

ASX AND MEDIA RELEASE

QRSciences post maiden profit and forecast strong growth for 2010

Summary

QRSciences Holdings Limited (ASX:QRS) (QRSNY:PK) ("QRSciences") announced its results for the year ended 30 June 2009. Revenue increased by 5.3% up to \$18.02m. For the period the Company had a net profit after tax of \$673k against a loss last period of \$33.94m.

The profit was driven by the continuing restructure of the Company's operations and in particular the write back of \$5.976m associated with the disposal of the patents which the Company had purchased from British Technology Group (BTG) in 2006.

The Company is forecasting revenue and profit growth in a range of 15-20% for FY10

In addition to the Company's operating business it owns a handful of non-core assets including a 24.2% stake in Spectrum San Diego; a technology subsidiary based in Perth, Western Australia, QRSciences Pty Ltd; and a 97.83% stake in Diversified Opportunities which is a U.S. based publicly traded shell. There is high degree of likelihood that the Company will divest some or all of these assets in the upcoming financial year.

FY09 Highlights

QRSciences Security Pty Ltd (QRSS)

- QRSS had revenue of \$17.78m in FY09 up from \$ 16.73m or 6% compared with FY08, the loss for the year was \$ 756k against a profit in FY08 of \$1.2m; the loss includes an increase in provisions of \$ 566k.
- The adjusted loss after movement in provisions for QRSS was \$ 189k for FY09.
- The results were affected by the decline in value of the Australian Dollar and the slowdown in commercial activity in the market in the first half of FY09.
- QRSS had a positive cash flow for the last quarter of FY09 of \$ 573k; sales for the quarter were \$ 5.061m with a net profit of \$ 430k, which sets the scene for good growth in FY10.
- QRSS went through a restructure in the last quarter to streamline the business and ensure the business maintains future profitability.
- QRSS forecasts growth in profit and sales in a range of 15-20% in FY10.
- The QRSS business unit's recently established Q Alarm Supplies (QAS) has shown encouraging signs with expectations that it will contribute solidly to the results in FY10.

QRSciences Pty Ltd (QRSPL)

As announced on 15 July, 2009 the Company intends to divest or restructure the QRSciences Pty Ltd business located in Perth. The Company is currently seeking indications of interest from potential purchasers and expects to finalise these matters in the next few months.

The Company worked on three government contracts during FY09 which are described below:

AMDS I Contract Status

Australian Customs have informed the Company that they expect to purchase another AMDS-I unit for the Sydney Gateway Facility.

Scheduled maintenance for the seven installed AMDS-I units is progressing satisfactorily. Service dates for all units have been brought in-line commencing July 1, 2009 with annual service revenue of approximately \$10k per deployed unit.

AMDS-II Contract Status

The AMDS-II contract will generate approximately \$500k in revenue through the end of the calendar year. Sales of the upgraded device will depend upon trials that are scheduled for November. In addition, we could see 1-2 machines purchased by TSWG for extended trials in the US including some cost reimbursement to support those requirements. Longer term, we hope for continuing support from Australian Customs and other stakeholders including the US Army who have shown interest in assessing the technology for mass transit applications.

NSST - Air Cargo Screening Contract Status

The first phase of this project was completed in March. The Company has a unique approach that has generated significant interest both in Australia and internationally. A patent was filed recently to protect the invention. Initial trials have shown great potential with projected detection rate for a full size scanner approaching 100% and false alarm rate as low as 1%. False alarm rates below 5% are considered exceptional. This is an extremely topically area and has a large potential market with over 600 distribution points in the US alone. The world wide air cargo screening market is in excess of a billion dollars.

There is strong support within the Prime Minister and Cabinet's office to see the project through to completion and they have encouraged the Company to find a partner to take the project through to commercialization. PM&C are assisting the Company in its search for additional support from other national and international government departments.

The national NSST, RSCT program for 2009-2010 opened on 22/08/09 and QRS will be putting forward two submissions for this work. The proposals will be structured around funding to complete proof-of-concept and full proto-type.

Spectrum SDI, Inc

QRS is Spectrum's second largest shareholder and maintains a 24.2% preferred equity stake, 20.2% on a fully diluted basis.

To date the Spectrum organisation has commercialized 3 products including CarSCAN™, CastScope and SentryScope.

Spectrum has made outstanding progress on the CarSCAN™ project since being awarded a U\$1.6M contract in June 2007. CarSCAN™ is an archway configuration that uses an ultra-low-level x-ray beam to screen vehicles for car-bombs, contraband and hidden persons.

The CarSCAN™ product was unveiled at the Force Protection Equipment Demonstration VII (FPED VII) from May 19-21, 2009 at the Stafford County Regional Airport, Stafford, Virginia.

Concurrent with FPED, the CarSCAN™ unit underwent testing conducted by the U.S. Government. Field trials are being conducted with potential customers including U.S. Customs, TSA Maritime and the U.S. military.

CarSCAN™ is a break-through technology with the potential for extremely rapid market growth. A number of tenders are out and sales are expected from this product in the second half of CY10.

CastScope was developed for the TSA to screen passengers wearing casts, bandages, and artificial limbs. Spectrum received its first delivery order from TSA in September 2007, totally U\$1.7m. Delivery was completed last year and there are now 34 units in operation. Additional demonstration units have been sold in Australia, Italy and China.

WeaponScan is Spectrum's concept product for next generation body scanner. The Company has filed for U.S. patent protection and completed the conceptual design of the product. The commercialization of this product is on hold due to the company's lack of resources and current focus on the CarSCAN™ and CastScope projects.

Spectrum recently raised capital at \$7.00 per share giving it a deemed valuation of approximately U\$16m

Update on Diversified Opportunities in the US

The Company owns a 97.83% stake in Diversified Opportunities (DVOP) that it wishes to sell. DVOP is a U.S based publicly traded shell company which is actively looking for an investment opportunity which will provide an appropriate exit for the Company.

FY10 Outlook

FY09 was another important year in the development of our Company. We withstood the affects of the global economic crisis and were able to grow the business and raise capital under the most volatile conditions seen in financial markets for many years.

Building on that momentum the Company expects its revenue for FY10 to be in the range of \$21-23m. The guidance is based on current estimates and customer indications of demand for the QRSciences Security distribution business. This positive outlook anticipates a continuation of the strong growth experienced by the group to date, as it increases market share in the rapidly growing Australian security products market.

The guidance provided to the market does not include any revenue projections for QRSciences technology assets.

We expect our business to continue to grow both organically and through opportunities that present themselves in the market. In addition we continue to work diligently to unlock, what we believe is hidden value in our technology assets. The Company expects some disposal and divestiture activity of non-core assets to occur over the coming year which will further bolster our cash position.

Rick Stokes

CEO
QRSciences Holdings Limited

About QRSciences

QRSciences Holdings Limited is based in Melbourne, Victoria with offices in Perth, Western Australia and San Diego, California. Its wholly owned distribution business Q Video Systems is based in Port Melbourne, Australia. The primary commercial focus of the company is the design, development and sale of advanced technology systems, sub-systems, components and software for security related applications. Applications for its technologies and products include the detection of explosives and narcotics, metal detection and imaging, surveillance and monitoring.

For more information on the Company please visit www.QRSciences.com or www.qcctv.com.au, phone: +61(3)9681-9854