# RIGHTS ISSUE BOOKLET

QRxPharma Limited

ACN 102 254 151

Details of a 1 for 20 Non-Renounceable Rights Issue of QRxPharma Limited Ordinary Shares at an Issue Price of A$1.45 per New Share

The Rights Issue Closes at 5.00 pm (Sydney Time) on Monday, 22 August 2011

This Rights Issue Booklet is not a prospectus and has not been lodged with ASIC. It does not contain all the information that an investor would find in a prospectus or on which an investor would expect to make an informed decision as to whether or not to accept this offer. As QRxPharma is a listed disclosing entity which meets the requirements of section 708AA of the Corporations Act as modified by ASIC Class Order CO 08/35, the Rights Issue will be made without a prospectus.

This is an important document which is accompanied by an Entitlement and Acceptance Form and both should be read in their entirety. This document requires your immediate attention and if you are in any doubt about its contents or the course of action you should take, please call your broker or professional adviser if you have any questions.

Joint Lead Managers:

RBS Morgans

BELL POTTER

# IMPORTANT NOTICES

**Introduction**

This Rights Issue Booklet (Rights Issue Booklet) contains an offer of New Shares to Eligible Shareholders in Australia, New Zealand and the US and has been prepared in accordance with section 708AA of the Corporations Act 2001 (Cth) (Corporations Act) as notionally modified by Australian Securities and Investments Commission (ASIC) Class Order 08/35.

This Rights Issue Booklet is dated 22 July 2011.

**Responsibility**

This Rights Issue Booklet (including the Investor Presentation) and the enclosed personalised Entitlement and Acceptance Form have been prepared by QRxPharma Limited ACN 102 254 151 (QRxPharma).

No person other than QRxPharma has authorised or caused the issue of this Rights Issue Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Rights Issue Booklet.

**Future Performance and Forward Looking Statements**

Neither QRxPharma nor any other person warrants or guarantees the future performance of the New Shares or Additional New Shares or any return on any investment made under this Rights Issue Booklet. Forward looking statements, opinions and estimates provided in this Rights Issue Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of QRxPharma, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Rights Issue Booklet.

**Currency**

Unless otherwise specified, all dollar values in this Rights Issue Booklet are in Australian dollars (A$).

**Foreign Jurisdictions**

This Rights Issue Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to lodge this Rights Issue Booklet in any jurisdiction outside of Australia, or to otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia, New Zealand and the US.

The distribution of this Rights Issue Booklet (including an electronic copy) outside Australia, New Zealand and the US is restricted by law. If you come into possession of this Rights Issue Booklet, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws.

**Important Information – United States**

Neither the U.S. Securities and Exchange Commission (SEC) nor any U.S. state securities commission has approved or disproved of the Rights Issue and the New Shares offered under the Rights Issue or passed upon the adequacy or accuracy of this Rights Issue Booklet. Any representation to the contrary is a criminal offence. The Rights Issue and the New Shares offered under the Rights Issue will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States.

The Rights Issue and the New Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any "U.S. Person" (as defined in Regulation S under the Securities Act (U.S. Person)) except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act and state or other securities laws.

QRxPharma is offering the Rights Issue and the New Shares offered under the Rights Issue to only a limited number of US investors that are:

(a) Eligible Shareholders; and

(b) "Accredited Investors" within the meaning of Rule 501(a) of Regulation D of the Securities Act (Accredited Investors) (US Eligible Shareholders).

NO SALE OF THE NEW SHARES WILL BE MADE IN THE US OR TO ANY US PERSON WHO DOES NOT EXECUTE AND DELIVER, FOR THE BENEFIT OF QRxPHARMA, A DECLARATION IN THE FORM ACCOMPANYING THIS RIGHTS ISSUE BOOKLET SENT TO US ELIGIBLE SHAREHOLDERS ONLY (Investment Declaration).

**Important Information – New Zealand residents**

The New Shares being offered under this Rights Issue Booklet are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Rights Issue Booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

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**QRxPharma Website**

To view annual reports, shareholder and company information, news announcements, background information on QRxPharma's business and historical information, please visit QRxPharma's website at www.qrxpharma.com

# CHAIRMAN'S LETTER

22 July 2011

Dear Shareholder

**QRxPharma Limited – Non-Renounceable Rights Issue**

On behalf of QRxPharma Limited (**QRxPharma**), I am pleased to invite you to participate in a non-renounceable pro-rata rights issue which gives you the opportunity (an **Entitlement** or **Right**) to subscribe for 1 new QRxPharma ordinary share (**New Share**) for every 20 existing QRxPharma ordinary shares (**Shares**) you held, at an issue price of A$1.45 per New Share (**the Rights Issue**).

On 22 July 2011, QRxPharma announced it had completed a placement of shares to institutional investors (**Institutional Placement**) raising A$25.0 million. In addition to this QRxPharma has announced a Rights Issue to raise up to A$10.4 million.

QRxPharma intends to use the proceeds of the Rights Issue and the Institutional Placement to put the Company in a strong financial position as it negotiates with potential partners, to provide funds to progress MoxDuo® IR through United States Food and Drug Administration (**FDA**) approval and commercialisation leading to product launch in 2012, to progress the development of MoxDuo controlled release (**CR**) and to provide for additional working capital.

QRxPharma has made significant progress in recent months including:

- Completing pivotal Phase 3 studies with MoxDuo IR which enabled commencement of the filing of the New Drug Application (**NDA**) for MoxDuo IR with the FDA in July 2011.
- Successfully completing a Phase 3 marketing study demonstrating that MoxDuo IR produces less respiratory depression than equi-analgesic doses of morphine or oxycodone; and
- Announcing the issuance of an additional patent to extend expected market exclusivity for MoxDuo until 2029, complementing other intellectual property applications that are filed with the US Patent Office and globally.

This capital raising will allow QRxPharma to continue its progress towards further important milestones including the commercialisation of MoxDuo IR for acute pain management and will allow the company to make significant progress with its MoxDuo CR formulation for chronic pain which the Board believes will facilitate partnering discussions and add significant shareholder value.

You will find enclosed in this mail pack important information, including:

- key dates for the Rights Issue;
- the Investor Presentation materials released to the ASX with the announcement of the Rights Issue;
- instructions on "How to Apply" setting out how to accept all or part of your Entitlement or apply for additional New Shares in the Rights Issue if you choose to do so[1]; and
- an Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided on the form and the instructions on "How to Apply".

**The Rights Issue closes at 5.00 pm (Sydney time) on Monday, 22 August 2011.** To participate, you need to ensure that your completed Entitlement and Acceptance Form (with your Application Monies) is received by QRxPharma **OR** that you have paid your Application Monies via BPAY® prior to the Rights Issue closing date and time, in line with the instructions that are set out on the Entitlement and Acceptance Form. Please refer to the instructions on "How to Apply" that accompany this letter for further information.

Entitlements are non-renounceable, which means that eligible shareholders who do not wish to participate in the Rights Issue will not have the opportunity of trading their Entitlements on the ASX and they will be diluted. In addition, shareholders are able to apply for more shares than their Entitlement.[1]

QRxPharma has enjoyed very strong shareholder support since its listing in May 2007, and is conscious of providing all shareholders with the opportunity, where possible, to participate in the future growth of the company.

We look forward to your consideration of this Rights Issue and your continued support.

**Peter Farrell**
Chairman

1 There is no guarantee of the number of new shares (if any) that will be available for shareholders to take-up in addition to their entitlement under the Rights Issue. The allocation policy of any applications for additional shares will be determined by QRxPharma and the Joint Lead Managers (in their absolute discretion).

# KEY DATES FOR THE RIGHTS ISSUE

| EVENT | DATE |
|---|---|
| Ex-Date | Tuesday, 26 July 2011 |
| **Record Date for the Rights Issue** | **7.00 pm on Tuesday, 2 August 2011** |
| Mailing of Rights Issue Booklet and Entitlement and Acceptance Form to Eligible Shareholders | Monday, 8 August 2011 |
| **Rights Issue opening date** | **Monday, 8 August 2011** |
| **Rights Issue closing date** – last date for receipt of acceptances and payment of application money in full | **5.00 pm on 22 August 2011** |
| Issue of New Shares under the Rights Issue | Tuesday, 30 August 2011 |
| Despatch of holding statements and CHESS notices | Tuesday, 30 August 2011 |
| Normal trading of New Shares issued under the Rights Issue expected to commence on ASX | Wednesday, 31 August 2011 |

Note: Dates and times are indicative only and subject to change. All times and dates refer to Australian Eastern Standard Time (AEST) (Sydney time).

