

Diversified Opportunities, Inc.  
Form 10-Q  
February 05, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended:**  
**December 31, 2008**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from N/A to N/A**

**Commission file number: 000-23446**

**DIVERSIFIED OPPORTUNITIES, INC.**

(Name of small business issuer in its charter)

**Delaware**

(State or jurisdiction of  
incorporation or organization)

**94-300888**

(I.R.S. Employer Identification  
No.)

**10907 Technology Place**

**San Diego California**

(Address and of principal  
executive offices)

**92127**

(Zip Code)

**(858) 613-8755**

(Issuer's telephone number, including area code)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At February 2, 2009, there were 9,199,192 shares outstanding of the issuer's common stock, the only class of common equity.

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**SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

In addition to historical information, this Quarterly Report on Form 10-Q may contain statements relating to future results of Diversified Opportunities, Inc. that are forward-looking statements. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, without limitation, statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect, is expected, anticipates or does not anticipate, plans, estimate, intends, or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, those set forth herein and those detailed from time to time in our other Securities and Exchange Commission (SEC) filings including those contained in our most recent Form 10-K. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Also, there can be no assurance that the Company will be able to raise sufficient capital to continue as a going concern.

**DIVERSIFIED OPPORTUNITIES, INC.**  
**BALANCE SHEETS**

	December 31, 2008 (unaudited)	June 30, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,261	\$ -
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities, including \$62,500 for common stock to be issued in connection with finders' fees	\$ 83,135	\$ 69,075
Amounts due to QRSciences, including accrued interest of \$1,751 at December 31, 2008	89,251	-
<b>Total current liabilities</b>	<b>172,386</b>	<b>69,075</b>
<b>Shareholders' deficit:</b>		
Common stock; \$0.001 par value; 300,000,000 shares authorized; 9,199,192 shares issued and outstanding	9,199	9,199
Additional paid-in capital	43,000	43,000
Accumulated deficit	(222,324)	(121,274)
<b>Total shareholders' deficit</b>	<b>(170,125)</b>	<b>(69,075)</b>
	<b>\$ 2,261</b>	<b>\$ -</b>

*See accompanying notes.*

**DIVERSIFIED OPPORTUNITIES, INC.****UNAUDITED STATEMENTS OF OPERATIONS**

	Three months ended December 31, 2008	Six months ended December 31, 2008	Three months ended December 31, 2007	Six months ended December 31, 2007
General and administrative expenses	\$ 30,080	\$ 99,299	\$ 6,000	\$ 12,840
Interest expense in connection with advances from QRSciences	1,351	1,751	-	-
Net loss	\$ (31,431)	\$ (101,050)	\$ (6,000)	\$ (12,840)
Basic and diluted net loss per share	\$ 0.00	\$ (0.01)	\$ (0.00)	\$ (0.00)
Basic and diluted weighted average common shares outstanding	9,199,192	9,199,192	8,416,583	4,307,888

*See accompanying notes.*

**DIVERSIFIED OPPORTUNITIES, INC.****UNAUDITED STATEMENTS OF CASH FLOWS**

	Six months ended December 31, 2008	Six months ended December 31, 2007
Cash flows from operating activities:		
Net loss	\$ (101,050)	\$ (12,840)
Adjustments to reconcile net loss to cash flows from operating activities:		
Interest on advances from QRSciences	1,751	-
Fair value of services provided and expenses paid by related parties	-	12,000
Changes in accounts payable and accrued expenses	14,060	840
Cash flows from operating activities	(85,239)	-
Cash flows from financing activities:		
Advances from QRSciences	87,500	-
Cash flows from financing activities	87,500	-
Change in cash	2,261	-
Cash, beginning balance	-	-
Cash, ending balance	\$ 2,261	\$ -

*See accompanying notes.*



DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

**1.**

**Basis of Presentation**

Diversified Opportunities, Inc. (hereinafter referred to as DVOP , we or the/our Company ) was originally incorporated in California in 1986 and ceased all operations in 2001. On July 30, 2007, our Company through a series of transactions effectively reincorporated in the state of Delaware, while retaining the capital structure and number of shares outstanding of the previous California corporation. Our Company was formerly known as Enlighten Software Solutions, Inc. until we changed our name on January 14, 2008. On July 29, 2008, our Company's Board of Directors approved a change in our Company s fiscal year end from December 31st to June 30th.

