter. This means that a patent is only valid if its claims are both novel and non-obvious against a background of all material publicly available anywhere in the

7. PATENT ATTORNEY'S REPORTS

world before the priority date of the application on which the patent was granted. It is obviously impossible for a Patent Office Examiner with limited resources to effectively search all material in every language everywhere in the world for prior art that may invalidate the claims of a patent application. It should be evident, therefore, that due to the inherent uncertainties of the patent system, only some of which have been outlined here, no assurance can be given as to the absolute validity of any patents or patent applications note above and, as such, there can be no assurance that any patent granted will be valid or enforceable in the particular country in which it is granted.

In most jurisdictions, however, including Australia and the United States, the patent law provides issued patents with a presumption of validity that arises from the special expertise of the Patent Office in reviewing patent applications, which includes a detailed comparison of the claims of the patent application to the prior art. As a consequence of this statutory presumption, court challenges to an issued patent face a heightened burden of proof that is far more stringent than what is usually encountered in civil litigation. If a legal challenge is based on prior art, then the party seeking to invalidate the patent must prove, to a rigorous standard, that the prior art is not only relevant to the claims of the patent, but is more relevant than any art considered by the Patent Office during prosecution of the application. This is a difficult burden to meet.

At the time of writing this Report, Davies Collison Cave was not aware of any disputes with or challenges by third parties or any other issues in relation to the validity of any of the claims in the QRxPharma patent applications. Further, there can be no assurance that the exploitation of the inventions described and claimed in the QRxPharma patents and patent applications will not infringe the rights of patents held by third parties.

Yours faithfully,
DAVIES COLLISON CAVE

Victor P. Argaet, PhD
Partner
vargaet@davies.com.au

Patent System

Patents grant the patent owner a limited right to exclude others from practicing (making, using, or selling) an invention for a limited period, which in many countries runs 20 years from the date of filing a complete patent application, subject to the payment of maintenance, renewal or annuity fees. Because patent rights are essentially national or regional rights, patents need to be obtained in each country or region where a monopoly is required.

A fundamental requirement of the patent system is that the invention be "new" at the time of lodging a patent application. Newness in this sense is judged in relation to what was publicly known or used at the date of the application. Another aspect of newness involves the requirement for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for trivial or obvious developments.

Regional patent applications may also be filed such as a European application. A European application may designate up to 28 countries which are party to the European Patent Convention. A European patent application may also be extended to certain other jurisdictions, which are not full signatories to the European Patent Convention. The European patent application is processed centrally in a single language, and if ultimately successful, matures into a granted European patent. Following grant, it is necessary to take certain procedural steps and pay various fees to give the granted European patent effect in some or all of the designated countries. The term "European patent" actually constitutes a bundle of national patent rights, each of which can be enforced separately through the national courts against an infringer.

The usual steps towards obtaining a patent in Australia and other countries begin by filing a provisional application, which establishes the priority date against which newness is assessed. Under the Paris Convention, the filing of the provisional application establishes a priority date for the invention not only in Australia but in all other countries that are a party to this Convention, including countries such as the United States, Canada, New Zealand, Europe and Japan. Within twelve months from the date of the filing the provisional application, a complete application must be lodged otherwise the provisional application ceases to exist. At this time, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required. Alternatively, the applicant may file a single International application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the International application.

Before a patent is granted in any jurisdiction, it must undergo examination by a national authority, or by a nationally approved authority to ensure that it complies with the laws of that jurisdiction. Since the laws governing patents vary from country to country, there can be no assurance when a patent application is filed in any particular jurisdiction of the scope of its legal monopoly upon grant, the validity of the patent granted, or indeed whether it will be granted at all. In general terms, however, the risks undertaken by an organisation in establishing a patent portfolio are mitigated by the retention of local patent advisers. QRxPharma has utilised both Australian attorneys and US attorneys in developing their portfolio.

8. INVESTMENT RISKS

8.1 INTRODUCTION

An investment in QRxPharma will be accompanied by various risks and should be considered speculative in nature. Some of these risks are specific to the Company while others relate to investing in shares in general. It is for this reason that none of QRxPharma nor its Directors or advisors provide any guarantee with respect to market value or that profitability will be achieved or dividends will be paid.

This section describes a range of risks associated with an investment in QRxPharma. The risks outlined should not be considered exhaustive of the risks faced by QRxPharma and its investors but these and other risks could have a material impact on the financial performance of the Company and the value of the Shares offered under this Prospectus.

Before making a decision, investors should consider each of the risks described in this section, as well as other information in this Prospectus. Investors should carefully consider these factors in light of their investment objectives and financial circumstances. If investors are in any doubt regarding the terms and conditions of this Prospectus they should seek professional advice from their stockbroker, solicitor, accountant, or other qualified professional financial advisor.

8.2 RISKS SPECIFIC TO QRXPHARMA

8.2.1 CLINICAL DEVELOPMENT

QRxPharma is in late stage clinical development for its lead product and has additional products at an earlier stage of development. There are inherent risks involved with the development of pharmaceutical products including failure during clinical trials or failure to achieve sufficient robustness and reliability. The Company is yet to commercialise any products from its development programmes and cannot guarantee that its research and development activities will lead to the development and successful commercialisation of its products. There is also no guarantee that QRxPharma will succeed in bringing its products to market at a time that allows it to capture market opportunities.

8.2.2 REGULATORY RISKS

In order to obtain regulatory approval for the commercial sale of any one of its products, QRxPharma must prove that its products are both safe and effective for use in each proposed indication. There can be no guarantees that large scale clinical trials will reinforce the findings of earlier clinical research or prove the products to be safe and effective in any event. FDA approval to conduct Phase III trials for Q8003IR does not mean NDA approval from the FDA to sell Q8003IR will be forthcoming. Unexpected delays to regulatory approval and commercialisation may therefore occur.

As with any company involved in developing pharmaceutical products, QRxPharma will need to comply with the regulatory framework in any country in which it intends to market the product in question. These requirements vary depending on the product in question and the nature of approvals or changes being considered. In general, established agents which have less significant proposed changes will face less substantial requirements for demonstration of safety and efficacy. Consequently, regulatory requirements may vary depending on the product in question.

Equally, FDA approval of Q8003IR does not necessarily mean that approval will automatically be obtained for Q8011CR.