Applicants are encouraged to submit their Entitlement and Acceptance Form and application monies as soon as possible after the Rights Issue opens. QRxPharma, in conjunction with the Joint Lead Managers, reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary any of the above dates of the Rights Issue, including extending the Rights Issue or accepting late applications, either generally or in particular cases, without notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. No cooling off rights apply to the Rights Issue.

Your Entitlement is non-renounceable. Shareholders who take no action in respect of their Entitlement will receive no benefit and their Entitlement will lapse.

If you are in doubt as to the course you should follow you should consult your stockbroker, accountant, solicitor or other professional adviser.

# 1/ DETAILS OF THE RIGHTS ISSUE

## 1.1 Introduction

Eligible Shareholders are being offered the opportunity (**Entitlement**) to subscribe for 1 new QRxPharma ordinary share (**New Share**) for every 20 QRxPharma ordinary shares (**Shares**) held at 7.00 pm (Sydney time) on Tuesday, 2 August 2011, at the issue price of A$1.45 per New Share (**Issue Price**). The Rights Issue is not underwritten and will raise up to A$10.4 million (before the deduction of related expenses) and result in the issue of up to 7,153,275 New Shares.

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**). Please note that New Shares in excess of Entitlements will only be allocated to Eligible Shareholders if and to the extent that QRxPharma and the Joint Lead Managers so determine (in their absolute discretion) having regard to circumstances as at the time of the close of the Rights Issue. Any New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares available due to a shortfall in valid applications. QRxPharma and the Joint Lead Managers may apply any scale-back (in their absolute discretion).

The Rights Issue is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered without a prospectus. As a result, it is important for Eligible Shareholders to read and understand the information on QRxPharma and the Rights Issue made publicly available, prior to accepting all or part of their Entitlement or applying for Additional New Shares. In particular, please refer to this Rights Issue Booklet, QRxPharma's interim and annual reports and other announcements made available at www.qrxpharma.com and also at www.asx.com.au (including QRxPharma's Financial Report for the financial year ended 30 June 2010 that was released to ASX on 8 October 2010 and Half Yearly Report and Accounts for the six months ended 31 December 2010 that was released to the ASX on 21 February 2011).

## 1.2 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 New Share for every 20 Shares you held as at the record date of 7.00 pm (Sydney time) on Tuesday, 2 August 2011, rounded up to the nearest whole New Share.

If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. New Shares issued pursuant to the Rights Issue will be fully paid and rank equally with existing QRxPharma ordinary shares on issue.

Note: The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up.

## 1.3 Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7.00 pm (Sydney time) on Tuesday, 2 August 2011 (the **Record Date**);
- have a registered address in either Australia or New Zealand or have a registered address in the US and are US Eligible Shareholders; and
- are otherwise eligible under all applicable securities laws to receive an offer under the Rights Issue.

## 1.4 Commencement of the Rights Issue

The Rights Issue opens on Monday, 8 August 2011 and is expected to close at 5.00 pm (Sydney time) on Monday, 22 August 2011. QRxPharma reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Rights Issue, including extending the Rights Issue or accepting late applications, either generally or in particular cases, without notice. No cooling off rights apply to the Rights Issue.

## 1.5 Applications

Detailed information on how to apply for New Shares is set out in Section 2 of this Rights Issue Booklet in the section "How to Apply". Eligible Shareholders wishing to acquire New Shares under the Rights Issue are encouraged to submit their Entitlement and Acceptance Form and Application Monies or make their BPAY® payment as soon as possible after the Rights Issue opens.

## 1.6 Not Underwritten

The Rights Issue is not underwritten. In the event of a shortfall, QRxPharma and the Joint Lead Managers reserve the right to place any shortfall, in their absolute discretion, within three months of the Closing Date. Allocation of any shortfall will be at the sole discretion of QRxPharma and the Joint Lead Managers.

## 1.7 Ineligible Shareholders

The Offer is being made to Eligible Shareholders with registered addresses in Australia or New Zealand and certain US investors.

In accordance with the ASX Listing Rules and the Corporations Act, QRxPharma has decided that it would be unreasonable to extend the Rights Issue to shareholders in countries other than Australia, New Zealand and the US, having regard to:

- the number of shareholders with a registered address in those countries;
- the number and value of New Shares that would be issued under the Rights Issue to shareholders with a registered address in those countries; and
- costs of complying with legal and other regulatory requirements in those countries.

### 1.8 What is the Position with Nominees?

The Rights Issue is being made to Eligible Shareholders. QRxPharma is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

Where any holder is acting as a nominee for a foreign person that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Rights Issue is compatible with applicable foreign laws.

### 1.9 Non-Renounceable

Entitlements are non-renounceable. Shareholders who do not take up their Entitlements by the Closing Date will not receive any payment or value for those Entitlements, and their proportionate equity interest in QRxPharma will be diluted.

### 1.10 Shareholder Enquiries

If you are in doubt as to the course you should follow you should consult your stockbroker, accountant, solicitor or other professional adviser.

If you:

- have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement; or
- have lost your Entitlement and Acceptance Form and would like a replacement form,

please call the QRxPharma Shareholder Information Line on 1800 612 532 (free call from within Australia) or on +61 2 8280 7713 (from outside Australia) at any time from 8.30 am to 5.30 pm (Sydney time) Monday to Friday whilst the Rights Issue is open.

# 2/ HOW TO APPLY

## 2.1 Consider the Rights Issue in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, solicitor or other independent professional adviser if you have any queries or are uncertain about any aspects of the Rights Issue. You should also refer to the "Risks" disclosed in the Investor Presentation.

## 2.2 Acceptance of all or part of your Entitlement

If you decide to take up all or part of your Entitlement then you must complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form.

**In addition to these requirements, US Eligible Shareholders must return a signed Investor Declaration to QRxPharma (in the form accompanying this Rights Issue Booklet and as sent to US Eligible Shareholders) before 5.00 pm (Sydney time) on Monday, 22 August 2011.**

Signed Investor Declarations must be emailed or faxed to the company secretary as follows:

- to Chris.Campbell@QRxPharma.com; or
- to +61 2 8920 0314.

QRxPharma will treat you as applying for as many New Shares as your payment will pay for in full. Amounts received by QRxPharma in excess of your Entitlement may be treated as an application to apply for as many Additional New Shares as this excess amount will pay for in full.

If you decide to take up all or part of your Entitlement then you must ensure that you submit your personalised Entitlement and Acceptance Form with the requisite Application Monies (and your signed Investor Declaration for US Eligible Shareholders only) before the close of the Rights Issue at **5.00 pm (Sydney time) on Monday, 22 August 2011**. New Shares will be issued on Tuesday, 30 August 2011.

## 2.3 Additional New Shares and Allocation Policy

All Eligible Shareholders will be allocated New Shares applied for up to their Entitlement. Eligible Shareholders may also apply for New Shares in excess of their Entitlement. If you wish to apply for Additional New Shares, you are required to complete the Entitlement and Acceptance Form in accordance with the instructions on the form.

QRxPharma and the Joint Lead Managers reserve the right to allot any Additional New Shares if, and to the extent that QRxPharma and the Joint Lead Managers so determine, in its absolute discretion, having regard to circumstances as at the time of the close of the Rights Issue. Any New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares available due to a shortfall in valid applications.

If you apply for Additional New Shares then, subject to QRxPharma's and the Joint Lead Managers' absolute discretion to scale-back your application for Additional New Shares (in whole or part), you will be issued these on Tuesday, 30 August 2011. QRxPharma's decision on the number of New Shares to be allocated to you will be final.

No Additional New Shares will be issued to a shareholder which will result in them increasing their voting power in QRxPharma above 20%.

## 2.4 Payment Methods

You may make payment of your Application Monies by BPAY® or by cheque, bank draft or money order.

**Payment by BPAY®**

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

Please make sure to use the specific Biller Code and unique Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Reference Number specific to the Entitlement on that form.

If you inadvertently use the same Reference Number for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which that Reference Number applies.

**It is your responsibility to ensure that your BPAY® payment is received by the Registry by no later than 5.00 pm (Sydney time) on Monday, 22 August 2011** (subject to any variation). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares (only where the amount is A$1.00 or greater) will be refunded as soon as practicable. No interest will be paid to applicants on any Application Monies received or refunded.