We have prepared the accompanying unaudited financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six months ended December 31, 2008 are not necessarily indicative of the results that may be expected for the entire year. For further information, see our consolidated financial statements and related disclosures thereto for the six months ended June 30, 2008 in our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

On February 11, 2008, DVOP enacted a reverse split of its common stock on a 1:25 basis and concurrently increased its authorized capital stock to 310,000,000 shares comprised of 300,000,000 shares of common stock, \$.001 par value and 10,000,000 shares of blank check preferred stock, \$.001 par value. All share amounts herein reflect the share amounts from the reverse split.

Our Company is controlled by QRSciences Holdings Limited, an Australian corporation ( QRSciences ) pursuant to the May 30, 2008 purchase by QRSciences of 9,000,000 shares of common stock from Corporate Services International Profit Sharing Plan ( CSIPSP ) for \$650,000. The 9,000,000 shares of DVOP common stock constitute 97.83% of the 9,199,192 shares of Company common stock outstanding as of June 30, 2008. This purchase of CSIPSP s shares by QRSciences resulted in a change of control. Prior to the closing under the Purchase Agreement, CSIPSP owned 97.83% of the DVOP s outstanding common stock. After the closing under the Purchase Agreement, QRSciences owns 97.83% of the DVOP s outstanding common stock.

On July 29, 2008, we entered into a share exchange agreement (the Share Exchange Agreement ) with QRSciences. Under the terms of the Share Exchange Agreement, at the closing we would acquire the business of QRSciences s wholly-owned subsidiary, QRSciences Pty Ltd, an Australian private corporation ( QRS Pty ) through an acquisition of all of its outstanding stock. In exchange, at the closing we would (i) issue, in the aggregate, that number of shares of common stock of DVOP equal to Ten Million Dollars (\$10,000,000) (as this value is determined by the terms of the Share Exchange Agreement) (the Company Shares ), and (ii) pay One Million Dollars (\$1,000,000) cash to QRSciences.

On November 25, 2008, the Company and QRSciences mutually agreed to terminate the Share Exchange Agreement. The parties believed that the capital market conditions at that date (including the lack of availability of capital at an acceptable cost required to satisfy the financial requirements of the Share Exchange Agreement) would have prevented the parties from being able to complete the transactions contemplated in the Exchange Agreement.

Effective as of July 29, 2008, our Company also entered into a Loan Agreement with QRSciences, which agreement was subsequently amended on November 25, 2008. The Loan Agreement provides that the Company may borrow up to \$500,000 from QRSciences, provided the purposes of the requested funds are approved by QRSciences. The amount borrowed by the Company under the Loan Agreement accrues interest at 8% and is due and payable on or before June 30, 2009, or as so agreed by the parties. The balance of the amounts due to QRSciences under the Loan Agreement as of the date of this Current Report total \$89,251.

On July 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements, and has been partially deferred for non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The partial adoption of SFAS 157 for financial assets and liabilities did not have a material impact on our consolidated financial position, results of operations or cash flows.

In addition, on July 1, 2008, we adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial*

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

*Assets and Financial Liabilities* ( SFAS 159 ). Under SFAS 159, companies may elect to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. We did not elect to use the fair value option.

Therefore, the adoption of SFAS 159 did not impact our consolidated financial position, results of operations or cash flows.

2.

**Summary of Significant Accounting Policies**

***Basis of Presentation***

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. We adopted fresh-start account as of September 14, 2001 in accordance with the guidance specified by American Institute of Certified Public Accounts Statement of Position ( SOP )

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Revenue Recognition***

To the extent that we have revenue from the sale of goods, it will be recognized when an order has been received, the product has been shipped, the selling price is fixed or determinable and collection is reasonably assured and when both title and risk of loss transfer to the customer, provided that no significant obligations remain. To the extent that we have revenue from the provision of services, it will be recognized at the time services are rendered, their selling price is fixed or determinable and collection is reasonably assured, provided that no significant obligations remain.

Sales revenues will not include sales taxes collected from the customer.

### ***Cash and Cash Equivalents***

Our policy is to classify as cash and cash equivalents, cash in demand deposit and checking accounts as well as investments that are readily convertible into cash with original maturities of three months or less.

