

**ASX AND MEDIA RELEASE**

27 February 2009

**HALF YEARLY UPDATE**

QRSciences (ASX:QRS) (QRSNY:PK) today announced its results for the six months ended 31 December 2008. Revenue increased to \$ 9.9m, an increase of 11% over the same period last year. The net operating loss of \$ 3.746m was an increase of 63% over the same period last year. The main driver in the increased loss was related to foreign currency revaluation of \$ 1.751 million.

The devaluation of the Australian Dollar and higher cost of imported goods for the Security Distribution translated into a weaker cash position and tempered results for the half year.

Revenue continued to grow within the Security Distribution business and within Spectrum, QRSciences 27.4% owned asset in the USA. This trend is expected to continue. The QR technology business continues to operate at a near break-even run-rate funded by contract research and product sales.

Cost cutting in the technology business significantly reduced operating expenses over the period. Additional cost cutting and review of operations of individual business units is ongoing and should be completed by the end of the current year.

With stability re-established in the market the Company is positioned to recover significantly in the second half of the year.

The Board and Senior Management of QRSciences continue to believe that the Company's assets are undervalued by the market, and are continuing to work diligently on a plan to unlock and realise that value for shareholders.

**About QRSciences**

QRSciences Holdings Limited is based in Melbourne, Victoria with offices in Sydney, Brisbane, Perth, and San Diego, California. Its wholly owned distribution business QRSciences Security Pty Ltd 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](http://www.QRSciences.com) or [www.qcctv.com.au](http://www.qcctv.com.au), phone +61 3 9681 9854.



Rick Stokes  
CEO  
QRSciences Holdings Limited

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## Appendix 4D Half yearly report 31 December 2008

**QRSciences Holdings Limited** ABN 27 009 259 876

Results for announcement to the market

*Extracts from this report for announcement to the market.*

\$A'000

Revenues from ordinary activities	Up	11.02%	to	9,903
Net (Loss) from ordinary activities after tax attributable to members	Up	63.38%	to	(3,746)
Net (Loss) for the period attributable to members	Up	63.38%	to	(3,746)

<b>Dividends</b>	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

+Record date for determining entitlements to the dividend

No dividend has been declared or paid.

Brief explanation of any of the figures reported above and short details of any other item(s) of importance not previously released to the market:

Refer attached Half Year financial report

Net Tangible Assets Backing	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	(0.24¢)	3.47¢

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QRSCIENCES HOLDINGS LIMITED  
ABN 27 009 259 876  
AND CONTROLLED ENTITIES

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**HALF YEAR FINANCIAL REPORT  
31 DECEMBER 2008  
ABN 27 009 259 876**



**Holdings Limited  
and controlled entities**

**QRSciences Holdings Limited  
is incorporated in Western Australia**

**QRSCIENCES HOLDINGS LIMITED**  
**ABN 27 009 259 876**  
**AND CONTROLLED ENTITIES**

## **CORPORATE DIRECTORY**

This Half Year Report covers QRSciences Holdings Limited as a consolidated entity comprising QRSciences Pty Ltd and its subsidiary QRSciences Co. (USA) as well as QRSciences Security Pty Ltd (trading as Q Video Systems). The Group's functional presentation currency is AUD (\$).

### **DIRECTORS**

Mr Rick Stokes (Chairman)  
Mr Kevin Russeth  
Mr Robert Halverson (Non-Executive)

### **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY**

Mr Jamie Taylor

### **REGISTERED OFFICE**

5/435 Williamstown Road  
Port Melbourne Victoria 3207  
Telephone +61 3 9646 9016  
Fax +61 3 9646 2049

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth Western Australia 6000  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 93232033

### **WEBSITE**

[www.qrsciences.com](http://www.qrsciences.com)

### **AUDITORS**

Moore Stephens  
Chartered Accountants  
Level 3, 12 St George's Terrace  
Perth Western Australia 6000  
Telephone: +61 8 9225 5355  
Facsimile: +61 8 9225 6181

### **BANKERS**

National Australia Bank Limited  
49 Malop Street  
Geelong Victoria 3220

### **SOLICITORS**

Pullinger Readhead Lucas  
Level 2, 50 Kings Park Road  
West Perth Western Australia 6005  
Telephone: +61 9320 4999  
Facsimile: +61 9220 4900

### **STOCK EXCHANGE**

Australian Stock Exchange  
Exchange Plaza  
2 The Esplanade  
Perth Western Australia 6000

### **ASX CODE**

QRS - Ordinary Shares  
QRSNY.PK - U.S. ADR's

## Directors' Report

The Directors present their report together with the consolidated financial report of QRSciences Holdings Limited and its controlled entities ("QRSciences" or "the Company") for the half-year ended 31 December 2008 and the Independent Review Report thereon.