**Payment by cheque, bank draft or money order**

You should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "QRxPharma Rights Issue" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to A$1.45 multiplied by the number of New Shares and Additional New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application may not be accepted. Please note that post dated cheques may not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares (only where the amount is A$1.00 or greater) will be refunded as soon as practicable. No interest will be paid on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

To participate in the Rights Issue, your payment must be received by the Registry no later than the close of the Rights Issue, at **5.00 pm (Sydney time) on Monday, 22 August 2011** (subject to any variation). Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies to:

QRxPharma Limited Offer
c/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001
Australia

A reply paid envelope is enclosed for the convenience of Eligible Shareholders based in Australia. Eligible Shareholders in New Zealand and the US will need to affix the appropriate postage.

## 2.5 Representations by Acceptance

By completing and returning your personalised Entitlement and Acceptance Form with Application Monies or making a payment by BPAY®, you will be deemed to have represented that you are an Eligible Shareholder. You will also be deemed to have represented on behalf of each person on whose account you are acting that you acknowledge that the New Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the New Shares (and the New Additional Shares) may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

## 2.6 Broker Stamping Fees

A broker stamping fee of 1.5% (plus GST) will be paid on the value subscribed pursuant to a stamped Entitlement and Acceptance Form, subject to the following conditions:

- the broker stamping fee will be limited to A$500 in respect of any one Entitlement and Acceptance Form;
- where an Eligible Shareholder lodges more than one Entitlement and Acceptance Form, the fee is only payable on one Entitlement and Acceptance Form;
- if an individual is applying on behalf of more than one beneficial holder, a list of beneficial holders must be provided in order to receive up to the maximum amount of A$500 per beneficial holder;

- broker stamping fees will only be paid to participating organisations of the ASX and members of the Financial Planning Association of Australia Limited; and
- broker stamping fees will only be paid on BPAY® applications where a Broker Stamping Fee Claim Form and schedule is submitted to the Registry no later than 5.00 pm (Sydney time) on Monday, 22 August 2011. The Broker Stamping Fee Claim Form and schedule (including details of how to submit this form) is available from the Registry on 1800 612 532 (free call from within Australia) or +61 2 8280 7713 (outside Australia) at any time from 8.30 am to 5.30 pm (Sydney time) Monday to Friday during the Rights Issue offer period.

# 3/ ADDITIONAL IMPORTANT INFORMATION

## 3.1 Investment Decisions and Risks

You should read this Rights Issue Booklet carefully and in its entirety before deciding whether to invest in New Shares or Additional New Shares.

In particular, you should consider the risk factors outlined in the "Risks" section of the Investor Presentation (enclosed in this Rights Issue Booklet as an Annexure). Those risk factors could affect the operating and financial performance of QRxPharma or the value of an investment in QRxPharma.

You should consult your stockbroker, accountant, solicitor or other independent professional adviser to evaluate whether or not to participate in the Rights Issue.

## 3.2 ASX Quotation of New Shares

QRxPharma has applied for the grant by ASX of official quotation of the New Shares. It is expected that normal trading will commence in relation to the New Shares issued under the Rights Issue on Wednesday, 31 August 2011. QRxPharma disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the Official List of ASX or receiving their confirmation of issue, whether on the basis of confirmation of the allocation provided by QRxPharma, the Registry or a Joint Lead Manager.

## 3.3 No Cooling off Rights

Cooling off rights do not apply to an investment in New Shares or Additional New Shares. You cannot withdraw your application once it has been accepted.

## 3.4 Not Investment Advice

This Rights Issue Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. QRxPharma is not licensed to provide financial product advice in respect of the New Shares or Additional New Shares. The Rights Issue Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares or Additional New Shares.

Before deciding whether to apply for New Shares or Additional New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Rights Issue Booklet, you have any questions about the Rights Issue, you should contact your stockbroker, accountant, solicitor or other independent professional adviser.

## 3.5 Taxation

There may be tax consequences for shareholders who decide to participate in the Rights Issue and receive New Shares. QRxPharma does not consider that it is appropriate to give advice regarding the taxation consequences of applying for New Shares under the Rights Issue. The taxation consequences will depend on the circumstances of each applicant or seller. Applicants and sellers should consult their own professional adviser in connection with the taxation implications of subscribing for New Shares offered in the Rights Issue.

## 3.6 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

## 3.7 Information Availability

Eligible Shareholders in Australia, New Zealand and the US can obtain a copy of this Rights Issue Booklet during the period of the Rights Issue on the QRxPharma website at www.qrxpharma.com or by calling the QRxPharma Shareholder Information Line on 1800 612 532 (free call from within Australia) or +61 2 8280 7713 (outside Australia) at any time from 8.30 am to 5.30 pm (Sydney time) Monday to Friday during the Rights Issue offer period. Persons who access the electronic version of this Rights Issue Booklet should ensure that they download and read the entire Rights Issue Booklet. The electronic version of this Rights Issue Booklet on the QRxPharma website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the QRxPharma Shareholder Information Line.

## 3.8 Future Performance and Forward Looking Statements

Neither QRxPharma nor any other person warrants or guarantees the future performance of the New Shares, Additional New Shares or any return on any investment made pursuant to this Rights Issue Booklet. Forward looking statements, opinions and estimates provided in the Rights Issue Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of QRxPharma, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Rights Issue Booklet.

## 3.9 Past Performance

Investors should note that the past share price performance of QRxPharma's Shares provides no guidance as to future share price performance.

## 3.10 Governing Law

This Rights Issue Booklet, the Rights Issue and the contracts formed on acceptance of Entitlements are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

## 3.11 Offer Management

QRxPharma has entered into an offer management agreement with RBS Morgans Corporate Limited and Bell Potter Securities Limited (**Joint Lead Managers**) who have agreed to act as joint lead managers in respect of the Rights Issue. Customary with these types of arrangements:

- the offer management agreement contains a number of customary termination events, and an indemnity, in favour of the Joint Lead Managers; and
- the Joint Lead Managers will be remunerated by QRxPharma for providing these services at market rates.

## 3.12 Other interests

Persons holding rights or interests in relation to Shares, other than Shares, will not be entitled to participate in the Rights Issue in respect of those rights or interests unless they have become entitled to exercise their right or interest under the terms of their issue and do so such that they become the holder of Shares and an Eligible Shareholder in respect of those Shares.

## 3.13 Privacy

As an existing shareholder in QRxPharma, QRxPharma and the Registry have already collected personal information about you. If you apply for New Shares, QRxPharma and the Registry may update that personal information or collect additional personal information about you. Such information may be used to assess your acceptance of New Shares, service your needs as a QRxPharma shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, QRxPharma and the Registry may disclose your personal information for purposes related to your shareholding to their agents, contractors or third party service providers to whom they outsource services, including to the Joint Lead Managers in order to assess your acceptance of New Shares, the Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation and distribution of shareholder information and for handling of mail, or as otherwise authorised under the Privacy Act 1988 (Cth).

If you do not provide QRxPharma or the Registry with your personal information then your application may not be able to be processed.

You can request access to your personal information by contacting QRxPharma through the Registry as follows:

- 1800 612 532 (free call from within Australia);
- +61 2 8280 7713 (outside Australia).

## 3.14 Disclaimer of Representations

No person is authorised to give any information, or to make any representation, in connection with the Rights Issue that is not contained in this Rights Issue Booklet.

Any information or representation that is not in this Rights Issue Booklet may not be relied on as having been authorised by QRxPharma, or its related bodies corporate in connection with the Rights Issue. Except as required by law, and only to the extent so required:

- none of QRxPharma, or any other person (including the Joint Leader Managers), warrants or guarantees the future performance of QRxPharma or any return on any investment made pursuant to the Rights Issue Booklet; and
- QRxPharma, its officers, employees and advisers (including the Joint Lead Managers) disclaim all liability that may otherwise arise due to the Rights Issue Booklet being inaccurate or incomplete in any respect.

The Joint Lead Managers have not authorised, permitted or caused the issue, lodgement or submission of this Rights Issue Booklet.

