

ASX AND MEDIA RELEASE

23 July 2010

QRS ENTERS INTO TERM SHEET TO ACQUIRE API SERVICES AND SOLUTIONS BUSINESS

QRSciences Holdings Limited (ASX:QRS) is pleased to announce that it has entered into a non-binding term sheet (**Term Sheet**) with API Security Pty Limited (**API**) in relation to the potential acquisition by QRS of the API Services and Solutions business (**Business**)(**Transaction**).

The API Services and Solutions business is one of Australia's leading security businesses. The Business provides locksmith services including the design and installation of masterkey services and the servicing and keying of lock systems.

QRS CEO Rick Stokes said, "*The Transaction will be significant for QRS. Unaudited management accounts (which will be reviewed in due diligence) show that the Business had revenue in FY10 of approximately \$24 million and EBIT of \$3 million. The Transaction has the potential to provide synergies with QRS's existing security business through the distribution of QRS's products through API's 19 branches located Australia wide.*"

The non-binding Term Sheet sets out some of the terms on which QRS may acquire the Business. Those terms include:

- a purchase price of \$12,700,000 subject to a working capital adjustment;
- QRS assuming debts of the Business in the amount of \$1,446,000;
- API providing certain transitional services to QRS;
- QRS being granted exclusivity in relation to the acquisition of the Business until 7 September 2010 (unless the Term Sheet is terminated before that date); and
- API agreeing to pay a break fee to cover certain expenses incurred by QRS if API does not proceed with the sale of the Business to QRS on the terms set out in the Term Sheet.

QRS has commenced due diligence on the Business and is negotiating with third parties on a financing package for the Transaction. The Transaction may be partially funded from QRS's existing cash holdings of approximately \$7 million and / or may be funded by way of a rights issue. QRS will make an announcement to the ASX in due course if it determines that it will undertake a rights issue.

Completion of the Transaction is subject to QRS being satisfied with its due diligence on the Business and entering into binding legal transaction documents.

QRS will keep the market updated as to any material developments on this Transaction.

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Enquiries:

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About QRSciences

QRSciences Holdings Limited is based in Melbourne, Victoria. Its wholly owned distribution business, QRSciences Security Pty Ltd has offices located in Melbourne, Sydney, Brisbane and Perth, and comprises Q Video Systems and Q Alarm Supplies.

www.QRSciences.com or www.qcctv.com.au