### Directors

The names of Directors who held office during or since the end of the half year:

- Mr Kevin Lee Russeth
- Mr Robert Halverson (Non-Executive)
- Mr Rick Stokes (Chairman)
- Mr Ray Schoer (Resigned October 5 2008)

### Results from Operations

The consolidated operating loss of the economic entity amounted to \$ 3.746 Million.

### Review of Operations & Principal Activities

QRSciences Holdings Ltd through its wholly owned subsidiaries develops, designs and sells advanced technology and security solutions.

- The sales revenue of the a subsidiary QRSciences Security Pty Ltd, unit grew to \$ 8.894 Million up 8.5% from the same period last year, the business unit posted a loss of \$ 328 K in the first half of FY08, down from the profit of \$ 466 K in the same period last year. The primarily driver of the loss was from the devaluation of the Australian Dollar and the general slowdown in activity in the Commercial Security Industry in Australia. Cash flows were similarly affected with the decline in the Australian dollar and higher input costs for imported products. The affect of the Australian Dollar decline is seen in the consolidated P&L with a foreign currency loss of \$ 1.751 Million for the period.
- The distribution business has still maintained its market position albeit in a very difficult environment and is confident of much improved results for the second half of the year.
- The QR (Quadrupole Resonance) business unit continues to be funded primarily on Government research grant income and the board will continue to look for opportunities for the business in the form of product sales and grant income. The Company has a revenue backlog of \$665k for the remainder of 2009 and is expecting further contracts to be announced before year end.
- The Board and Senior Management of the Company continue to see a disconnection between the value of the Company's assets and the current market capitalization of the Company and are taking aggressive steps to address this matter.
- Due to the turmoil in the financial markets the Company decided to abandon plans to acquire the remainder of Spectrum San Diego (Spectrum). The Company will maintain its 27.6% stake holding. The likelihood of a successful capital raising to raise the required funds would have been to dilutive and more than likely not even possible given current market conditions. Spectrum is currently operating at a near breakeven run rate and is rapidly transitioning to profitability as it rolls out its CastScope product through a \$42M IDIQ (Indefinite Delivery Indefinite Quantity) order received from the Transportation Security Administration (TSA). Spectrum also continues to grow through ongoing sales from the SentryScope™ and SentryChroma™ combined product line, as well as the fully funded CarScan project. The CarScan product will be demonstrated to potential customers and government officials during the fourth quarter most notably at Force Protection Equipment Demonstration (FPED) in Washington DC in April. The initial reaction from the market is very positive on this new product.

The Board and Senior Management of QRSciences continue to believe that the Company's assets are undervalued by the market, and are continuing to work diligently on a plan to unlock and realise that value for shareholders.

### Events Occurring After Balance Date

The following events occurred after the balance date of the accounts, being;

The Company announced that it offered back to BTG International Limited the patent portfolio that it purchased through the exercise of an option on March 31, 2006 and the subsequent restated purchase agreement entered into on May 30, 2008.

A write-off was taken on the Company's intellectual property assets in 2007 and 2008, some of which reflected the value of the BTG patent portfolio. The termination of the purchase agreement will virtually eliminate all of QRS's long term debt and immediately reduce long term liabilities by approximately \$ 8.629 Million.

This decision increases the net asset position for QRSciences to \$ 11.023 Million.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 16 for the half year ended 31 December 2008.

### Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1996 and, in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed in accordance with a resolution of the Board of Directors.