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## EXECUTIVE SUMMARY

| | |
|---|---|
| NDA Filed | • QRxPharma is a commercial-staged specialty pharmaceutical company focused on the development and commercialisation of therapies for pain management and central nervous system (CNS) disorders<br>• On 18 July, 2011, QRX filed its New Drug Application with the US Food and Drug Administration for its lead drug MoxDuo® IR; a major milestone for the Company |
| Equity Raising | • Total raising of A$30 million [1], by way of:<br>- A$20 million Placement [2]; and<br>- A$10 million Rights Issue |
| Offer Structure | • Placement of 13.8 million shares [1] (11% of issued capital) at A $1.45 per share<br>• 1 for 20 non renounceable rights issue at A$1.45 per share<br>• Representing a:<br>- 10% discount to last closing price of $1.61 per share<br>- 13% discount to the 5 day VWAP |
| Use of Proceeds | • The raising will allow QRX to take lead product MoxDuo IR to point of commercialisation and provides the Company with a strong financial position as it negotiates with potential partners |

*[1] The Company and the Joint Lead Managers reserve the right to increase the size of the Placement to $25 million (subject to demand)*
*[2] Placement shares will be eligible to participate in the rights issue*

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## INVESTMENT HIGHLIGHTS

- **Major milestone achieved:** New Drug Application filed with the US FDA for MoxDuo IR in preparation for market launch in 2012
- **Multi-Billion dollar global market:** Global opioid market estimated at $US14bn[1]
- **Opens therapeutic window:** equal or greater analgesia with fewer side effects than monotherapy
- **Global IP strength:** (all products/formulations – IR, IV & CR); expected patent exclusivity through 2029
- **Strategic partnerships:** Partnerships are in negotiation with a partnering deal expected in CY2011
- **MoxDuo sales revenues expected in CY2012:** FDA approval expected to take 10 to 12 months from NDA filing

*Source: [1] Avos Life Sciences (Decision Resources)*

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## CAPITAL RAISING OVERVIEW
## USE OF PROCEEDS

- The Company is committed to finalising a licensing deal for MoxDuo IR before the end of CY2011
- Discussions with a number of parties are ongoing regarding a corporate transaction and / or commercial partnership
- The equity raising is being used to ensure the Company can meet its objectives and maintain flexibility irrespective of how these discussions evolve
- This capital raising puts the Company in a strong financial position as it continues to negotiate with potential partners
- The Company's expectations are that first sales of MoxDuo IR will be achieved in CY2012 and this capital raising would allow the company to progress to this important milestone

***This capital raising will take MoxDuo IR through to point of commercialisation in CY2012***

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## CAPITAL RAISING OVERVIEW
## USE OF PROCEEDS[1]

| | |
|---|---|
| Regulatory costs for MoxDuo IR: | A$ 2.6 million |
| Pre-commercialisation of MoxDuo IR: | A$ 6.2 million |
| Progression of MoxDuo CR: | A$ 8.6 million |
| Fixed costs and working capital: | A$11.1 million |
| Offer costs: | A$ 1.5 million |
| **Total:** | **A$30.0 million [1]** |

**Key points:**

- Progression of MoxDuo IR to FDA typically takes 10 to 12 months from NDA filing
- The capital raising will take the company through to the point of commercialisation of MoxDuo IR
- Expectations for first sales will be achieved by the end of CY2012

*[1] The Rights Issue is not underwritten. In the event that the Company receives subscriptions of less than $10 million in the Rights Issue, the Company will reduce its expenditure accordingly*

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## VALUE DRIVERS:
## NEAR TERM MILESTONES

- ✓ MoxDuo IR Phase 3 total knee replacement trial Q1, 2011
- ✓ MoxDuo IR Pre-NDA meeting with FDA end Q1, 2011
- ✓ MoxDuo IR adverse events study results Q2, 2011
- ✓ MoxDuo IR NDA submission July 2011
- ☐ Strategic partnership 2011
- ☐ Finalize formulation, complete two Phase 1 trials for MoxDuo CR by Q1, 2012
- ☐ Implement plan to bring MoxDuo IR to market in 2012
- ☐ Submit Marketing Authorisation Application (MAA) in Europe for MoxDuo IR mid year 2012

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## PAIN THERAPY MARKET

- **Large specialty pharma opportunity**
  - US$14 billion [1] global opioid market ($8bn [2] + US); CAGR in excess of 6% [3]
- **150 million[1] people in major markets suffer from acute pain**
  - 210 million [2] prescriptions of immediate release drugs in US annually
  - **Opioids are the "gold standard" in treating pain**
  - Limited innovation with reliance on old therapies
- **Paracetamol (Acetaminophen) containing opioids restricted by FDA [4]**
  - Vicodin® and Percocet® affected (100mm [2] prescriptions annually)
- **Payors and Key Opinion Leaders: 'need for better pain relief with fewer side effects'**
  - In order of severity, side effects are: respiratory depression, vomiting, nausea, somnolence and constipation
  - Opioid side effects delay recovery; cost patients, reimbursers and hospitals
  - Better pain management means shorter hospitalization; Major cost savings!

*Source: [1] Avos Life Sciences (Decision Resources) [2] IMS [3] Datamonitor [4] FDA News Release – 13 January 2011* 10

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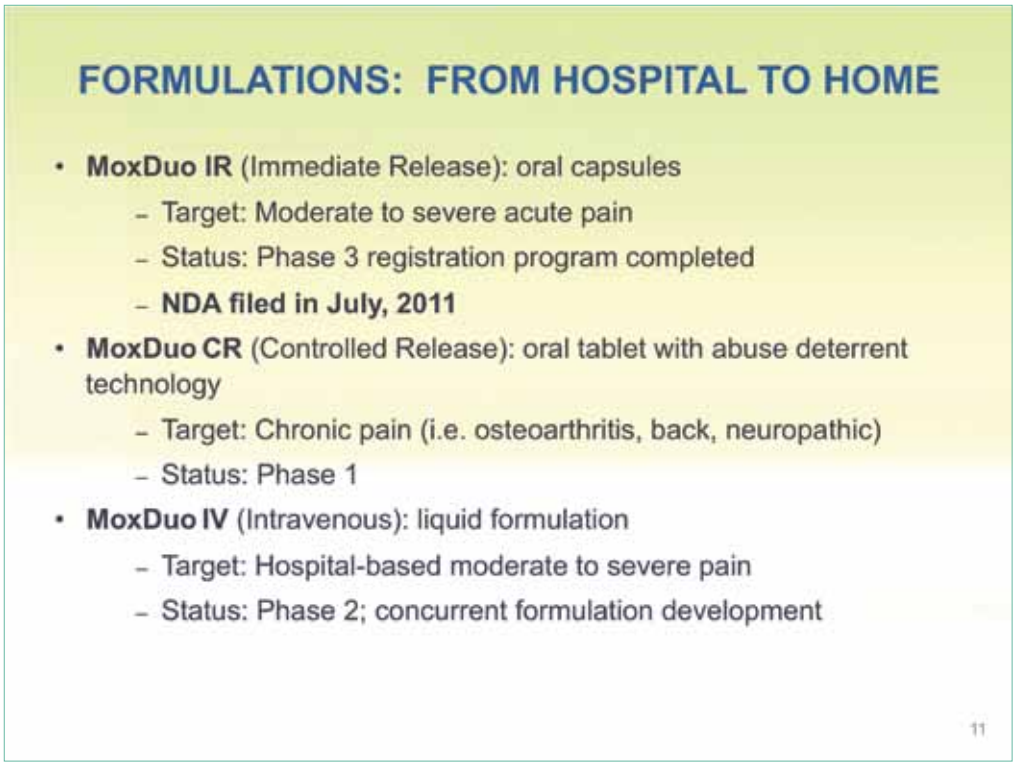


## NDA FOR MOXDUO IR FILED 18 JULY, 2011

- **Pivotal Phase 3 studies completed; primary endpoints achieved**
  - In post-surgical bunionectomy combination rule studies vs. morphine and oxycodone (Study 008) and placebo-controlled dose-ranging study (007)
  - In post-surgical total knee replacement (Study 009)
- **Safety advantage of MoxDuo IR when directly compared to equi-analgesic doses of morphine, oxycodone or Percocet®**
  - Significantly fewer patients with medically meaningful oxygen desaturations in Study 022, ($p < .05$ for MoxDuo vs. both morphine and oxycodone)
  - 50% -75% lower frequency of moderate to severe nausea, vomiting and dizziness in Study 021 and Study 020
- **MoxDuo IR proven superior to components on efficacy and safety**

***QRxPharma's NDA is only the second NDA filed by a stand-alone Australian therapeutics company in the last 10 years***

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## MARKETING STUDY 022 COMPLETED
### Significant respiratory advantage with MoxDuo IR

- **The intensity of oxygen desaturation (respiratory depression) was significantly less for MoxDuo IR than for morphine or oxycodone at equi-analgesic doses**
- Double-blind, randomized, fixed dose trial; n=375; 4 U.S. sites in patients with moderate to severe post-operative pain following bunionectomy surgery
- FDA requested administration of anti-nausea medication to patients that vomited, limiting the interpretation and comparative value of nausea and vomiting measurements (not study objective); nonetheless, MoxDuo produced significantly less vomiting than oxycodone

***Respiratory depression is the leading cause of death from opioids***

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## STUDY 022 TOP-LINE RESULTS