8.2.3 FUTURE FUNDING REQUIREMENTS

As outlined in Section 2.3 of this Prospectus, the Directors believe that QRxPharma will have sufficient cash reserves to fund its activities through to completion of Phase III trials and submission of a NDA for FDA regulatory approval of Q8003IR. However, QRxPharma may need to raise additional funds from time to time to meet its future funding requirements. The Company may not be successful in raising adequate funds on favourable terms and this could have a material adverse impact on QRxPharma's prospects.

8.2.4 RELIANCE ON PARTNERS AND COMMERCIAL AGREEMENTS

QRxPharma does not have and does not intend to obtain facilities capable of manufacturing its proposed products in commercial quantities. The Company will be dependent on third parties to manufacture any products (or constituent parts) that it develops. There can be no assurance that the Company will succeed in establishing a supply chain through contract manufacturing and supply arrangements on favourable terms or that such a supply chain would remain uninterrupted. This exposes QRxPharma to potential delay and pricing issues.

The success of QRxPharma's product development and commercialisation is in part dependant on its technology and discovery relationships. These relationships expose the Company to some risks in that its collaborators may disrupt the manufacturing or distribution of the Company's products, terminate or fail to renew agreements with the Company, experience financial difficulty, become insolvent or enter into partnerships with the Company's competitors.

8.2.5 RELIANCE ON KEY PERSONNEL

QRxPharma has a number of key personnel at the Board, executive and scientific/operational level. While the Company is committed to providing attractive employment conditions and prospects including the maintenance of an Employee Share Option Plan outlined in Section 9.3 of this Prospectus, there can be no guarantee that the Company can retain these key personnel. The loss of the services of any of these individuals could have a material adverse impact on the Company's research, product development and commercialisation success.

There can be no assurance that QRxPharma will be able to attract and retain the services of additional scientific, technical, manufacturing, sales and managerial staff as the need arises. This is due to the specialised and competitive nature of the specialty pharmaceuticals industry and it may also have a material adverse impact on QRxPharma's success.

8.2.6 PROTECTION OF PROPRIETARY TECHNOLOGY AND TRADE SECRETS

The commercial success of QRxPharma partly depends on its ability to obtain patent protection of its products and technologies in its main markets and to protect its trade secrets. There can be no guarantee that technologies or products developed by the Company will be patentable, that patents will be granted for products currently in development or that its patents will be sufficient to protect QRxPharma from competition from third parties with similar technology.

8.2.7 CURRENT PATENTS

It is possible that third parties may assert IP claims against the Company under copyright, trade secret, patent or other laws. The Company is not aware of any such claims in relation to the IP rights in which it has interest. If such claims were to arise, there may be an adverse effect on the Company's business, including costly litigation and the diversion of Management attention, which could occur regardless of the outcome of any proceedings.

8. INVESTMENT RISKS

8.2.8 LITIGATION

QRxPharma is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, personal injury claims or employee claims. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company. QRxPharma has had no actual or threatened litigation or legal disputes.

8.2.9 USE OF NET PROCEEDS OF THE OFFER

QRxPharma has indicated the current anticipated use of net proceeds of the Offer in Section 2.3 of this Prospectus. However, the Board will have total discretion in the allocation of the funds. A failure to apply the funds effectively could have an adverse impact on the business.

8.2.10 DIVIDENDS

The ability of QRxPharma to pay dividends in the future will depend on the success of its clinical trials and its ability to commercialise its products in development. In addition, considerations such as future capital requirements and the Company's financial position will impact the amount, timing and payment of any dividend. There may also be factors outside of QRxPharma's control which affect the ability of the Company to pay dividends and as such the Directors are unable to give any guarantee regarding the payment of dividends in the future.

8.2.11 COMPETITION

QRxPharma competes with several large organisations, some of which are multi-national and have worldwide distribution networks. The Company believes that the major competitors in the drug market for the treatment of moderate to severe pain include Endo Pharmaceuticals, New River Pharmaceuticals, Purdue Pharma, Cephalon, Alpharma, King Pharmaceuticals and Johnson & Johnson. Compared to QRxPharma the Directors believe that several of these firms have substantially greater financial resources and greater technical and market strength. Companies that would be likely to lose market share may develop strategies to resist the introduction and sales growth of QRxPharma's products.

In addition, there can be no guarantee that the Company's competitors will not be successful in developing technologies and products that are more effective or cost efficient than those technologies and products that the Company is currently developing. As a result, the Company's products may become uncompetitive and the business would suffer.

8.3 RISKS ASSOCIATED WITH INVESTING IN THE SHARES

8.3.1 SHARE MARKET RISKS

Potential investors should recognise that there are risks associated with any investment in shares. On completion of the Offer and the listing of the Company, the Shares may trade on the ASX at higher or lower prices than the Offer Price. The price at which the Shares trade on the ASX may vary as a result of QRxPharma's financial performance and as a result of external factors which are not under the control of the Company and the Directors. The share price will be subject to changes in overall market conditions and investor perspectives of the specialty pharmaceutical industry. The share prices of specialty pharmaceutical companies can be volatile and there can be no guarantee that the price of the Shares will increase after listing.

8.3.2 LIQUIDITY AND REALISATION RISK

There is no guarantee that an active market in the Company's Shares will develop. There may be relatively many or few buyers or sellers of the Shares trading on the ASX at any given time which may increase share price volatility. There are no restrictions on the sale of Shares by Existing Shareholders who are not subject to the ASX or voluntary escrow and any such sales could affect the aftermarket trading price of the Shares. As a result of these and other factors, there is a risk that the sale price obtainable for the Shares, either privately or on the ASX, may be less than the Offer Price.

8.3.3 GENERAL ECONOMIC CONDITIONS AND CURRENCY FLUCTUATIONS

There are a wide range of macro-economic and political factors, both in Australia and internationally, which are beyond the Company's control and which may affect the Company's operating and financial performance. These may include factors such as economic growth, inflation, exchange rates, interest rates, consumer spending and government fiscal, monetary and regulatory policies. There is also the risk of terrorist and other activities which may adversely impact the global economy and share market conditions in general.

A significant proportion of QRxPharma's revenues and expenses is expected to be denominated in currencies other than Australian dollars, in particular US dollars. The Company expects approximately 90% of the Offer proceeds will be exposed to fluctuations between the Australian dollar and the US dollar. As a result, if proper hedging is not in place, exchange rate movements could have an adverse impact on the Company's financial results.