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Mr Rick Stokes  
Director  
Dated this 27<sup>th</sup> day of February 2009

**CONSOLIDATED INTERIM INCOME STATEMENT**  
**for the half year ended 31 December 2008**

	Note	Consolidated Entity	
		31 December 2008 \$'000	31 December 2007 \$'000
Revenues from ordinary activities	2	9,903	8,920
Cost of goods sold		(6,685)	(5,895)
Materials and consumables used		(15)	(10)
FX Losses		(1,751)	-
Employee benefits expense		(1,950)	(2,892)
Consulting expenses		(365)	(388)
Borrowing expense		(1,114)	(85)
Travel expense		(187)	(150)
Legal expenses		(123)	(140)
Rental expenses		(225)	(236)
Directors Fees		(65)	(76)
Patent Costs		(45)	(289)
Depreciation and amortisation expense		(83)	(498)
Bad & doubtful debts		(313)	26
Advertising		(141)	(60)
Insurance Costs		(51)	(93)
Accounting & secretarial		(165)	(60)
Other expenses from ordinary activities		(504)	(678)
Loss before income tax		(3,879)	(2,604)
Income tax (expense)/revenue		133	317
Loss after income tax expense	3	(3,746)	(2,287)
Loss attributable to members of the parent entity		(3,746)	(2,287)
Total changes in equity other than those resulting from transactions with owners as owners		(3,746)	(2,287)
Basic earnings per share (cents per share)		(4.24)	(2.68)
Diluted earnings per share (cents per share)		(2.51)	(1.55)

The accompanying notes form part of these financial statements.

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CONSOLIDATED INTERIM BALANCE SHEET  
 as at 31 December 2008

	Note	Consolidated Entity	
		31 December 2008 \$'000	30 June 2008 \$'000
<b>CURRENT ASSETS</b>			
Cash assets		609	1,120
Prepayments		116	95
Inventories		5,125	4,472
Trade and other receivables		4,549	4,145
<b>TOTAL CURRENT ASSETS</b>		<b>10,399</b>	<b>9,832</b>
<b>NON-CURRENT ASSETS</b>			
Intellectual property		2,606	1,872
Other financial assets		185	110
Receivables		-	861
Investments accounted for using the equity method		3,453	2,314
Property, plant and equipment		533	561
Deferred tax assets		433	299
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,210</b>	<b>6,017</b>
<b>TOTAL ASSETS</b>		<b>17,609</b>	<b>15,849</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,561	2,848
Interest-bearing liabilities		2,917	1,601
Provisions		454	459
Other Payables		489	270
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,422</b>	<b>5,178</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities		653	935
Other Payables		8,140	5,115
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,793</b>	<b>6,050</b>
<b>TOTAL LIABILITIES</b>		<b>15,215</b>	<b>11,228</b>
<b>NET ASSETS</b>		<b>2,394</b>	<b>4,621</b>
<b>EQUITY</b>			
Contributed equity	6	69,459	69,285
Share Option Reserve		52	52
Foreign Currency Translation Reserve		524	(821)
Retained Profit / (losses)		(67,641)	(63,895)
<b>TOTAL EQUITY</b>		<b>2,394</b>	<b>4,621</b>

The accompanying notes form part of these financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
 For the half year ended 31 December 2008

	\$000	\$000	\$000	\$000	\$000	\$000
	Contributed Equity			Retained Profits/ (Losses)	Foreign Currency Translation Reserve	Total
	Ordinary	Pref B	Options			
<b>Balance at 1.7.2007</b>	59,324	-	-	(29,955)	(377)	28,992
Shares issued during the period	9,821	-	-	-	-	9,821
Adjustments from translation of foreign controlled entities	-	-	-	-	(106)	(106)
Loss attributable to members of parent entity	-	-	-	(2,287)	-	(2,287)
Sub-total	69,145	-	-	(32,242)	(483)	36,420
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 31.12.2007</b>	69,145	-	-	(32,242)	(483)	36,420
<b>Balance at 1.7.2008</b>	69,285	-	52	(63,895)	(821)	4,621
Shares issued during the period	174	-	-	-	-	174
Adjustments from translation of foreign controlled entities	-	-	-	-	1,345	1,345
Loss attributable to members of parent entity	-	-	-	(3,746)	-	(3,746)
Sub-total	69,459	-	52	(67,641)	524	2,394
Dividends paid or provided for	-	-	-	-	-	-
<b>Balance at 31.12.2008</b>	69,459	-	52	(67,641)	524	2,394