- **Met primary comparative endpoint of respiratory advantage with MoxDuo IR**
- **Secondary endpoints also show advantage**
  - Moderate to severe vomiting was significantly ($p<0.05$) reduced (32% vs. 42%) in MoxDuo IR treated subjects compared to patients receiving oxycodone alone; nausea was also lower in the MoxDuo treated subjects than each of the controls (not statistically significant)
- **Regulatory impact**
  - Met an agreed upon safety threshold for the BfArM (European regulatory authority) **to support our planned EU MAA filing in 2012.**
  - To augment U.S. NDA although not required for product approval

***To our knowledge, a safety benefit for respiratory depression has never been reported for any opioid***

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## OPPORTUNITY SNAPSHOT

- **Blockbuster potential in a growing market**
  - In the US: IR $2.0bn; IV $274mm; CR $5.6bn [1]
  - Subject to FDA approval, MoxDuo IR ready to launch in CY2012
- **MoxDuo key advantages**
  - Widen therapeutic window for acute pain relief
  - Equal or better pain relief with fewer side effects than morphine, oxycodone and Percocet®
  - **Possible breakthrough benefits with less risk of opioid-induced respiratory failure**

***MoxDuo IR – Better pain relief, fewer and less severe side effects***

*Source: [1] IMS*

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## OPPORTUNITY SNAPSHOT

- **Economic impact to healthcare system**
  - Speedier recoveries = fewer days in hospital
  - KOL and payor acceptance of value/clinical benefits
- **Strong patent protection**
  - Composition of matter, therapeutic use, Method of Administration, and new formulations

***MoxDuo IR – Better pain relief, fewer and less severe side effects***

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## ADDITIONAL PROGRAMS

**MoxDuo CR**

**MoxDuo IV**


**Morphine + Oxycodone**

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# ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## MOXDUO CR: DEVELOPMENT STATUS

- **Controlled-release (MoxDuo CR) dual-opioid**
  - 12 hours of pain relief
  - Abuse deterrent and tamper resistant tablet
- **Phase 1 pharmacokinetic (PK) study: Formulation demonstrated profile consistent with twice-daily administration**
  - Component doses of MoxDuo CR vs. Oxycontin® 20 mg (sustained release oxycodone)
  - N=14 normal, healthy volunteers, single dose crossover design
  - Compared the rate at which oxycodone component of the CR formulation was absorbed, distributed, metabolised and eliminated
  - Confirmed advantageous PK profile of MoxDuo CR

***Next Phase 1 study IND approved, ready to initiate in CY2011***

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## MOXDUO IV: DEVELOPMENT STATUS

- **Aoxing Strategic Alliance**
  - Aoxing funds clinical development in exchange for exclusive marketing rights in China (royalties to QRxPharma)
  - QRxPharma retains ownership of MoxDuo IV and rights to use Aoxing generated data for product registration outside China
- **Completed Phase 2 POC study:** IV morphine/oxycodone vs. IV morphine alone
  - Moderate to severe post-operative pain (hip replacement)
  - Improved pain relief scores with morphine/oxycodone (MoxDuo IV formulation) with fewer doses required and reduced adverse events

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## MOXDUO PRODUCT PIPELINE

| | PRE-CLINICAL | PHASE 1 | PHASE 2 | PHASE 3 | NDA LODGED |
|---|---|---|---|---|---|
| PAIN MANAGEMENT | | | | | |
| MoxDuo IR | | | | | |
| MoxDuo IV | | | | | |
| MoxDuo CR | | | | | |

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## Corporate Overview and Capital Raising

MOXDUO®

Morphine + Oxycodone

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# / ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## FINANCIAL SUMMARY (19 JULY 2011)

| | |
|---|---|
| **Shares on issue:** | 126 million (ordinary) |
| **Market cap:** | A$202 million |
| **Cash on hand:** | |
| 30 June 2011 | A$ 7.3 million |
| Net proceeds from raising[1] | A$28.5 million |
| **Proforma cash on hand** | **A$35.8 million** |
| **Cash burn:** | FY2013 |
| **Share registry:** | +80% institutional / HNW |
| **Listing:** | ASX: QRX / OTCQX: QRXPY |

*[1] Assuming a $30 million capital raising*

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## OFFER DETAILS

| Pricing | |
|---|---|
| Closing price on 19 July 2011 | $1.61 |
| Equity raising price | $1.45 |
| Discount to closing price | 10% |

| Equity raising details | |
|---|---|
| **Placement** [1] | |
| Placement shares (11%) | 13.8m |
| Placement proceeds | $20.0m |
| **Entitlement offer** | |
| Ratio | 1 for 20 |
| Number of shares issued | 7.0m |
| Entitlement offer proceeds | $10.1m |
| **Total equity raised** | **$30.1m** |

| Shares on issue | |
|---|---|
| Current shares on issue | 125.8m |
| Placement shares | 13.8m |
| Entitlement offer shares | 7.0m |
| **Shares on issue after capital raising** | **146.6m** |

**Offer Structure & size**

Placement

Followed by a non renounceable rights issue (new placement shares eligible to participate in rights issue)

Shareholders are able to apply for additional shares in excess of their rights

Placement and rights issue are not underwritten

**Ranking**

Shares issued under the placement and rights issue will rank equally in all respects with existing ordinary shares from allotment

*[1] The Company and the Joint Lead Managers reserve the right to increase the size of the Placement to $25 million (subject to demand)*

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## TIMETABLE

| | Dates |
|---|---|
| Trading Halt | Wednesday 20 July – Thursday 21 July 2011 |
| **Placement Book closes** | **10.00am Thursday 21 July 2011** |
| Capital raising announced, Offer Documents lodged with ASX, QRX shares re-commence trading | Friday 22 July 2011 |
| Ex date for the Rights Issue | Tuesday 26 July 2011 |
| Settlement of Placement and Allotment of Placement Shares | Wednesday 27 July 2011 |
| Placement Shares trade on ASX | Thursday 28 July 2011 |

*Note: All dates are subject to change at the discretion of the Company*

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## TIMETABLE

| | |
|---|---|
| Record Date for the Rights Issue | 6pm (Sydney time) Tuesday 2 August 2011 |
| Rights Issue opens | Monday 8 August 2011 |
| Rights Issue closes | 5pm (Sydney time) Monday 22 August 2011 |
| Rights Issue shares trade on a deferred basis | Tuesday 23 August 2011 |
| ASX notified of under-subscriptions | Thursday 25 August 2011 |
| Despatch date | Tuesday 30 August 2011 |
| Normal trading commences | Wednesday 31 August 2011 |

*Note: All dates are subject to change at the discretion of the Company*

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# ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## CORPORATE SNAPSHOT

**Key Statistics**

**ASX Code: QRX**
Last share price: $1.61
12 month high: $2.51
12 month low: $0.845
Shares on issue: 126 million
Market cap: $202 million (at last close)

**Major shareholders**

Orbis Investment Management – 7.6%
BT Investment Management – 6.8%
Innovation Capital Group – 6.7%
John Holaday (MD) – 6.0%
Four Hats – 5.8%

**Register**

Top 20: 67.4%
Top 50: 76.1 %
Total = 1,717 shareholders

**Share price performance**


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## LEADERSHIP TEAM

**Senior Management**

- John Holaday, PhD (CEO)*
- Chris Campbell (CFO)
- Richard Paul, MD (EVP Drug Development)
- Warren Stern, PhD (Clinical Consultant)
- Janette Dixon, PhD (VP Global BD)
- Patricia Richards, MD, PhD (CMO)
- Phil Magistro (Chief Commercial Officer)

**Scientific Advisory Board**

- Solomon Snyder, MD (Chair)
- Lester Crawford, DVM, PhD
- Robert Lenox, MD
- Guy A. Caldwell, PhD
- Michael J Cousins, MD, AM
- Horace H Loh, PhD
- Gavril Pasternak, MD, PhD
- David Janowsky, MD
- Ed Rudnic, PhD

**Board of Directors**

- Peter Farrell, PhD - Chairman (ResMed)
- Michael Quinn (Innovation Capital)
- Peter Campbell (Sonic Healthcare)
- Gary Pace, PhD (ResMed, founder QRxPharma)
- John Holaday, PhD (CEO)*

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"The clinical advantages of MoxDuo IR have the potential to change the traditional methods of treating moderate to severe pain by providing **better pain relief without many of the debilitating side effects** seen with traditional opioid drugs."

**Dr. Bruce Nicholson, leading US pain physician**

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# RISKS

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 the Placement and the Rights Issue.