8.3.4 TAX RISK

Any change to the rate of company income tax in the jurisdictions in which QRxPharma operates will impact on financial performance, cash flows the share price and shareholder returns. Any changes to the rates of income tax applying to individuals or trusts will also impact shareholder returns. Additionally, any change to the tax arrangements between Australia and other jurisdictions could adversely impact the Company's future earnings and the level of dividend franking.

8.3.5 LEGISLATIVE AND REGULATORY CHANGES

Changes to laws and regulations or accounting standards which apply to QRxPharma could have an adverse impact on the Company's financial performance. Some legislative and regulatory changes that could have an adverse impact on the Company include changes to regulatory requirements for the commercialisation of the Company's pipeline products.

QRXPHARMA HAS FDA CLEARANCE TO COMMENCE PHASE III CLINICAL TRIALS FOR ITS IMMEDIATE RELEASE DUAL OPIOID DRUG

9. ADDITIONAL INFORMATION

9.1 INCORPORATION AND CONVERSION

QRxPharma was first incorporated as a proprietary company on 19 September 2002 and converted to a public company on 27 April 2007.

9.2 RIGHTS ATTACHING TO SHARES

On 13 March 2007, the Company adopted a new Constitution. The Company's Constitution will be subject to the ASX listing rules in all respects while the Company maintains its listing on the ASX.

Set out below is a summary of the rights and liabilities under the new Constitution, which will attach to the Shares of the Company, including the Shares offered under this Prospectus. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of the Company's shareholders under the Constitution.

9.2.1 MEETING AND VOTING

Each shareholder will be entitled to receive notice of, and attend and vote at, general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or

attorney will have one vote on a show of hands and, on a poll, one vote for each Share held.

9.2.2 NOTICES

Each shareholder will be entitled to receive all notices, accounts and other documents required to be given to shareholders under the Constitution of the Company, the Corporations Act and the ASX listing rules.

9.2.3 WINDING UP

On a winding up of the Company, shareholders will participate in any surplus assets of the Company in proportion to the capital paid up on the Shares held by them respectively at the commencement of the winding up.

9.2.4 TRANSFER

Subject to the Constitution of the Company, the Corporations Act, the ASX listing rules and the ASTC Settlement Rules, the Shares will be freely transferable.

9.2.5 CREATION AND ISSUE OF FURTHER SHARES

The allotment and issue of any additional Shares will be under the control of the Directors, subject to any restrictions on the allotment of Shares imposed by the Constitution, the Corporations Act and the ASX listing rules.

9.2.6 VARIATION OF RIGHTS

The rights, privileges and restrictions attaching to ordinary Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary Shares, by a three quarters majority of those holders who, being entitled to do so, vote at the meeting or, with the written consent of the holders of at least three quarters of the ordinary Shares on issue.

New Shares offered under this Prospectus are fully paid ordinary Shares. There is no liability on a holder of Shares to contribute any further amount to the Company.

Copies of the Company's Constitution are available for inspection at the registered office of the Company.

9.3 ESOP

The Employee Share Option Plan ("ESOP") is an option plan tailored for the Company to offer options to Australian based employees and incentive stock options to US based employees to acquire ordinary Shares in the Company. The rules of the ESOP are summarised in the following paragraphs:

- Options may be granted under the ESOP to a person who is employed by, or is a Director, officer, executive or Consultant of the Company or any related body corporate of the Company, and whom the Company's Remuneration Committee determines (referred to as an "Eligible Employee").
- Each option entitles the option holder to subscribe for one ordinary Share in the Company.
- The specific terms relevant to the grant of options are set out in an option agreement between the Company and the Eligible Employee which shall contain details of the grant date, the expiry date, the exercise price, the vesting terms and performance criteria (if any) and any other specific terms relevant to those options.
- Options are not transferable otherwise than by will or the laws of intestacy.
- The options are issued for free. The exercise price is determined by the Remuneration Committee and set out in the option agreement between the Company and the Eligible Employee, and will be not less than the market value of a Share in the Company on the grant date of the option.
- The rules of the ESOP allow the Remuneration Committee who administers the ESOP to set a timetable for vesting of options in order to reward longevity of service. The Remuneration Committee may waive the vesting criteria in certain circumstances, such as the death or permanent disablement of the Eligible Employee or in the event of a takeover of the Company.
- The rules of the ESOP also enable the Remuneration Committee to impose performance hurdles that must be met in order for the option holder to be entitled to exercise the options.
- Any Shares allotted pursuant to any exercise of the options rank pari passu in all respects with other ordinary Shares of the Company on issue at the date of the allotment, however, when any Shares are allotted pursuant to the exercise of that option during a period in respect of which a dividend is declared, the holder of those Shares is only entitled to receive the dividend where the Shares are allotted on or before the relevant dividend entitlement date.
- If the Company's issued capital is reorganised (including consolidation, subdivision, reduction, rights issue or return), then the number of options will be adjusted in accordance with the ASX listing rules.
- An option holder is not entitled to participate in a bonus or new issue of Shares in the Company.
- There may be restrictions placed on the Eligible Employee under their option agreement in dealing with any Shares acquired under the ESOP. Any such restrictions will be contained in the option agreement between the Eligible Employee and the Company.
- The Remuneration Committee may cancel an option if at any time the Eligible Employee is in breach of any terms and conditions of employment of that Eligible Employee.
- An Eligible Employee may forfeit options or Shares if the Eligible Employee has in the opinion of the Remuneration Committee been dismissed with cause or has committed an act of fraud, defalcation or gross misconduct in relation to the affairs of the Company or any related body corporate, and the Remuneration Committee directs that such options or Shares are to be forfeited. If Shares are forfeited, the Company must pay the Eligible Employee an amount for each forfeited Share equal to the lesser of the exercise price paid for the Share and the share

price at the date of forfeiture of the Share as determined by the Company's auditor.