The accompanying notes form part of these financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
 for the half year ended 31 December 2008

Note	Consolidated Entity	
	31 December 2008 \$'000	31 December 2007 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	9,620	9,632
Payments to suppliers and employees	(11,875)	(13,107)
Interest received	24	36
Borrowing costs	-	-
Interest paid	(132)	(47)
Grant Receipts	652	32
Net cash provided by (used in) operating activities	(1,710)	(3,454)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for controlled entity (net of cash acquired)	(114)	-
Purchase of property, plant and equipment	(42)	(53)
Loans repaid by others	320	-
Loans to other entities	-	(314)
Net cash provided by (used in) investing activities	165	(367)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	9,957
Repayment of borrowings	(290)	(3,843)
Other – Convertible Note Interest	-	(910)
Proceeds from borrowings	-	278
Net cash provided by (used in) financing activities	(290)	5,482
Net increase/(Decrease) in cash held	(1,835)	1,661
<b>Cash at beginning of half year</b>	<b>1,113</b>	<b>(137)</b>
Effect of exchange rates on cash holdings in foreign currencies	-	(72)
<b>Cash at 31 Dec 2008</b>	<b>(721)</b>	<b>1,452</b>
<b>Reconciliation of Cash</b>		
Cash at Bank	609	1,452
Bank Over Draft	(1,330)	-
	<b>(721)</b>	<b>1,452</b>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE  
HALF YEAR ENDED 31 DECEMBER 2008

**NOTE 1: BASIS OF PREPARATION**

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Accounting Interpretations).

This half-year financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this half-year financial report be read in conjunction with the 30 June 2008 annual financial report and any public announcements made by the company and its controlled entities during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001. These half year consolidated financial statements were approved by the Board of Directors on 27<sup>th</sup> February 2009.

This financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available in ASIC Class Order 98/100.

**a) Significant accounting policies**

These consolidated half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

**b) Principles of Consolidation**

The consolidated half year financial statements comprise the financial statements of QRSciences Holdings Limited and its controlled entities.

A controlled entity is any entity controlled by QRSciences Holdings Limited. Control exists where QRSciences Holdings Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with QRSciences Holdings Limited to achieve the objectives of QRSciences Holdings Limited.

All intercompany balances and transactions between entities in the economic entity, including any unrealised profits have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceases.

**c) Changes in accounting policies**

New/revised standards and interpretations applicable for the years commencing 1 July 2008 have been reviewed and it was determined that changes were not required to the existing accounting policies adopted by QRSciences Holdings Limited. Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the group for the interim reporting period. The directors have not yet assessed the impact of these new or amended standards (to the extent relevant to the group) and interpretations.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 1: BASIS OF PREPARATION**

**d) Going Concern**

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the company and the consolidated entity. The directors are confident that sufficient funding can be secured if required to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated Entity	
	31 December 2008 \$'000	31 December 2007 \$'000
<b>NOTE 2 OPERATING REVENUE</b>		
<b>Operating Activities:</b>		
Interest received	57	35
Trading income	9,028	8,515
Other revenue	818	370
Total Revenue	9,903	8,920

**NOTE 3 OPERATING PROFIT BEFORE INCOME TAX**

**Operating profit has been arrived at after including:**

**Income**

Sales revenue	9,028	8,515
Interest received/receivable from Other entities	57	35
	9,085	8,550

**Expenses**

Borrowing expenses paid/due and payable to: — Other persons	1,114	85
Depreciation of property, plant and equipment	83	104
Amortisation of Intellectual Property	-	393
Total amount charged for depreciation, Amortisation or diminution in value of assets	83	497
Auditors remuneration	24	35
Lease rental expenses — operating leases	225	236

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
 HALF YEAR ENDED 31 DECEMBER 2008

**NOTE 4 ACQUISITION OF SUBSIDIARIES**

There were no acquisitions or disposals of controlled entities during the half year.