Before making a decision, investors should consider each of the risks described in this section and QRxPharma's periodic and continuous disclosure announcements lodged with the ASX. 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 the capital raising they should seek professional advice from their stockbroker, solicitor, accountant, or other qualified professional financial advisor.

## General Risks

### Share Market Risks

Potential investors should recognise that there are risks associated with any investment in shares. On completion of the Placement and Rights Issue, 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 the Placement and Rights Issue.

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# ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## RISKS

General Risks continued

**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.

**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 Placement and Rights Issue 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.

**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.

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## SPECIFIC RISKS TO QRXPHARMA

**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.

**Clinical Development**

Whilst QRxPharma has completed its Phase 3 registrational study programme for MoxDuo IR it 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. QRxPharma 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.

**Regulatory Risks**

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 and whilst QRxPharma has completed its Phase 3 registrational study programme for MoxDuo IR there can be no guarantees that NDA approval from the FDA to sell MoxDuo IR is obtained in a reasonable timeframe or is obtained at all. Unexpected delays to regulatory approval and commercialisation may therefore occur.

As with any company involved in developing pharmaceutical products, QRxPharma must comply with the regulatory framework in any country in which it intends to market the product in question. These requirements vary depending on the relevant product 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 MoxDuo IR does not necessarily mean that approval will automatically be obtained for MoxDuo IV or MoxDuo CR.

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## SPECIFIC RISKS TO QRXPHARMA

**Future Funding Requirements**

The Directors believe that QRxPharma will have sufficient cash reserves to fund its activities through to FDA regulatory approval of MoxDuo IR . 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.

**Reliance on Partners and Commercial Agreements**

QRxPharma currently intends to negotiate and enter partnership agreements in relation to the commercialisation of MoxDuo. Delays in negotiating, or a failure to enter such arrangements, may lead to delays in bringing products to market or may result in less favourable financial terms for QRxPharma once such agreements are entered.

QRxPharma does not have and does not intend to obtain facilities capable of manufacturing its proposed products in commercial quantities. QRxPharma 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 - 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.

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## SPECIFIC RISKS TO QRXPHARMA

**Reliance on Key Personnel**

QRxPharma has a number of key personnel at the Board, executive and scientific/operational level. While QRxPharma is committed to providing attractive employment conditions and prospects, 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.

**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.

**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.

**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.

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## SPECIFIC RISKS TO QRXPHARMA

**Use of Net Proceeds of the Offer**

QRxPharma has indicated the current anticipated use of net proceeds of the Placement and Rights Issue proceeds earlier in this presentation. 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.

**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.

**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, Abbott, Purdue Pharma, Mundipharma, Cephalon, Pfizer 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.

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## CONTACT INFORMATION

**Australia**

QRxPharma Limited
Level 1, 194 Miller Street
North Sydney, NSW 2060
+61 2 9492 8021
+61 2 8920 0314 (fax)

**United States**

1430 US Highway 206
Suite 230
Bedminster, NJ 07921
+1 908 506 2900
+1 908 506 2918 (fax)

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# Appendix

MOXDUO®

Morphine + Oxycodone

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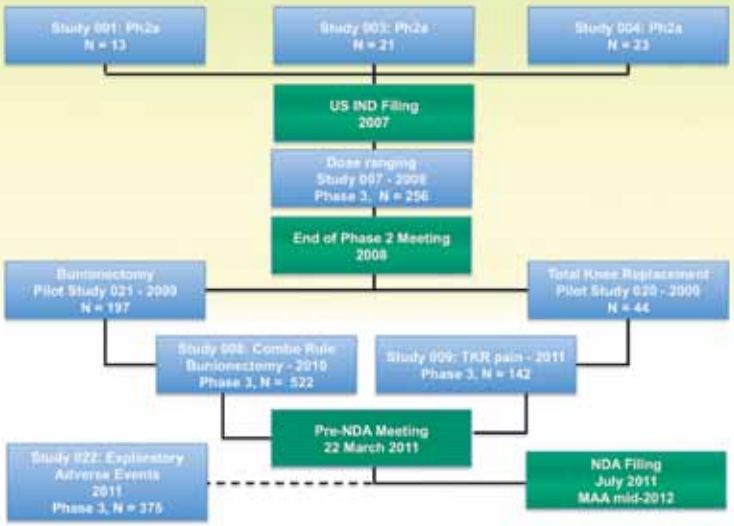
## CLINICAL DEVELOPMENT COMPLETED: MOXDUO IR

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# / ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## KEY TRIAL CONCLUSIONS

- **Bunionectomy Trials: Pilot 021 and Pivotal 008**
  - 719 total patients treated
  - Satisfied FDA Combination Rule
  - Met primary analgesic efficacy endpoint vs morphine and oxycodone
    - MoxDuo IR proven superior to components on efficacy measures
  - Consistent safety advantage of MoxDuo IR
    - Pilot: 50% -75% lower frequency of moderate to severe nausea, vomiting and dizziness when compared to equi-analgesic doses of morphine or oxycodone
    - Phase 3: Despite higher dose and better pain relief of MoxDuo than morphine or oxycodone, AE rate and duration not statistically different
- **Total Knee Replacement Trials: Pilot 020 and Pivotal 009**
  - 186 total patients treated
  - Met all primary analgesic efficacy endpoint vs Percocet
    - Pilot: MoxDuo superior to Percocet
    - Pivotal: MoxDuo High Dose better pain relief than low dose
  - Frequency of AEs much lower than Percocet

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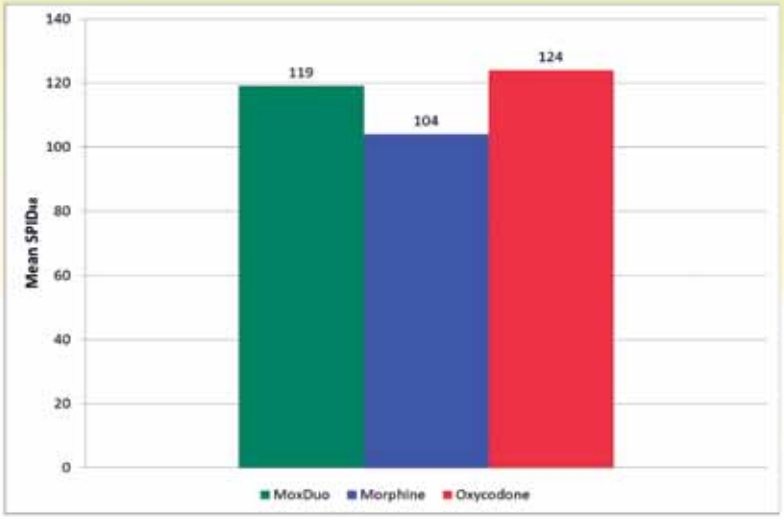
## STUDY 022: MARKETING STUDY
### equal analgesic doses

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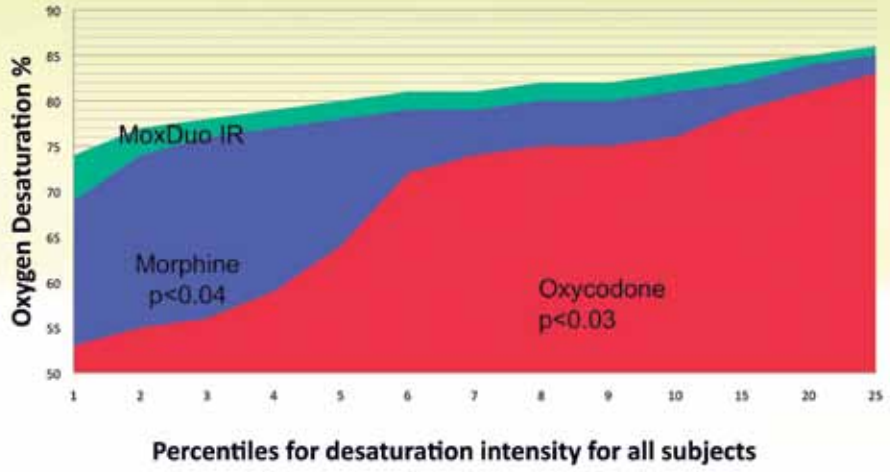
## STUDY 022: RESPIRATORY DEPRESSION