### ***Property and Equipment***

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives.

### ***Income Tax Expense Estimates and Policies***

As part of the income tax provision process of preparing our financial statements, we are required to estimate our liabilities for income taxes. This process involves estimating our current tax expenses together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Management then assesses the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent believed that recovery is not likely, a valuation allowance is established. Further, to the extent a valuation allowance is established and changes occur to this allowance in a financial accounting period, such changes are recognized in our tax provision in our consolidated statement of operations. We use our judgment in making estimates to determine our provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

There are various factors that may cause these tax assumptions to change in the near term, and we may have to record a future valuation allowance against our deferred tax assets. We recognize the benefit of an uncertain tax position taken or expected to be taken on our income tax returns if it is more likely than not that such tax position will be sustained based on its technical merits.

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

We account for uncertainties in income taxes in accordance with FIN 48, *Accounting for Uncertainty in Income Taxes as an Interpretation of FASB No. 109* ( FIN 48 ) which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return.

Additionally, FIN 48 provides guidance on recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions.

***Share-Based Compensation***

We account for share-based compensation arrangements in accordance with the provisions of Statement of Financial Accounting Standards No. 123R ( SFAS 123R ) *Share-Based Payment*, which requires the measurement and recognition of compensation expense for all share-based payment awards to employees and directors based on estimated fair values. We use the Black-Scholes option valuation model to estimate the fair value of our stock options at the date of grant. The Black-Scholes option valuation model requires the input of subjective assumptions to calculate the value of stock options. We use historical data among other information to estimate the expected price volatility, the expected option life and the expected forfeiture rate.

***Net loss per share***

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted average number of common dilutive and dilutive equivalent shares outstanding during the period. Dilutive common equivalent shares consist of options and warrants to purchase common stock (only if those options and warrants are exercisable at prices below the existing market price) and shares issuable upon the conversion of preferred stock. We had no common equivalent shares outstanding during any period included herein and accordingly, dilutive loss per share was equivalent to basic loss per share. All share and per share amounts have been restated for the effect of the 25 for 1 reverse stock split in February 2008.

***Litigation***

From time to time, we may become involved in disputes, litigation and other legal actions. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated.

### ***Recently Issued Accounting Pronouncements***

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS 141R ). The new standard is a revision of previous guidance with respect to the proper accounting for business combinations. SFAS 141R will be effective for our fiscal year beginning July 1, 2009 and early adoption is not permitted. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* ( SFAS 160 ). The new standard establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. SFAS 160 will be effective for our fiscal year beginning July 1, 2009 and early adoption is not permitted. Our Company is currently evaluating whether SFAS 160 will have a material effect on its consolidated financial statements.

### **3.**

#### **Stockholders equity**

##### *Stock options and warrants*

There are no employee or non-employee options grants outstanding. There are no warrants outstanding to purchase any class of our capital stock.

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

*Future issuance of common stock*

In connection with finders' fees incurred related to the purchase of 9,000,000 shares of our common stock by QRSciences, we agreed to the future issuance of 208,333 shares of our Common Stock to companies that provided the finder services. At the date of the purchase by QRSciences (May 30, 2008), our stock had a closing market price of \$0.30 per share. Accordingly, we recorded a charge of \$62,500 during the six months ended June 30, 2008 in connection with the future Common Stock issuance. As of December 31, 2008, the shares have not been issued and remain a liability of our Company.

**4.**

**Related party transactions**

Since May 2008, our principal stockholder is QRSciences. Through December 31, 2008, QRSciences has advanced our Company \$87,500, all of which remains outstanding through that date. We incurred interest expense on these borrowings totaling \$1,751 through December 31, 2008.

Our principal stockholder and Chief Executive Officer through May 2008 provided unreimbursed services to our Company from July 1, 2007 through December 31, 2007, valued at \$12,000 which were included in the accompanying statements of operations as general and administrative expenses.

## Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our consolidated financial statements and the notes presented herein. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed in this prospectus. See "SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS," above.*

### *Results of Operations and Per Share Data*

We had no revenues in either the three or six months ended December 31, 2008 or 2007. Our operating expenses for the three months ended December 31, 2008 and 2007 totaled \$30,080 and \$6,000, respectively. Our operating expenses for the six months ended December 31, 2008 and 2007 totaled \$99,299 and \$12,840, respectively. All of our operating expenses were general and administrative expenses. Additionally, we incurred interest expense on advances from QRSciences totaling \$1,351 and \$1,751 for the three and six months ended December 31, 2008.

### *Overview and Financial Condition*

As described above, effective May 30, 2008, 9,000,000 shares of our Company's 9,199,192 shares of common stock were purchased by QRSciences. During all periods included in this Annual Report, our Company has not had significant operations. As of the date of this report, our Company's ongoing operations from the present until the Share Exchange Agreement is completed (should we be successful therein) will consist primarily of expenditures to maintain our Company in compliance with Securities and Exchange Commission regulations, accounting and auditing expenditures as well as expenditures for investor relations activities.

### *Liquidity and Capital Resources*

With no revenues or gross margin, our Company is currently dependent for its continued operations on funding from the holder of 97.83% of the outstanding shares of its common stock, QRSciences. There can be no assurance that QRSciences will continue to fund our Company's operations or that we will be able to raise future funding from others at an acceptable price or at all.



Our only asset was cash totaling \$2,261 as of December 31, 2008 and our liabilities totaling \$172,387 consisted of accounts payable and accruals for professional services rendered on our behalf through that date (\$20,635), a liability for finders' fees to be satisfied with the future issuance of 208,333 shares of our common stock (\$62,500), advances from and accrued interest owed to QRSciences for \$89,251. Our shareholders' deficit totaled \$170,125 at December 31, 2008 and included an accumulated deficit of \$222,324 that reflects net losses incurred from September 14, 2001 through December 31, 2008.

### *Plan of Operations*

During the next twelve months, our Company does not expect to purchase or sell any plant or significant equipment. We currently have no employees as of the date of this Quarterly Report.

### **Critical Accounting Policies Involving Management Estimates and Assumptions**

Our discussion and analysis of our financial condition and results of operations is based on our financial statements.

In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America, we must make a variety of estimates that affect the reported amounts and related disclosures.

**Revenue Recognition.** Any future revenues will be recognized on the accrual basis of accounting when earned. We will recognize revenue for products sold at the time that product has been shipped, the selling price is fixed, collection is reasonably assured and when both title and risk of loss transfer to the customer, provided no significant obligations remain. We will recognize revenues from the provision of services at the time they are rendered, the selling price is fixed and collection is reasonably assured, provided no significant obligations remain. The SEC's Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, provides guidance on the

application of generally accepted accounting principles to selected revenue recognition issues. We believe that our revenue recognition policy is appropriate and in accordance with generally accepted accounting principles and SAB No. 104.

**Stock Based Compensation.** We will account for employee stock-based compensation costs in accordance with Statement of Financial Accounting Standards ( SFAS ), No. 123R, *Share-Based Payment*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in our statements of operations based on their fair values. We will utilize the Black-Scholes option pricing model to estimate the fair value of employee stock based compensation at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our stock-based compensation.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Deferred Tax Valuation Allowance.** Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Income tax expense is the total of tax payable for the period and the change during the period in deferred tax assets and liabilities.

**Off-Balance Sheet Arrangements.** The Company does not have any off-balance sheet arrangements, as defined in Item 303(c)(2) of Regulation S-B promulgated under the Securities Act of 1933.

### **Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 141 (revised 2007), *Business Combinations* ( SFAS 141R ). The new standard is a revision of previous guidance with respect to the proper accounting for business combinations. SFAS 141R will be effective for our fiscal year beginning July 1, 2009 and early adoption is not permitted. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* ( SFAS 160 ). The new standard establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. SFAS 160 will be effective for our fiscal year beginning July 1, 2009 and early adoption is not permitted. Our Company is currently evaluating whether SFAS 160 will have a material effect on its consolidated financial statements.

In April 2008, the FASB issued EITF 07-05, *Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*, ( EITF 07-05 ). EITF 07-05 provides guidance on determining what types of instruments or

embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in paragraph 11(a) of SFAS 133. EITF 07-05 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and early application is not permitted. Management is evaluating what effect, if any, EITF 07-05 might have on the Company's financial position and operating results.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. Our Company is currently evaluating the impact of SFAS 162 on its financial statements but does not expect it to have a material effect.