- The total number of Shares that shall be reserved for issuance under the ESOP and any other employee share schemes in the Company shall not exceed 10% of the diluted ordinary share capital in the Company as at the date of issue of the relevant options under the option plan (including Shares reserved for issuance as incentive stock options under the ESOP).
- The ESOP must be approved by the shareholders of the Company within 12 months before or after the adoption of the ESOP by the Board (referred to as the "Effective Date"). Options may be granted under the ESOP at any time from time to time on or prior to the tenth anniversary of the Effective Date.
- Subject to early termination (see below), the options expire seven years following the grant date ("expiry date").
- If the Eligible Employee is dismissed with cause or has committed an act of fraud, defalcation, or gross misconduct in relation to the affairs of the Company (or its related body corporate) all options expire on the day the Eligible Employee ceases employment.
- If the Eligible Employee ceases employment with the Company (or its related body corporate) as a result of the death, permanent disablement or normal retirement of the Eligible Employee at or after the age of 55, then all unvested options expire on the day the Eligible Employee ceases employment and all vested options expire 12 months after the day the Eligible Employee ceases employment, or on the expiry date, whichever is the earliest.
- If the Eligible Employee ceases employment with the Company (or its related body corporate) as a result of voluntary resignation or redundancy of the Eligible Employee or dismissal by the Company with notice under the Eligible Employee's employment contract (other than dismissal for gross misconduct etc), then all unvested options expire on the day the Eligible Employee ceases employment and all vested options expire 90 days after the day the Eligible Employee ceases employment, or on the expiry date, whichever is the earliest.

9.3.1 DR JOHN HOLADAY

A total of 805,452 incentive stock options were granted to Dr Holaday on 14 April 2007 ("grant date") under the terms of the ESOP. The terms of the grant of options to Dr Holaday are as follows:

- The consideration paid for the grant of the options is nil.
- The exercise price of each option is $1.00.
- The options vest as follows:
  - 33.33% of the options will vest 12 months after the grant date;
  - 33.33% of the options will vest 24 months after the grant date; and
  - 33.34% of the options will vest 36 months after the grant date.
- Subject to early termination, the options are seven year options but if a liquidity event (including an initial public offering) has not occurred on or before 31 July 2007, then the options expire on 31 July 2007.
- Vested options can only be exercised on the occurrence of an IPO.
- The options cannot be assigned, transferred or encumbered in any way.

9.4 MATERIAL CONTRACTS

The Directors consider that the contracts described below are contracts which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

The summaries are, of their nature, brief and indicative and should only be read on that basis. To fully understand the rights and responsibilities pursuant to the contracts and the nature and extent of these, it would be necessary to undertake a full legal review of each contract.

9.4.1 UNDERWRITING AGREEMENT

J.P. Morgan Australia Limited and the Company have entered into an underwriting agreement pursuant to which the Underwriter has agreed to underwrite the Offer to the extent that there is a shortfall in subscriptions for Shares. The Underwriter may appoint sub-underwriters to underwrite this commitment.

The Company must pay the Underwriter an underwriting commission of 5.5% of the underwritten amount (equal to a fee of $2.75 million) plus applicable GST.

In addition the Company must prior to Quotation issue the Underwriter 322,181 options equating to 0.4% of the total number of ordinary Shares of the Company at listing. These options will vest six months after the date the Shares commence Quotation and will have a term of three years from the date of grant. The exercise price of these options is $2.20.

The Underwriter may terminate the underwriting agreement on the following grounds:

a) (index change) the S&P/ASX 200 Index closes at the close of business on any ASX trading day 12.5% or more below its closing level on the date of entry into of the underwriting agreement;

b) (ASIC stop order) ASIC issues an order under section 739(1) of the Corporations Act or an interim order under section 739(3) of the Corporations Act;

c) (investigation or hearing) ASIC or any other government agency commences an investigation, enquiry or hearing, or makes any application under Part 9.5 of the Corporations Act, in relation to the Prospectus or the Offer;

d) (ASX approval) unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of

the Underwriter, have a material adverse effect on the success or settlement of the Offer) by the ASX for the admission of the Company to the official list of ASX and for official quotation of the offer Shares is refused, or is not granted before the Settlement Date (or such later date agreed in writing by the Underwriter in its absolute discretion) or is withdrawn on or before the settlement date;

e) (consent) any person (other than the Underwriter) whose consent to the issue of the Prospectus is required by the Corporations Act refuses to give their consent or, having previously consented to the issue of the Prospectus, withdraws such consent;

f) (certificate) a certificate which is required to be furnished by the Company under this agreement is not furnished when required or a statement in that certificate is untrue, incorrect or misleading in a material respect;

g) (timetable) any event specified in the timetable is delayed for more than 3 business days without the prior written consent of the Underwriter;

h) (withdrawal) the Company withdraws the Prospectus, any supplementary prospectus or any part of the Offer without the consent of the Underwriter;

i) (material adverse change) there is a materially adverse change, or a development involving a prospective adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or a member of the Group including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects from those disclosed in the Prospectus;

j) (supplementary prospectus) a supplementary prospectus must, in the reasonable opinion of the Underwriter, be lodged with ASIC under the Corporations Act because the Prospectus is or becomes defective within the meaning of section 719(1) of the Corporations Act; a supplementary prospectus is lodged with ASIC because a person gives notice to the Company under section 730 of the Corporations Act; or the Company lodges a supplementary prospectus without the written consent of the Underwriter;

k) (material contracts)

   i) any material contract is terminated (whether by breach or otherwise) or rescinded, is altered or amended in a material respect without the prior written consent of the Underwriter (which consent shall not be unreasonably withheld) is found to be void or voidable, or, if not signed by the lodgment date, it is agreed that it will not be signed or will be signed in a form which is materially different from the summary of that document in the Prospectus;

   ii) a condition precedent to completion or draw down under a material contract being a condition precedent which is required under the relevant material contract to be satisfied by the settlement date is not satisfied or waived (provided that such waiver is not subject to any conditions which are not acceptable to the Underwriter) or has by the settlement date become incapable of being satisfied and has not been waived (provided that such waiver is not subject to any conditions which are not acceptable to the Underwriter);

l) (insolvent) the Company becomes insolvent;

m) (Prospectus) the Prospectus omits any information required by the Corporations Act, contains a statement which is misleading or deceptive or otherwise fails to comply with the Corporations Act or any other applicable law or regulation;

n) (withdrawal) the Company withdraws the Prospectus or the Offer;

o) (misrepresentation or breach) a representation or warranty made or given by the Company under the Underwriting Agreement proves to be, or has been, or becomes, untrue or incorrect;

p) (breach) the Company fails to perform or observe any of its obligations under this agreement;

q) (material adverse change in financial markets) there occurs an adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom, the United States of America or the international financial markets;

r) (unauthorised alterations) without the prior written consent of the Underwriter, or except as contemplated in the Prospectus, which consent shall not be unreasonably withheld or delayed, the Company (or any of its subsidiaries) alters its Share capital or its Constitution;