### oxygen desaturation intensity by treatment




***MoxDuo produces significantly less respiratory depression***

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QRx Pharma

## THE MARKET OPPORTUNITY

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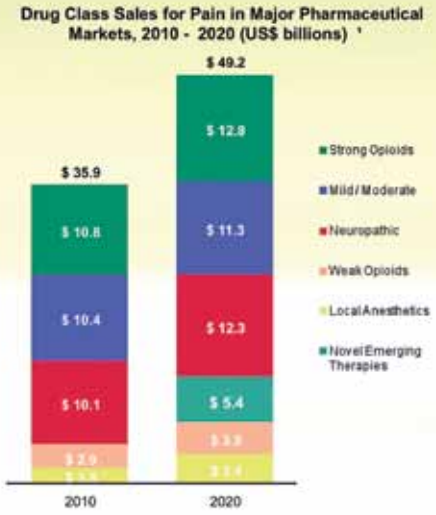
# / ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## GLOBAL PAIN MARKET
## CURRENT STATE OF PAIN PRODUCTS

- Large market opportunity-US $14bn global market ($8 bn + US); CAGR > 6%
- 210mm Rxs in US acute pain opioid market - Vicodin/Percocet dominate
- Limited product innovation to date in the pain market; clear need for opioids with fewer side effects
- Strong opioids are the "gold standard" in treating moderate to severe pain
- Strong opioids are forecast to maintain sales dominance through 2020 (aging population)




Source: [1] Avos Life Sciences (Decision Resources)

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## US PAIN MARKET
### Future State of Pain Product Offerings

- **Regulatory and political climate creates significant potential for rescheduling/limiting hydrocodone/paracetamol products due to liver toxicity, increasing MoxDuo's market potential**
  - 2009 FDA Advisory Panel vote to eliminate some prescription products that combine high doses of paracetamol (acetaminophen) with other drugs like narcotics, specifically Vicodin & Percocet
  - Vicodin and its generics are the most abused opioids in the US with a bill before US Congress to reschedule with other opioids, leveling the playing field in the marketplace
- **2011 FDA mandates that all products containing >325mg of paracetamol to be off the market within 3 years** [1]
  - Greater use of lower strength opioid/paracetamol combos will likely increase number of patients with inadequate pain control

***Acute pain market in the US is undergoing disruptive changes that advantage MoxDuo IR***

[1] FDA News Release – 13 January 2011

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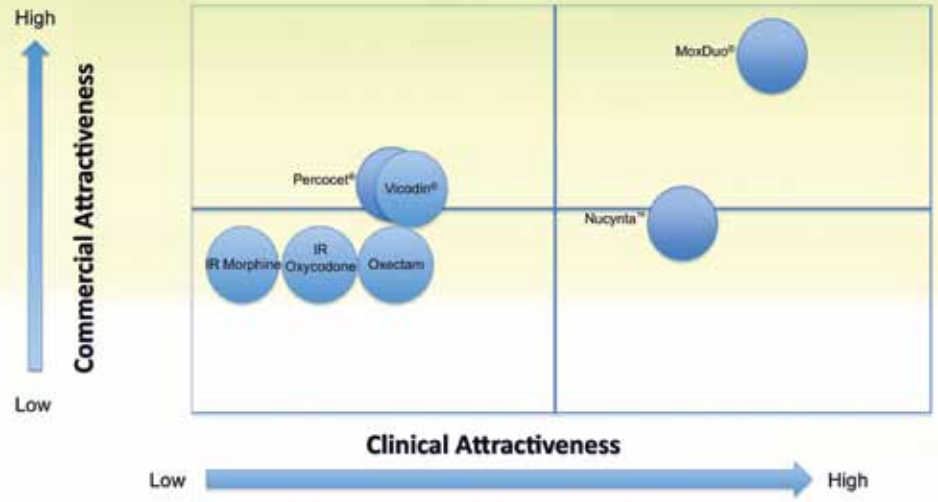
## MOXDUO® IR TARGET PRODUCT PROFILE

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## MOXDUO US PEAK SALES POTENTIAL
### (Company Estimates)

| | MoxDuo IR | MoxDuo IV | MoxDuo CR |
|---|---|---|---|
| **Market Size** | ▪ ~200 mm Rx (2012)<br>▪ Annual market growth of 1.0%<br>▪ QRx targets approx. 50% of market | ▪ ~29 mm Rx (2014)[1]<br>▪ Annual market growth of 1.0%<br>▪ QRx targets 100% of market | ▪ ~34 mm Rx (2015)<br>▪ Annual market growth of 3.0%<br>▪ QRx targets 100% of market |
| **Market Penetration** | ▪ Initial share: 1.0% (2012)<br>▪ Peak share: 5.0% (2015) | ▪ Initial share: 1.5% (2014)<br>▪ Peak share: 13.0% (2018) | ▪ Initial share: 1.4% (2015)<br>▪ Peak share: 13.9% (2020) |

***Respiratory depression is the leading cause of death from opioids***

*1 Rx represents eaches.*

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# ANNEXURE – INVESTOR PRESENTATION LODGED ASX: 20 JULY 2011

## MOXDUO US PEAK SALES POTENTIAL
### (Company Estimates)

| | MoxDuo IR | MoxDuo IV | MoxDuo CR |
|---|---|---|---|
| **Pricing** | ▪ Initial price: $112 based on 4 doses per day and 14 days of therapy<br>▪ Annual price improvement: 5.0%<br>▪ **Peak sales: ~$680 mm** | ▪ Initial price: $32 based on 4 vials per day and 2 days of therapy<br>▪ Annual price improvement: 5.0%<br>▪ **Peak net sales: ~$150 mm** | ▪ Initial Rx Price: $180 based on 2 doses per day and 30 days of therapy<br>▪ Annual price improvement: 5.0%<br>▪ **Peak net sales: ~ $1,300 mm** |
| **Blockbuster Opportunity** | ▪ Paracetamol Limitation -**Peak sales: ~$1,350 mm**<br>▪ plus Vicodin Rescheduling - **Peak sales: ~$2,000 mm** | | ▪ **Oxycontin - $3 billion/ year - off patent in 2013, opening market for MoxDuo CR in 2015** |

***Respiratory depression is the leading cause of death from opioids***

*1 Rx represents eaches.*

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## PHARMACOECONOMIC BENEFITS

- Knee replacement study (Study 020) demonstrated that MoxDuo treated patients, when compared to Percocet® treated patients, were out of bed faster, walked and slept better
- Pharmacoeconomic studies report that up to $30,000 per patient is spent on managing the side effects of opioid therapies
  - Extended hospitalization, increased nursing care and re-admissions
- QRxPharma has met with reimbursers, managed care providers and key opinion leaders
  - Indicate that decreasing hospitalization time by as little as 4 hours, or recovery room time by 20 minutes, would be an enormous pharmacoeconomic benefit and enhance MoxDuo IR prescriptions

***MoxDuo's side effect advantages may improve patient recovery and decrease hospital time***

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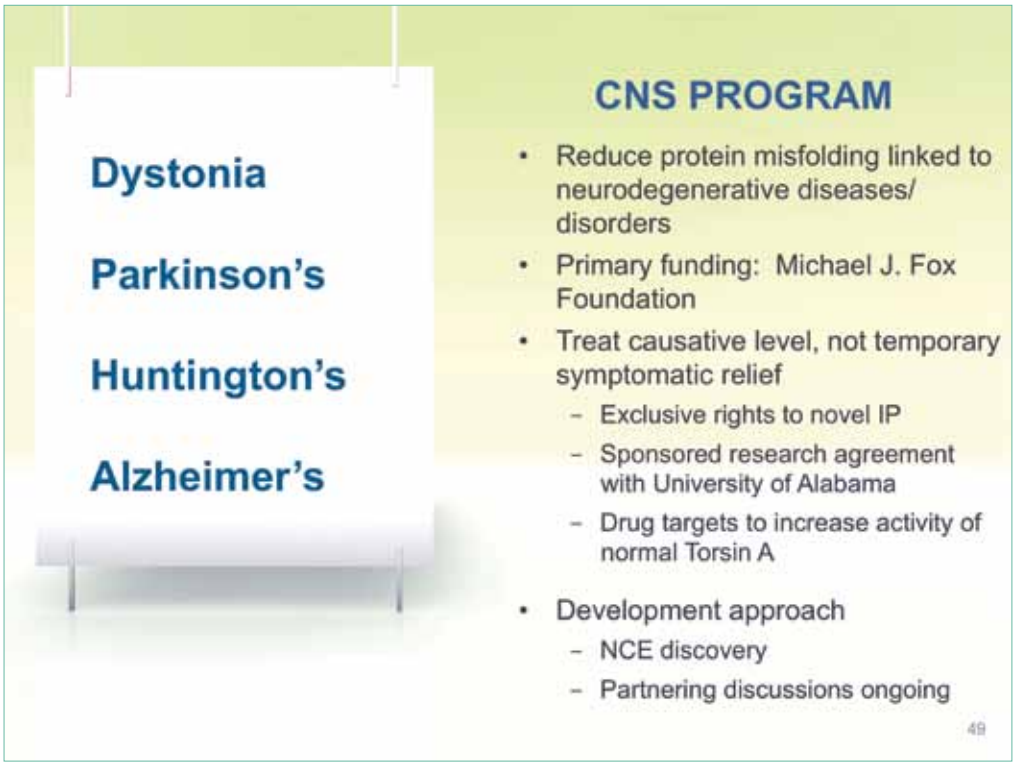
Dystonia
Parkinson's
Huntington's
Alzheimer's
CNS PROGRAM
• Reduce protein misfolding linked to neurodegenerative diseases/ disorders
• Primary funding: Michael J. Fox Foundation
• Treat causative level, not temporary symptomatic relief
– Exclusive rights to novel IP
– Sponsored research agreement with University of Alabama
– Drug targets to increase activity of normal Torsin A
• Development approach
– NCE discovery
– Partnering discussions ongoing
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# GLOSSARY