### **Item 3 Quantitative and Qualitative Disclosures about Market Risk**

Intentionally omitted pursuant to Item 305(e) of Regulation S-K.

### **Item 4 Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures and internal controls that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures and internal controls, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures and internal controls.

As required by the Securities and Exchange Commission Rule 13a-15(e) and Rule 15d-15(e), we carried out an evaluation, under the supervision of and with the participation of our Chief Executive Officer, of the effectiveness of the design and operation of our internal controls over financial reporting. Based on this evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures were not effective as of December 31, 2008. Our Chief Executive Officer in assessing our Company's internal controls and procedures at and for the three months ended December 31, 2008, identified a lack of sufficient segregation of duties. Specifically, this material weakness is such that management must rely primarily on detective controls and controls could be strengthened by adding preventative controls to properly safeguard company assets. Our Chief Executive Officer made the identical conclusion at June 30, 2008.

We believe the steps to be taken to remediate the identified material weaknesses noted is as follows:

·  
Improve the effectiveness of the accounting function by augmenting existing Company resources with additional consultants or employees to improve segregation procedures and to assist in the analysis and recording of complex accounting transactions and preparation of tax disclosures, and  
·

Improve segregation procedures by strengthening cross approval of various functions when and where appropriate.

### **Changes in Internal Controls over Financial Reporting**

There have not been any changes in our internal controls over financial reporting during the fiscal quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **Part II**

### **Item 1 Legal Proceedings**

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. However, in the opinion of our management, there are no legal claims currently pending or threatened against us that would be likely to have a material adverse effect on our financial position, results of operations or cash flows.

### **Item 1A Risk Factors**

*Investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this herein before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that case, the market price of our common stock could decline, and you may lose all or part of your investment.*

### ***Risks Related to Our Business***

***We have no operating history and no current business operations.*** We do not currently have any business operations other than maintaining our public company status. A substantial majority (9,000,000 shares) of the total shares of our 9,199,192 shares of common stock outstanding since May 30, 2008 (97.83%) are owned by QRSciences. Because we have no operating history and no current business, our historical financial information is not a reliable indicator of future performance. Therefore, it is difficult to evaluate the business and prospects of our Company. Failure to correctly evaluate our Company's prospects could result in an investor's loss of a significant portion or all of his investment in our Company.

***We continue to be without any business operations.*** Our Company at present does not have any business operations. Accordingly, we lack at present the capacity to generate future income and positive cash flows. Continued losses by our Company could result in an investor's loss of a significant portion or all of his investment in our Company.

***Our failure to obtain additional adequate financing would materially and adversely affect our business.*** We do not currently have any revenues to cover our operating expenses and we are not profitable. We are currently dependent on QRSciences to fund the operating and working capital needs of our Company. If QRSciences decides to discontinue funding our Company, an investor could suffer the loss of a significant portion or all of his investment in our Company.

### ***Financial Risks***

***Our financial statements have been prepared assuming that the Company will continue as a going concern.*** We currently project that our cash on hand and existing commitments for additional investment under the loan agreement from QRSciences will be sufficient to maintain our Company's operations beyond one year from the date of this annual report, however there can be no assurance that QRSciences will not decide to terminate funding our Company. Our financial statements do not include any adjustments that might result from this uncertainty. If we cannot generate the required revenues and gross margin to achieve profitability or obtain additional capital on acceptable terms, we will need to substantially revise our business plan or cease operations and an investor could suffer the loss of a significant portion or all of his investment in our Company.

***We do not expect to pay dividends for the foreseeable future, and we may never pay dividends and, consequently, the only opportunity for investors to achieve a return on their investment is if a trading market develops and***

***investors are able to sell their shares for a profit or if our business is sold at a price that enables investors to recognize a profit.*** We currently intend to retain any cash flows generated for the financial requirements of our business and do not anticipate paying cash dividends for the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our common stock may be limited by state law. Accordingly, we cannot assure investors any return on their investment, other than in connection with a sale of their shares or a sale of our business. At the present time there is an extremely limited trading market for our shares. Therefore, holders of our securities may be unable to sell them. We cannot assure investors that an active trading market will develop or that any third party will offer to purchase our business on acceptable terms and at a price that would enable our investors to recognize a profit.