s) (compliance) a contravention by the Company of any provision of its Constitution, the Corporations Act or any requirement of the ASX or government agency or any other applicable law (except to the extent that compliance with any applicable law has been waived, or an exemption or modification granted, by a government agency having authority to do so);

t) (Director) a Director of the Company:

   i) is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action against the Director in his or her capacity as a Director of the Company or announces that it intends to take any such action; or

   ii) is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;

u) (change in management) a change in the Board of Directors of the Company or the senior Management identified in the Prospectus;

v) (change in law) there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a government agency adopts a policy, or there is any official announcement on behalf of the Government, the Commonwealth of Australia or any State or Territory of Australia or a government agency that such a law or regulation will be introduced or policy adopted (as the case may be)

any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or the regulatory procedures to commercialise the Company's products;

w) (hostilities) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America or the United Kingdom or a significant terrorist act is perpetrated anywhere in the world;

x) (trading of securities) trading in all securities quoted on ASX, New York Stock Exchange or London Stock Exchange, is suspended or limited in a material respect for 1 or more trading days on that exchange;

y) (banking moratorium) a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;

z) (disclosure) a statement contained in the Prospectus or any publication is or becomes misleading or deceptive, or a matter is omitted from the Prospectus or any publication having regard to the provisions of Part 6D.2 of the Corporations Act;

aa) (disclosures in Due Diligence Report) there is a material omission from the due diligence report of the results of the investigation performed under the due diligence investigations or from the verification material, or the due diligence report or verification material;

ab) (forecasts) any statement by the Company in the Prospectus which relates to future matters (including financial forecasts) is or becomes, in the reasonable opinion of the Underwriter, incapable of being met; or

ac) (charges) the Company or a related body corporate of the Company charges, or agrees to charge, the whole or a substantial part of its business or property other than a charge over any fees or commissions to which the Company is or will be entitled; or as disclosed in this Prospectus.

Provided however that events listed in paragraphs (o) through to (ac) above may only be grounds for termination where the event has a material adverse effect on the financial condition, financial position or financial prospects of the Company, the market price of the Shares or the success of the Offer or would lead to a contravention by the Underwriter of the Corporations Act.

The Company has provided certain representations and warranties to the Underwriter in relation to this Prospectus, the Company and the Offer.

The Company has indemnified the Underwriter and its Directors against any claim, loss, liability expense incurred or suffered by them in connection with the Prospectus or any announcement in connection with the Prospectus. The indemnity does not apply to the extent that any claim, loss, liability or expense arises from the wilful default or gross negligence of the indemnified party.

9.4.2 IPO DEED

The Company currently has on issue A class preference shares, series A convertible notes and attaching warrants and series B convertible notes (collectively the existing securities). Under the terms of the IPO Deed dated 27 April 2007, the Company and the holders of these securities have agreed:

- that their existing securities will at the close of the Offer and prior to listing of the Company be converted into Shares; and
- to waive all rights accrued and unaccrued in respect of their Existing Securities whether arising under the Company's Constitution, the Company's shareholder's agreement, any fixed and floating charges over the Company, and any convertible note agreements (collectively the security agreements) and to irrevocably release the Company and each other in respect of all rights and liabilities arising under or in respect of the security agreements.

A total of 37,664,936 Shares will be issued under the IPO Deed whereupon all existing securities will be extinguished.

In addition, under the IPO Deed the University of Queensland has agreed to assign to the Company the University's ownership of the IP including the IP from which Q8003IR and Q8011CR are derived which has been licensed by QRxPharma from the University since 2002. As part of the assignment the Company must appoint Sigma its exclusive marketer, seller and distributor for certain products related to this IP in Australia and New Zealand, upon terms that are no less favourable than the terms that the Company appoints another person in those capacities in other countries. The Company must also undertake to consider granting to Sigma exclusive manufacturing rights in relation to these products, for Australia and New Zealand. No fee is payable to the University of Queensland for the assignment and there are no further licence fees payable.

9.4.3 UNIVERSITY OF ALABAMA – TORSIN TECHNOLOGY

By agreement dated 22 March 2007 between CNSCo and the University of Alabama, Tuscaloosa, the University has granted an exclusive worldwide licence to CNSCo to use the University's Torsin related IP (Torsin IP). CNSCo has since merged with QRxPharma Inc (QRxUS), a wholly owned subsidiary of QRxPharma, and QRxUS has acquired all CNSCo rights, including its rights under this agreement.

Under the terms of this agreement, QRxUS will use its commercially reasonable best efforts to bring a product or process using the Torsin IP to market through a commercially reasonable development program and to meet certain milestones. The first milestone is the filing with the FDA of an investigational new drug application for a product within three years. QRxUS has the right to terminate the agreement at any time on six months' notice to the University of Alabama, and upon payment of all amounts due to the University of Alabama through to the effective date of termination.

QRxUS will cause to be issued to the University of Alabama, or its nominee, Shares in QRxPharma or its successor to a value of approximately US$300,000 within 30 days of QRxUS's submission of its first investigational new drug application based on the Torsin IP. In addition the University will be paid:

- a US$150,000 non-refundable one-time licensing fee within 30 days of completion of the Offer under this Prospectus;
- US$81,234 to reimburse the University for patent prosecution fees and expenses incurred;
- a royalty of 3% of net sales revenues and 20% of sublicensing revenue; and
- milestone payments as advances against future royalties that may become owing, of
  - US$750,000 on commencement of initial Phase II Clinical Trial by QRxUS for any Torsin IP product;
  - US$1,500,000 on commencement of initial Phase III Clinical Trial by QRxUS for any Torsin IP product; and
  - US$2,000,000 on the date of receipt by QRxUS of first market approval for each Torsin IP product.

The agreement will expire on the date of last expiry of the patents licensed under the agreement.

9.4.4 UNIVERSITY OF ALABAMA SPONSORED RESEARCH AGREEMENT

Pursuant to a sponsored research agreement dated 22 March 2007 the University of Alabama, Tuscaloosa, will use reasonable efforts to perform a research program and QRxUS will pay the University US$400,000 per year, payable in equal quarterly installments, to fund the program.

The program comprises research directed towards the development of treatment and diagnosis of neurodegenerative diseases, pain or other central nervous system disorders using the Torsin IP. The Agreement expires five years from the date of listing of QRxPharma on the ASX and may be terminated by QRxUS at any time without cause upon 12 months prior written notice to the University of Alabama. QRxUS will assign a suitably experienced employee to act as its program manager for the program.