**Accredited Investors**
means Accredited Investors as defined in Rule 501(a) of Regulation D of the Securities Act.

**Additional New Shares**
means New Shares in excess of an Entitlement.

**AEST**
means Australian Eastern Standard Time (Sydney time).

**Application Monies**
mean the application monies payable for an Entitlement.

**ASIC**
means the Australian Securities and Investments Commission.

**ASX**
means the Australian Securities Exchange.

**Board**
means the board of directors of QRxPharma.

**Corporations Act**
means the Corporations Act 2001 (Cth).

**Eligible Shareholders**
means those holders of Shares who:

* are registered as a holder of Shares at the Record Date; and

* have a registered address in either Australia or New Zealand or have a registered address in the US and are US Eligible Shareholders; and

* are otherwise eligible under all applicable securities laws to receive an offer under the Rights Issue.

**Entitlement or Right**
means the opportunity to participate in the Rights Issue.

**Ineligible Shareholders**
means shareholders with registered addresses outside of Australia, New Zealand and the US.

**Institutional Placement**
means the placement of shares to institutional investors, as announced by QRxPharma on 22 July 2011.

**Investment Declaration**
means the investment declaration accompanying this Rights Issue Booklet sent to US Eligible Shareholders only.

**Investor Presentation**
means the investor presentation annexed to this Rights Issue Booklet.

**Issue Price**
means the issue price of A$1.45 per New Share.

**Joint Lead Managers**
means RBS Morgans Corporate Limited and Bell Potter Securities Limited.

**Listing Rules**
means the Listing Rules of the ASX.

**New Share**
means 1 new QRxPharma ordinary share for every 20 existing QRxPharma ordinary shares held.

**QRxPharma**
means QRxPharma Limited (ACN 102 254 151).

**Record Date**
means 7.00 pm on Tuesday, 2 August 2011.

**Registry**
means Link Market Services Limited of Level 12, 680 George Street, Sydney NSW 2000 Australia.

**Rights Issue**
means the non-renounceable pro-rata rights issue conducted by QRxPharma to subscribe for 1 new QRxPharma ordinary share for every 20 existing QRxPharma ordinary shares held at the Issue Price per New Share.

**Rights Issue Booklet**
means this rights issue booklet.

**SEC**
means the U.S. Securities and Exchange Commission.

**Securities Act**
means the U.S. Securities Act of 1933, as amended.

**Shares**
means existing QRxPharma ordinary shares held.

**US Eligible Shareholders**
means shareholders of QRxPharma who have a registered address in the US and are Accredited Investors.

**U.S. Person**
means U.S. Person as defined in Regulation S under the Securities Act.

# CORPORATE DIRECTORY

**Registered Office**

Level 1
194 Miller Street
North Sydney NSW 2060
Australia

**Share Registry**

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia
http://www.linkmarketservices.com.au/public/home.html

**Joint Lead Managers**

RBS Morgans Corporate Limited
Level 7, RBS Tower
88 Phillip Street
Sydney NSW 2000
Australia
www.rbsmorgans.com

Bell Potter Securities Limited
Level 32, Aurora Place
88 Phillip Street
Sydney NSW 2000
Australia
www.bellpotter.com.au

**Legal Adviser**

DibbsBarker
Level 8
Angel Place
123 Pitt Street
Sydney NSW 2000
Australia
www.dibbsbarker.com

**Offer Information Line**

1800 612 532 (free call from Australia)
+61 2 8280 7713 (outside Australia)

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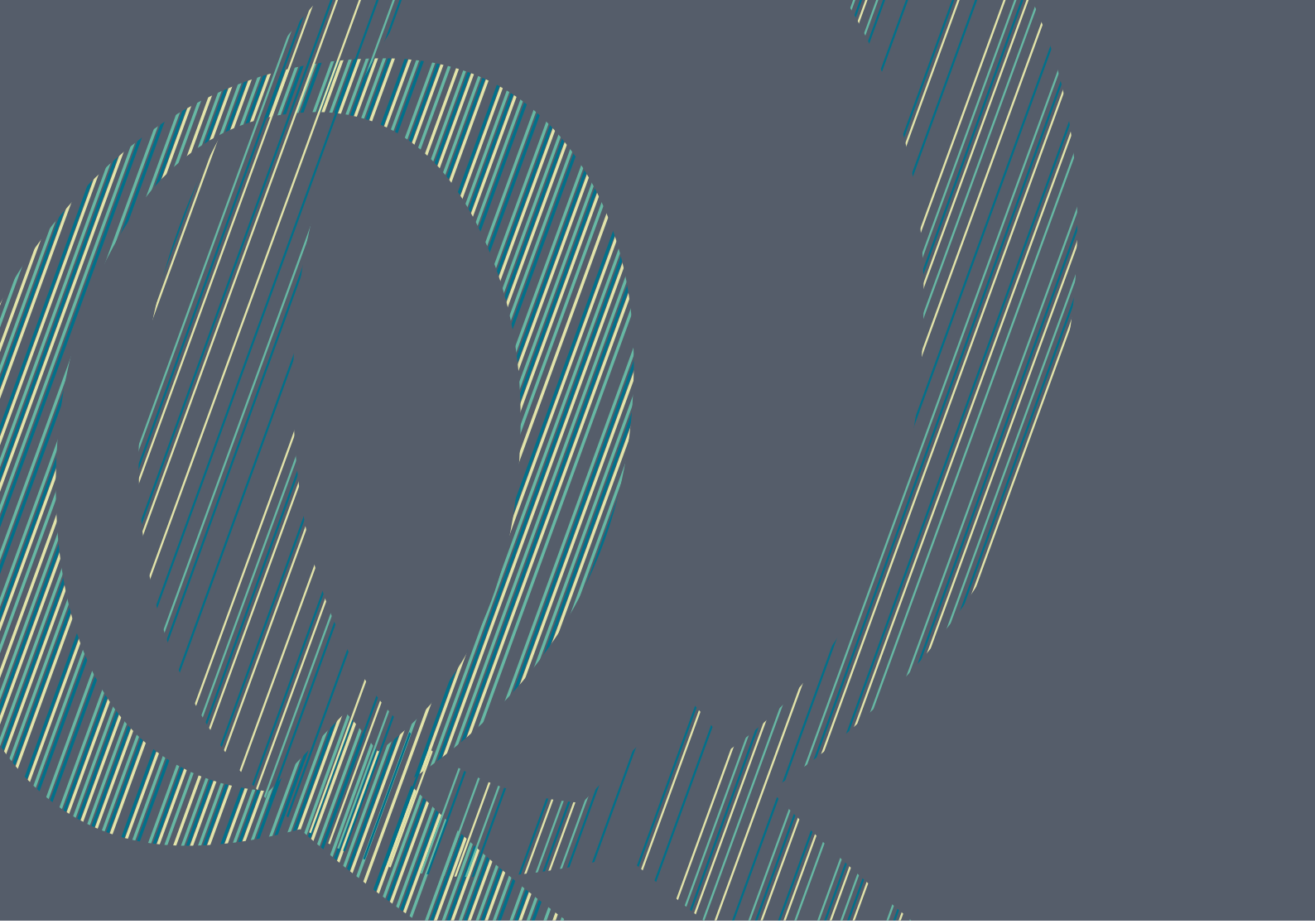


Australia

QRxPharma Limited
Level 1, 194 Miller Street
North Sydney, NSW 2060

+61 2 9492 8021
+61 2 8920 0314 (fax)

United States

1430 US Highway 206
Suite 230
Bedminster, NJ 07921

+1 908 506 2900
+1 908 506 2918 (fax)