



13 September 2006

Companies Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

PRELIMINARY FINAL RESULTS

In accordance with ASX Listing Rule 4.3A, the Directors of Quickstep Holdings Limited are pleased to provide the Company's Preliminary Final Report (Appendix 4E) for the year ended 30 June 2006, together with the Managing Director's Review.

Kim Hogg
Company Secretary



MANAGING DIRECTOR'S REVIEW

Our first year of operations following Quickstep's successful \$6 million public share offer and listing on the Australian Stock Exchange in October 2005 has seen the Company take major strides towards the commercialisation of our core asset, the unique fluid-based Quickstep Process for the manufacture of advanced composite components.

Our objectives for the year were:

- to complete the establishment of a global network of Quickstep demonstration sites and 'centres of excellence' strategically located on key continents and in close proximity to our target markets and industries;
- to further expand our portfolio of international R&D alliances and partnerships with major aerospace, industrial and automotive groups and their Tier One suppliers;
- to progress our entry to the global aerospace market through a pivotal testing program which commenced earlier this year on sample aerospace components produced using the Quickstep Process in the United Kingdom by Spirit AeroSystems (Europe) Limited (formerly BAE Systems Aerostructures);
- to progress short-to-medium term manufacturing opportunities, particularly targeting 'medium level' applications of composites such as in the marine and mass transit sectors with the opportunity to generate early cash flow; and
- to continue to enhance our Intellectual Property portfolio, expand our skills base and enhance our team, while ensuring that, at a corporate level, the Company is appropriately funded to achieve its objectives.

I am pleased to say that we achieved all of these objectives and, in some cases, achieved results that exceeded our expectations. Perhaps most rewardingly, the enormous potential of the Quickstep Process – which we have been working diligently to unlock since the Company's inception – has received growing recognition from investors, brokers and analysts. This has been reflected in a healthy appreciation in our share price and market capitalisation, particularly since the end of the financial year.

The European Quickstep Centre of Excellence, housed at the Northwest Composites Centre (NWCC) at UOM, was officially opened on 12 May 2006, while a formal collaboration agreement was signed with the National Composite Center – North America's premier commercialisation agent for advanced materials technology – on 7 June 2006 to establish the North American Quickstep Center of Excellence. At the same time, the NCC also confirmed its intention to purchase a QS20 production machine, targeted for opening on 16 October 2006.

Shareholders should note that as part of the NWCC deal at Manchester, the machine that was previously sold to NATEC and BAE Systems, for contractual reasons became an asset of Quickstep at the turn of the year. This is valued at some \$165,000 on our balance sheet, and the value was used as an in-kind contribution to the new UOM deal, saving Quickstep from contributing as much cash.



The collaboration agreement with the NCC followed a Letter of Intent signed in April 2006, which was based on letters of support for the funding request to establish the new Center from 10 leading US companies, including Boeing, General Motors, Huntsman Chemical, Applied Sciences and Vermont Composites. The strategic importance of this new Center – located in the birthplace of the aircraft industry in Dayton, Ohio – can not be overstated given the direct access that it will provide for Quickstep to some of the most important users of composites in the world.

On 10 August 2006, the Dayton City Commission formally approved approximately US\$1 million in development agreements to underpin the new advanced material campus. Quickstep already has a backlog of potential clients who have expressed interest in undertaking trials at the NCC, including a major helicopter manufacturer and a major battle armour manufacturer.

In March 2006 we reached agreement to acquire the assets of the Western Australian-based specialty boat-building business, Flat-Out-Boats Pty Ltd, as the basis of a new manufacturing venture.

Following the completion of due diligence, this acquisition was completed on 11 May 2006. The total consideration, including all associated patents and designs, was \$250,000 to be paid in increments over a maximum 18-month period, of which the initial \$75,000 payment has already been made. The milestone payments are based on production platforms, with the first payment of \$50,000 to occur after completion of the first 150 boats. Thereafter, two further payments of \$50,000 and a final payment of \$25,000 will be made upon incremental sales of 100 boats.

It is expected that these payments will become due around the third quarter of 2006-07.

Flat-Out-Boats represents an important step in Quickstep's strategy to target manufacturing markets with shorter lead times to revenue, while the Company and its partners meet the requirements necessary to enter larger, longer term markets such as the aerospace market.

The Company has recently moved to new premises near Fremantle which are being laid out for manufacture of the Flat-Out-Boats as well as for aerospace component manufacture. The factory will be supplemented with the equipment needed to ensure Quickstep is seen as a competent and world-class manufacturer and a quality system and new accounting system will be put in place. As part of this development, new staff are being interviewed currently and it is hoped that these people will add significantly to the excellent team we already have.

