

ASX AND MEDIA RELEASE

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Spectrum Receives Breakthrough Sole Source Supply Order from US Government

Further to the announcement dated 20 August 2007, QRSciences (ASX:QRS) (QRSNY:PK) is pleased to advise that its 27.4%-owned associate, Spectrum San Diego, Inc. (Spectrum), has been awarded an Indefinite Delivery Indefinite Quantity (IDIQ) sole source contract by the US Transportation Security Administration (TSA) for its *CastScope* screening system.

The IDIQ contract has a total contract value of \$42M (US\$37.2M) upon exercise of all options, including maintenance, service and training support. Delivery orders will be executed over a period of two years with first delivery scheduled for the first quarter of calendar 2008. The service and maintenance component of the contract will extend over a five year period. The award of this contract follows the successful completion of operational pilots at the Reno, San José, Tampa and Nashville airports earlier this year.

CastScope is a portable device utilising Spectrum's low dose backscatter X-ray technology to screen casts, support braces, heavy bandages and prosthetic limbs, allowing quick and non-invasive identification of prohibited items or potential security threats.

"We are happy to be able to assist the TSA with its mission to safeguard civil aviation and make the screening process easier for physically challenged travellers," said Steve Smith, President of Spectrum. "The IDIQ contract offers the TSA the ability to deploy *CastScope* on a broad basis throughout the US for use as a convenient tool for screening travellers with casts, bandages and prosthetics."

"The significance of this contract cannot be underestimated and is a huge breakthrough for Spectrum, as it represents the first significant commercial sales of the *CastScope* product. Not only has Spectrum landed a marquee customer but we also believe this business will underwrite Spectrum's move into profitability in 2008," added QRSciences' Chief Executive Officer, Mr. Kevin Russeth. "We remain confident that this single order is the first step in *CastScope*'s penetration of a significant global addressable market that we estimate to be a multiple of this first order, which includes both aviation and non-aviation sectors, such as prisons, courthouses, border crossings in addition to military base security."

In addition, Spectrum has issued a Secured Convertible Note to QRSciences in the amount of US\$100,000. The Note proceeds will be used by Spectrum to support its short term working capital requirements. The Note is due and payable on 28 February 2009 and carries a 9%

coupon. The Note and interest are convertible into Series A Preferred equity in Spectrum at any time. If at maturity QRSciences chooses to convert the Note into equity, its current 27.4% stake in Spectrum would increase to approximately 28.7%. The QRSciences Board is actively reviewing the Company's option to make a full acquisition of the remainder of Spectrum's outstanding stock. This option expires on 18 February 2009.

"We are very encouraged by Spectrum's progress with its proprietary products, SentryScope™ and CastScope, and also with the recent funding from the US Government to develop its CarScan product. Spectrum remains a very logical investment for QRSciences given the complementary nature of our product and technology offerings, as well as the common key relationships held with US and other Government bodies and with target customers. The positive momentum that Spectrum is displaying makes its potential consolidation into our own business a very interesting proposition that would significantly enhance the profile of QRSciences and be very positive for the Company's outlook," concluded Mr. Russeth.

About QRSciences

QRSciences Holdings Limited is based in Perth, Western Australia with offices in San Diego, California. Its wholly owned distribution business is based in Port Melbourne, Victoria.

The commercial focus of the company and its associates is the design, development and sale of advanced technology systems and sub-systems for security related applications including the detection of explosives, weapons and narcotics. Core technologies include quadrupole resonance, advanced metal detection and imaging, X-ray technology, and high resolution surveillance and monitoring systems.

For more information visit www.QRSciences.com or phone +61 8 9358 5011 in Australia or +1 858 613 8755 in the US