***Our net operating loss carry-forward will be limited.*** We have recorded a valuation allowance amounting to our entire net deferred tax asset balance due to our lack of a history of earnings, possible limitations on the use of tax loss carry-forwards and the future expiration of the NOL. This gives rise to uncertainty as to whether our deferred tax asset is realizable. Internal Revenue Code Section 382 and similar California rules place a limitation on the amount of taxable income that can be offset by carry-forwards after a change in control (generally greater than a 50% change in ownership). Our inability to use our Company's historical NOL, or the full amount of the NOL, would limit our ability to offset any future tax liabilities with its NOL.

### ***Corporate and Other Risks***

***Limitations on director and officer liability and indemnification of our officers and directors by us may discourage stockholders from bringing suit against an officer or director.*** Our Company's articles of incorporation and bylaws provide, with certain exceptions as permitted by governing state law, that a director or officer shall not be personally liable to us or our stockholders for breach of fiduciary duty as a director, except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or

unlawful payments of dividends. These provisions may discourage stockholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by stockholders on our behalf against a director.

***We are responsible for the indemnification of our officers and directors. Should our officers and/or directors require us to contribute to their defense, we may be required to spend significant amounts of our capital.*** Our articles of incorporation and bylaws also provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of our Company. This indemnification policy could result in substantial expenditures, which we may be unable to recoup. If these expenditures are significant, or involve issues which result in significant liability for our key personnel, we may be unable to continue operating as a going concern.

***QRSciences and its affiliates, directors and employees beneficially own and control a substantially all of our outstanding common stock, which may limit your ability and the ability of our other stockholders, whether acting alone or together, to propose or direct the management or overall direction of our Company.*** Additionally, this concentration of ownership could discourage or prevent a potential takeover of our Company that might otherwise result in you receiving a premium over the market price for your shares. A substantial portion of our outstanding shares of common stock is beneficially owned and controlled by a group of insiders, including our directors and executive officers. Accordingly, any of our existing outside principal stockholders together with our directors, executive officers and insider shareholders would have the power to control the election of our directors and the approval of actions for which the approval of our stockholders is required. If you acquire shares of our common stock, you may have no effective voice in the management of our Company. Such concentrated control of our Company may adversely affect the price of our common stock. Our principal stockholders may be able to control matters requiring approval by our stockholders, including the election of directors, mergers or other business combinations. Such concentrated control may also make it difficult for our stockholders to receive a premium for their shares of our common stock in the event we merge with a third party or enter into different transactions which require stockholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

***The requirements in connection with being a public company may put us at a competitive disadvantage.*** The complexity of operating in a public company environment could impair our ability to comply with legal and regulatory requirements such as those imposed by Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley Act ). We may not be able to implement programs and policies in an effective and timely manner that adequately responds to the increased legal, regulatory compliance and reporting requirements associated with being a public company. Our failure to do so could lead to the imposition of fines and penalties and distract us from attending to the growth of our business. Also, it may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff in order to develop and implement appropriate internal controls and reporting procedures. If we



are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent auditor certifications that the Sarbanes-Oxley Act will in the future require publicly-traded companies with our capitalization to obtain.

***Our internal controls over financial reporting may not be effective, and our independent auditors may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business.*** We are subject to various regulatory requirements, including the Sarbanes-Oxley Act. We, like all other public companies, must incur additional expenses and to a lesser extent the diversion of our management's time in our efforts to comply with Section 404 of the Sarbanes-Oxley Act regarding internal controls over financial reporting. We have not evaluated our internal controls over financial reporting in order to allow management to report on, and our independent auditors to attest to, our internal controls over financial reporting, as required (or as will be required) by Section 404 of the Sarbanes-Oxley Act and the rules and regulations of the SEC, which we collectively refer to as Section 404. The requirements of Section 404 may unduly divert management's time and resources for executing our business plan. If in the future, management identifies one or more material weaknesses, or our external auditors are unable to attest that our management's report is fairly stated or to express an opinion on the effectiveness of our internal controls, this could result in a loss of investor confidence in our financial reports, have an adverse effect on our stock price and/or subject us to sanctions or investigation by regulatory authorities.