Under the agreement the University of Alabama agrees to promptly notify QRxUS of any new research project opportunities deriving from the program or from any other research and development relating to its Torsin IP. In addition, the University grants to QRxUS an exclusive six-month option to negotiate an exclusive licence to the University's ownership interest in any IP rights that derived from the program or from any other research and development relating to the Torsin IP.

9.4.5 DR JOHN HOLADAY EMPLOYMENT AGREEMENT

By letter of offer dated 9 April 2007 Dr John Holaday was engaged by the Company to act as Managing Director and Chief Executive Officer. The main terms of the engagement are as follows.

The engagement commences on 14 April 2007 and will continue for two years whereafter it may be extended by successive 12 month periods by the agreement of Dr Holaday and the Company.

Dr Holaday will receive $350,000 per annum reviewed annually with a market review every two years. In addition Dr Holaday will:

- be eligible for cash bonuses of up to $150,000 per annum dependent on the achievement of targets agreed with the Board;
- be reimbursed certain expenses including phone, parking, travel, tax and financial planning advice, moving expenses from the US and accommodation for Dr Holaday and his family in Sydney; and
- in addition to the options outlined in Section 9.3.1, further options from time to time as may be approved by the Board and shareholders of QRxPharma as required by the ASX listing rules.

9.4.6 DR GARY PACE CONSULTING AGREEMENT

Dr Gary Pace has been engaged for a period of 12 months by the Company to provide services including those related to the facilitating of product manufacturing, clinical trials and liaison with the FDA. It is expected that Dr Pace will perform these services on a part-time basis equating to half a full-time load. In connection with these services, Dr Pace will be remunerated US$12,500 per month and, subject to achievement of targets agreed with the Company, bonus payments up to a maximum amount of US$75,000. The arrangement may be terminated by either party on 28 days' notice.

9.4.7 CNSCO MERGER AGREEMENT

By agreement dated 26 April 2007 between CNSCo, the Company, QRxUS and John Holaday, CNSCo has merged with QRxUS with effect from 26 April 2007. Upon the merger CNSCo ceased to exist and QRxUS became the surviving entity. CNSCo and John Holaday have provided certain warranties to the Company and QRxUS, and the Company and QRxUS have provided certain warranties to CNSCo and John Holaday. The warranties are supported by indemnities limited in time to 12 months and in amount to US$1 million. The merger consideration received by John Holaday is one converting preference share in the Company which immediately prior to listing of the Company on the ASX will convert to 10% of the ordinary Shares of the Company on issue following the IPO.

9.5 RESTRICTED SHARES AND ESCROW ARRANGEMENTS

QRxPharma's Board of Directors, Management, Scientific Advisory Board, senior Consultants and pre-Offer venture investor shareholders have voluntarily escrowed their shareholdings in the Company. Collectively, these escrows extend to more than 90% of the pre-Offer Share capital of the Company. Approximately 70% of the total pre-Offer Share capital is escrowed for two years from the date of listing, and the balance of the escrowed shares are escrowed for 12 months from the date of listing.

9. ADDITIONAL INFORMATION

On a post-Offer basis these escrow arrangements extend to more than 60% of QRxPharma's total issued Shares. Approximately 50% of Shares are escrowed for two years from the date of listing, and the balance of the escrowed shares are escrowed for 12 months from the date of listing.

This does not take account of the ASX listing rule escrow requirements, which subject to consultation with the ASX, may result in some additional Shares being escrowed over these periods.

9.6 DIRECTORS' INTERESTS

Other than as set out below or elsewhere in this Prospectus, no Director has any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer of the securities under this Prospectus. No benefits or amounts have been paid or agreed to be paid to any Director, to induce them to become or qualify as a Director or for services rendered by the Director in connection with the promotion or formation of the Company or the Offer of securities under this Prospectus.

QRxUS recently merged with CNSCo, a company wholly owned by John Holaday. Details are set out in Section 9.4.7 above.

9.6.1 REMUNERATION

Under the Constitution, each Director may be paid remuneration for ordinary services performed as a Director. This remuneration may be divided among Directors in such fashion as the Board may determine. However the aggregate of the remuneration of non-Executive Directors in any year may not exceed the amount fixed by the Company in general meeting.

The maximum aggregate remuneration that may be paid to non-Executive Directors is $400,000.

Executive Directors are full time employees of the Company. Dr John Holaday is an Executive Director, and Dr Gary Pace is a Consultant to the Company. The terms of their contracts are set out above.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with their execution of their duties as Directors.

In addition, any Director who is called upon to perform extra services or make special excursions or to undertake any executive or other work for the Company beyond his or her ordinary duties may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to, or in substitution for his or her share in the remuneration for ordinary services.

9.6.2 INDEMNITY INSURANCE AND ACCESS

The Company has executed a Deed of Access and Indemnity with each Director. In summary each Deed provides:

- an ongoing indemnity, to the Director against liability incurred by a Director as an officer of the Company unless the liability arises out of lack of good faith;
- that the Company will maintain an insurance policy (to the extent permitted by law) for the benefit of the Director which insures the Director against liability for acts or omissions of the Director in the Director's capacity (or former capacity) as a Director of the Company and for a period of seven years thereafter; and
- the Director with a limited right of access to Board papers relating to the period during which the Director holds office as a Director of the Company and for a period of seven years thereafter to enable the Director to discharge the Director's duties or in connection with any claim arising in that period.

9.6.3 INTERESTS IN SECURITIES

Interests of Directors (direct and indirect) in securities of the Company at the date of this Prospectus are set out below.

Director	Convertible Notes $[1]	Number of Preference Shares	Number of Options	Number of Shares
Peter Farrell	198,945	355,618	–	–
John Holaday	–	1[2]	805,452	–
Gary Pace	273,824	569,791	402,726	1,741,863
Michael Quinn	1,278,456	2,850,000	–	500,000
Peter Campbell	–	–	–	–

[1] This represents the Directors' interests in the convertible notes and warrants prior to the implementation of the IPO Deed details in Section 9.4.2

[2] The preference share has a right of conversion at IPO to translate to 10% of the post undiluted ordinary share capital

Interests of Directors (direct and indirect) in securities of the Company at the date of listing are set out below.