**NOTE 5 SEGMENT INFORMATION**

	CCTV Equipment Sales		QRS Sales & Services		Consolidated	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Segment Revenue</b>	8,894	8,198	134	317	9,028	8,515
Unallocated other income	120	344	753	61	873	405
<b>Total Revenue</b>	9,014	8,542	887	378	9,902	8,920
<b>Segment Result</b>	(328)	784	(3,418)	(3,071)	(3,746)	(2,287)

**NOTE 6 CONTRIBUTED EQUITY**

	31 December 2008 \$'000
<b>a) 88,394,839 (30.6.08: 86,252,374) Ordinary Shares Fully Paid</b>	69,459
<b>(a) Movements During the Period</b>	
<b>Ordinary Issued and fully paid Share Capital</b>	
Opening balance at the beginning of the reporting period (86,252,374 FPO)	69,285
<ul style="list-style-type: none"> <li>• Issue of 138,400 fully paid ordinary shares - Trafalgar Capital (Jul 08)</li> <li>• Issue of 210,084 fully paid ordinary shares – Trafalgar Capital (Jul 08)</li> <li>• Issue of 198,059 fully paid ordinary shares – Trafalgar Capital (Jul 08)</li> <li>• Issue of 205,925 fully paid ordinary shares – Trafalgar Capital (Aug 08)</li> <li>• Issue of 209,474 fully paid ordinary shares – Trafalgar Capital (Aug 08)</li> <li>• Issue of 104,672 fully paid ordinary shares – Trafalgar Capital (Aug 08)</li> <li>• Issue of 550,000 fully paid ordinary shares – Wakabayashi per IR Contract (Sep 08)</li> <li>• Issue of 93,487 fully paid ordinary shares – Trafalgar Capital (Oct 08)</li> <li>• Issue of 235,520 fully paid ordinary shares – Trafalgar Capital (Nov 08)</li> <li>• Issue of 196,844 fully paid ordinary shares – Trafalgar Capital (Dec 08)</li> </ul>	10 15 15 15 15 10 72 5 11 6
Closing balance at the end of the reporting period 88,394,839 FPO Shares	69,459

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 7           CONTINGENT LIABILITIES**

There are no material contingent liabilities at balance date or at the date of completion of these financial statements.

**NOTE 8           EVENTS SUBSEQUENT TO REPORTING DATE**

The following events occurred after the balance date of the accounts, being;

- The Company announced that it offered back to BTG International Limited the patent portfolio that it purchased through the exercise of an option on March 31, 2006 and the subsequent restated purchase agreement entered into on May 30, 2008. A write-off was taken on the Company's intellectual property assets in 2007 and 2008, some of which reflected the value of the BTG patent portfolio. The termination of the purchase agreement will virtually eliminate all of QRS's long term debt and immediately reduce long term liabilities by approximately \$ 8.629 Million. This decision increases the net asset position for QRSciences to \$ 11.023 Million.

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**QRSCIENCES HOLDINGS LIMITED  
ABN 27 009 259 876  
AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

In the opinion of the directors,

1. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 27th day of February 2009.



**Rick Stokes  
DIRECTOR**

**Partners**  
Syd Jenkins  
Neil Pace  
Ray Simpson  
Suan-Lee Tan  
Ennio Tavani  
Dino Travaglini

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF QRSCIENCES HOLDINGS LIMITED

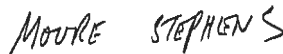
As lead auditor for the review of QRSciences Holdings Limited and its controlled entities for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of QRSciences Holdings Limited and its controlled entities during the period.



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Dated in Perth, this 27<sup>th</sup> day of February 2009.

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## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF QRSCIENCES HOLDINGS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of QRSciences Holdings Limited and its controlled entities ("the consolidated entity"), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at half year's end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporation Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001. As the auditor of QRSciences Holdings Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the applicable independence requirements of the Corporations Act 2001

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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QRSciences Holdings Limited and its controlled entities is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001.

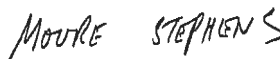
## Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. For the half year ended 31 December 2008, the consolidated entity had incurred a loss of \$3.74 million and a net cash outflow from operating activities of \$1.7 million. The ability of the consolidated entity to continue as a going concern is dependent on it being able to; obtain sufficient funding, generate value from its asset base and achieve cost savings. Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at the amounts other than as stated in the financial report.



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Dated in Perth, this 27<sup>th</sup> day of February 2009.