#### ***Capital Market Risks***

***Our common stock is thinly traded, so you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.*** There is limited market activity in our stock and we are too small to attract the interest of many brokerage firms and analysts. We cannot give you any assurance that a broader or more active public trading market

for our common stock will develop or be sustained. While we are trading on the OTC Bulletin Board, the trading volume we will develop may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in Bulletin Board stocks and certain major brokerage firms restrict their brokers from recommending Bulletin Board stocks because they are considered speculative, volatile, thinly traded and the market price of the common stock may not accurately reflect the underlying value of our Company. The market price of our common stock could be subject to wide fluctuations in response to quarterly variations in our revenues and operating expenses, announcements of new products or services by us, significant sales of our common stock, including short sales, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

***The application of the penny stock rules to our common stock could limit the trading and liquidity of the common stock, adversely affect the market price of our common stock and increase your transaction costs to sell those shares.*** As long as the trading price of our common stock is below \$5 per share, the open-market trading of our common stock will be subject to the penny stock rules, unless we otherwise qualify for an exemption from the penny stock definition. The penny stock rules impose additional sales practice requirements on certain broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). These regulations, if they apply, require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. Under these regulations, certain brokers who recommend such securities to persons other than established customers or certain accredited investors must make a special written suitability determination regarding such a purchaser and receive such purchaser's written agreement to a transaction prior to sale. These regulations may have the effect of limiting the trading activity of our common stock, reducing the liquidity of an investment in our common stock and increasing the transaction costs for sales and purchases of our common stock as compared to other securities. The stock market in general and the market prices for penny stock companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the volatility of our share price.

***We may not be able to attract the attention of major brokerage firms, which could have a material adverse impact on the market value of our common stock.*** Security analysts of major brokerage firms may not provide coverage of our common stock since there is no incentive to brokerage firms to recommend the purchase of our common stock. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It will

also likely make it more difficult to attract new investors at times when we require additional capital.

***We may be unable to list our common stock on NASDAQ or on any securities exchange.*** Although we may apply to list our common stock on NASDAQ or the American Stock Exchange in the future, we cannot assure you that we will be able to meet the initial listing standards, including the minimum per share price and minimum capitalization requirements, or that we will be able to maintain a listing of our common stock on either of those or any other trading venue. Until such time as we qualify for listing on NASDAQ, the American Stock Exchange or another trading venue, our common stock will continue to trade on the OTC Bulletin Board or another over-the-counter quotation system, or on the pink sheets, where an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock. In addition, rules promulgated by the SEC impose various practice requirements on broker-dealers who sell securities that fail to meet certain criteria set forth in those rules to persons other than established customers and accredited investors. Consequently, these rules may deter broker-dealers from recommending or selling our common stock, which may further affect the liquidity of our common stock. It would also make it more difficult for us to raise additional capital.

***Future sales of our equity securities could put downward selling pressure on our securities, and adversely affect the stock price.*** There is a risk that this downward pressure may make it impossible for an investor to sell his or her securities at any reasonable price, if

at all. Future sales of substantial amounts of our equity securities in the public market, or the perception that such sales could occur, could put downward selling pressure on our securities, and adversely affect the market price of our common stock.

**Item 2 Sales of Unregistered Securities and Use of Proceeds**

None.

**Item 3 Defaults Upon Senior Securities**

Not applicable.

**Item 4 Submission of Matters to a Vote of Security Holders**

Not applicable.

**Item 5 Other Information**

None.

**Item 6 Exhibits and Reports on Form 8-K**

(a)

Exhibits

See Exhibit Index immediately following signatures.

(b)

Reports on Form 8-K

The Company filed a Form 8-K on November 25, 2008 regarding the mutual termination of its share exchange agreement with QRSciences Holdings Limited, and the amendment of its loan agreement with QRSciences Holdings Limited.



## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Diversified Opportunities, Inc., a Colorado corporation

By: /s/ KEVIN RUSSETH

Kevin Russeth, Chief Executive Officer and Chief Financial Officer

February 2, 2008

## **Exhibit Index**

Num.

Description

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Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended, by Chief Executive Officer and principal financial officer (1)

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Certification pursuant to 18 U.S.C. §1350 by Chief Executive Officer and principal financial officer (1)

(1)

Filed as an Exhibit to this report.