Director	Options	Shares
Peter Farrell	604,089	1,095,540
John Holaday	805,452	7,500,000
Gary Pace	402,726	3,190,083
Michael Quinn	402,726	10,543,090
Peter Campbell	241,635	50,000

All convertible notes and preference shares will be converted to ordinary Shares at the close of the Offer. Refer to Section 9.4.2 for further information on these conversion arrangements.

The options are subject to and on the terms of the ESOP set out above.

Directors are not required under the Constitution to hold any Shares in the Company. As at the date of this Prospectus, Directors hold the Shares in the Company either directly or indirectly as described above.

9.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection free of charge at the registered office of the Company for at least 13 months after lodgment of this Prospectus:

- The written consents to the issue of this Prospectus.
- The Constitution of the Company.

9.8 INTERESTS OF EXPERTS AND OTHER PARTIES

Other than as set out below, no person performing a function in a professional, advisory or other capacity for this Prospectus has any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities and no amounts or benefits have been paid or agreed to be paid for services rendered by the person performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus.

9.9 EXPENSES OF THE OFFER

All expenses connected with the Offer are being borne by the Company. The expenses of the Offer (including any applicable GST) are as follows:

- The Company has agreed, pursuant to the terms of the Underwriting Agreement, to pay an underwriting commission of 5.5% (excluding applicable GST). As part of the Underwriting Agreement, the Company has agreed to issue 322,181 options to the Underwriter representing 0.4% of the issued capital post offer. In addition, a fee of up to 1.5% of the Application Money will be paid out of QRxPharma's assets in respect of Shares allotted pursuant to the Broker Firm Offer. These fees will only be paid to market participants of the ASX and members of the Financial Planning Association.

The following additional fees are to be paid.

Expenses	$'000
Accounting	160
Legal	190
Printing and promotion	72
Patent Attorneys	40
Share Registry	13
ASX and ASIC	109
Handling fee	255
Total (including underwriting fees)	**3,589**

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional advisor or other person in cash, shares or otherwise by any person in connection with the formation or promotion of the Company.

9.10 LITIGATION

The Company is not subject to any current legal proceedings. The Board is not aware of any circumstances that could give rise to any proceedings.

9.11 RELIANCE ON CLASS ORDERS

The Company relies on ASIC Class Order 00/193 in relation to statements in this Prospectus made or purported to be made by Jain PharmaBiotech, Datamonitor, IMS Health and Lauretti, G.R., Oliveira, G.M., and Pereira, N.L.

9.12 CONSENTS

Each of the consenting parties, who are named in the table below:

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in this Section 9.12 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or statement or report included in this Prospectus, with the consent of that consenting party; and

9. ADDITIONAL INFORMATION

- has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Role	Consenting Party
Underwriter	J.P. Morgan Australia Limited
Investigating Accountant	PriceWaterhouseCoopers Securities Limited
Auditor	PriceWaterhouseCoopers
Australian Legal Advisor	Dibbs Abbott Stillman
Co-Managers	Ord Minnett Limited Patersons Securities Limited
Share Registrar	Link Market Services Limited
Patent Attorneys	Davies Collison Cave Dreier LLP

PricewaterhouseCoopers Securities Limited has given, and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to be named as investigating accountant in connection with the Offer and to the inclusion of its Investigating Accountant's Report in Section 6.9. PricewaterhouseCoopers has given, and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to be named as auditor in connection with the Offer.

Gavril Pasternak has given, and has not, before the lodgment of this Prospectus with ASIC, withdrawn his consent to be named and to the inclusion of a statement in the Prospectus.

Davies Collison Cave has given, and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to the inclusion of its Patent Attorney Report on the dual opioid patents in Section 7.

Dreier LLP has given, and has not, before the lodgment of this Prospectus with ASIC, withdrawn its consent to the inclusion of its Patent Attorney Report on the dual opioid patents in Section 7.

9.13 PRIVACY AND PERSONAL INFORMATION

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth) (as amended). QRxPharma (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer QRxPharma.

The information may also be used from time to time to inform you about other matters which QRxPharma considers may be of interest to you.

Access to information may also be provided to QRxPharma's agents and service providers on the basis that they deal with such information in accordance with QRxPharma's privacy policy. If you do not provide the information requested of you in the Application Form, the Registry may not be able to process your application for Shares or administer your holding of Shares appropriately.

Under the Privacy Act 1988 (Cth) (as amended), you may request access to your personal information held by (or on behalf of) QRxPharma. You can request access to your personal information by telephoning or writing to the Registry as follows:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Telephone: 02 8280 7111

A summary of QRxPharma's privacy policy can be obtained by visiting the QRxPharma website at www.qrxpharma.com

9.14 DIRECTORS' STATEMENT

Each Director has consented to the lodgment of this Prospectus.

Michael A Quinn
Non-Executive Director
QRxPharma Limited

GLOSSARY

GLOSSARY

Term	Definition
AGM	Annual General Meeting
Application	Application for Shares under this Prospectus
Application Form	Application form attached to this Prospectus
Application Money	The aggregate amount of money payable for Shares applied for in the Application Form
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	The settlement rules of ASX Settlement and Transfer Corporation Pty Ltd, ABN 49 008 504 532
ASX	Australian Securities Exchange, ABN 98 008 624 691 or the financial market which it operates, as the context may require
Broker Firm Applicants	Applicants who have been offered a firm allocation of Shares by their broker
Broker Firm Offer	The Offer to Australian resident retail investors who receive a firm allocation of Shares from their broker as described in Section 2.6 of this Prospectus
CHESS	Clearing House Electronic Subregister System
Closing Date	18 May 2007, unless the Directors, in conjunction with the Underwriter, exercise their right to vary that date
Co-Managers	Either Ord Minnett Limited, ABN 86 002 733 048 or Patersons Securities Limited, ABN 69 008 896 311 or both
Constitution	The Company's Constitution as outlined in Section 9.2
Corporations Act	Corporations Act (Cwth) 2001
CR	Controlled release (extended release)
Datamonitor Report	Analysis of the Nociceptive Pain Market - Opioid Drug Analysis, 2005, by Datamonitor
DEA	US Drug Enforcement Agency
Deferred Settlement	Settlement in which the obligation to settle on a trade date plus three business days basis is deferred until the time following the dispatch of shareholder statements
Double-blind	A research study in which neither the researcher nor the participant knows which treatment group they are assigned to
Eligible Employees	A person to whom option can be granted under ESOP
ESOP	Employee Share Option Plan described in Section 9.3 of this Prospectus
Existing Shareholders	The holders of Shares immediately prior to the issue of Shares under the Offer
Exposure Period	Earlier than seven days after lodgment of this Prospectus with ASIC or any longer period required by ASIC under section 727(3) of the Corporations Act
FDA	US Food and Drug Administration
IMS Health	Intercontinental Marketing Services, an international consulting and data services company
Institutional Investors	Investors who are sophisticated or professional investors within the meaning of sections 708(10) or 708(11) of the Corporations Act

Term	Definition
Institutional Offer	The Offer to Institutional Investors
IP	Intellectual Property
IND	Investigational New Drug (application)
IR	Immediate release
Jain PharmaBiotech Report	Pain Therapeutics 2004, by Jain PharmaBiotech
NDA	New Drug Application
Offer	The Offer of 25 million Shares under this Prospectus
Offer Price	$2.00 per Share
Placebo	An inert substance, administered orally to the patients in QRxPharma's Phase III trials, that is not expected to have a clinically significant medical effect
Placebo-controlled	A study in which one of the treatment groups takes a placebo
QRxPharma or the Company	QRxPharma Limited, ABN 16 102 254 151
QRxUS	QRxPharma Inc, a wholly owned US Subsidiary of QRxPharma Limited
Quotation	Quotation of the Shares for trading on the ASX
Registry	Link Market Services Limited, ABN 16 083 214 537
TGA	Australian Therapeutic Goods Administration
Underwriter	J.P. Morgan Australia Limited, ABN 52 002 888 011
US	United States of America

APPLICATION FORM

Pin cheque here (do not staple)

Broker Code

Broker Stamp

Adviser Code

QRxPharma Limited

ABN 16 102 254 151

Broker Firm Offer Application Form

This Application Form must not be handed to another person unless attached to or accompanied by the Prospectus ("Prospectus") dated 27 April 2007 and a person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus.

A Number of Shares applied for ____,___,___ at Price per Share **A$2.00** **B** Amount **A$** ____,___,___.00

(minimum 1,000 Shares, thereafter in multiples of 500 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant – Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2 – Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

PLEASE COMPLETE ADDRESS DETAILS

D PO Box/RMB/Locked Bag/Care of (c/-)/Property Name/Building Name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

E CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

F Telephone Number where you can be contacted during Business Hours (__) ____ ____ | Contact Name (PRINT)

PLEASE COMPLETE YOUR PAYMENT DETAILS

Cheque or money orders should be made in accordance with the instructions received from your broker in Australian currency and crossed "Not Negotiable".

G Cheque or Money Order Number | BSB ___-___ | Account Number

NO SIGNATURES ARE REQUIRED ON THIS FORM

DECLARATION

By completing this Application Form and applying for Shares, I/we declare that this Application Form is completed and lodged according to the Prospectus and declare that all details provided and the representations and warranties made by me/us (including the representations and warranties on the reverse side of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of QRxPharma Limited.

LODGEMENT INSTRUCTIONS

All Broker Firm Offer Applicants: Investors who have received a firm allocation of Shares from their Broker should follow the lodgement procedures provided by that Broker. You must return your Application with cheque(s) or money order(s) so they are received before 5:00pm (Sydney time) on 18 May 2007 (subject to change without notice).

QRX IPO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Shares in QRxPharma Limited. Further details about the Shares are contained in the Prospectus dated 27 April 2007 issued by QRxPharma Limited. QRxPharma Limited will send paper copies of the Prospectus, any supplementary documents and the Application Form, free of charge on request if you contact the QRxPharma Limited Offer Information Line on 1800 612 532 during the offer period.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic Application Form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus. The Prospectus contains important information about investing in Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,000 Shares and thereafter in multiples of 500 Shares. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. Amounts should be payable in Australian currency. Please make sure the amount of your cheque(s) equals this amount.

C Write the full name you wish to appear on the statement of Shares. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.

D Please enter your postal address for all correspondence. All communications to you from QRxPharma Limited and the Registrar will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete cheque details as follows:
- Make your cheques payable in accordance with the instructions received from your broker in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank.
- The amount should agree with the amount shown in Section B.
- Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form where indicated.

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

ACKNOWLEDGEMENTS

By returning this Application Form with your payment, you agree to these statements. I/We:

- have read the Prospectus in full;
- have completed this form accurately and completely;
- acknowledge that once the Issuer accepts my/our Application, I/we may not withdraw it;
- apply for the number of Shares at the Australian dollar amount shown on the front of this form;
- agree to being allocated the number of Shares that I/we apply for (or a lower number allocated in a way allowed under the Prospectus);
- acknowledge that my/our Application may be rejected by the Issuer and Underwriter in their absolute discretion;
- authorise the Underwriter and the Issuer, and their respective officers or agents, to do anything on my/our behalf necessary (including the completion and execution of documents) for the Shares allocated to me/us;
- am/are over 18 years of age if I/we am/are natural person(s);
- agree to be bound by the Constitution of QRxPharma Limited;
- acknowledge that neither the Issuer nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital and that, in some circumstances, the Issuer may not pay any dividends;
- represent, warrant and agree that I/we am/are not in the United States or a US person, and am/are not acting for the account or benefit of a US person;
- represent, warrant and agree that I/we have not received the Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Shares may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Shares or the Offer; and
- acknowledge the Offer is only being made to persons with Australian registered addresses and Applications by any other person will be rejected.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

- Put the name(s) of any joint applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

CORPORATE DIRECTORY / KEY CONTACTS

Registered Office
QRxPharma Limited
Suite 4.01
35 Lime Street
Sydney, NSW 2000

Underwriter and Lead Manager
J.P. Morgan Australia Limited
Level 32, Grosvenor Place
225 George Street
Sydney, NSW 2000

Co-Manager
Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney, NSW 2000

Co-Manager
Patersons Securities Limited
Level 27
264 George Street
Sydney, NSW 2000

Auditor
PriceWaterhouseCoopers Australia
Darling Park Tower 2
201 Sussex Street
GPO Box 2650
Sydney, NSW 1171

Solicitors
Dibbs Abbott Stillman
Level 8, Angel Place
123 Pitt Street
Sydney, NSW 2000

Investigating Accountant
PriceWaterhouse Coopers Securities Australia
Darling Park Tower 2
201 Sussex Street
GPO Box 2650
Sydney, NSW 1171

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