As part of our move to new premises, the local booming economy has not helped, with costs and speed of sub-contractors being a negative influence. We can report though that the factory removal is nearly completed.

It is our intention to try and attract work from aerospace companies in time for the completion and approval of the facility, currently being planned for the end of the current financial year.

On 13 June 2006, the Company announced a marketing and manufacturing joint venture with New Delhi-based NTF (India) Private Ltd, a leading Indian composites component manufacturer, and Japanese-based Avanti Corporation Ltd, a first tier supplier to the mass transit industry. Under the joint venture, Quickstep will establish a low-cost manufacturing centre in India using Quickstep's proprietary technology and equipment.

The joint venture partners have identified and have bid on specific manufacturing opportunities in India and Australia. There is an immediate multi-million dollar opportunity in



India's rapidly growing mass transit and infrastructure sectors relating to the manufacture and supply of interior panels for rail coaches made from advanced composite materials. The products manufactured will be made on a new QS20 machine, currently under construction in Australia, using the Quickstep Process.

The loss recorded for the year of \$1.64 million reflects the Company's step-up in commercialisation activities following its listing on ASX in October 2005. As noted above, major strides have been taken in establishing the Company around the world, particularly in the USA and Europe, and the funds invested in these important establishment activities are already starting to show dividends.

The Company has increased its staffing levels to accommodate the numerous projects it has undertaken, notably the FlatOutBoat acquisition, and has continued its research activities in several important areas.

The Company's administration and corporate expenses have increased as a result of the Company's progression to ASX-listed status, and include non-cash share-based payments of approximately \$129,000.

The Balance Sheet at 30 June 2006 is reflective of the IPO during the year, and the Company's cash reserves (\$4.1 million at 30 June) have been bolstered further since year-end through completion of a share placement and the exercise of options, with a further \$3.5 million in cash raised. The Company has commenced construction of a QS20 production machine for the NCC, and has debtors relating to that construction at year-end. The majority of the revenue to be generated from the project will be recognised in 2006/07.

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Part 1

Name of Entity	Quickstep Holdings Limited
ABN	55 096 268 156
Financial Period	Year ended 30 June 2006
Previous Corresponding Reporting Period	Year ended 30 June 2005

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	906	3.4%
Loss from ordinary activities after related income tax benefit	(1,639)	57.6%
Net loss attributable to members of the parent entity	(1,639)	57.6%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to accompanying Managing Director's Review for commentary on the results for the year.

Part 3 – Contents of ASX Appendix 4E

Section	Contents
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Part 2	Results for announcement to the market
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Part 4 – Consolidated Income Statement

	2006 (\$)	2005 (\$)
Sales revenue	314,971	876,187
Cost of sales	<u>(184,293)</u>	<u>(384,896)</u>
Gross Profit	<u>130,678</u>	<u>491,291</u>
Other revenue	590,939	-
Operational Expenses	(821,411)	(435,342)
Marketing and distribution expenses	(665,174)	(362,622)
Corporate and administrative expenses	(359,449)	(274,250)
Research and development expenses	(478,628)	(546,088)
Other expenses	<u>(318,668)</u>	<u>(42,832)</u>
Loss before income tax	<u>(1,921,713)</u>	<u>(1,169,843)</u>
Income tax	<u>282,387</u>	<u>129,788</u>
Loss after income tax	(1,639,326)	(1,040,055)
Net loss attributable to outside equity interests	<u>-</u>	<u>-</u>
Net loss attributable to members of the parent entity	<u>(1,639,326)</u>	<u>(1,040,055)</u>

Part 5 – Accumulated losses

	2006 (\$)	2005 (\$)
Accumulated losses at the beginning of the year	(3,427,309)	(2,387,254)
Loss for the year	<u>(1,639,326)</u>	<u>(1,040,055)</u>
Accumulated losses at the end of the year	<u><u>(5,066,635)</u></u>	<u><u>(3,427,309)</u></u>

Part 6 – Consolidated Balance Sheet

	2006	2005
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	4,102,547	482,471
Trade and other receivables	848,633	282,745
Inventories	7,307	-
Other	68,943	-
Total Current Assets	<u>5,027,430</u>	<u>765,216</u>
NON CURRENT ASSETS		
Property, plant and equipment	615,527	354,741
Intangible assets	1,579,320	1,663,622
Total Non Current Assets	<u>2,194,847</u>	<u>2,018,363</u>
TOTAL ASSETS	<u>7,222,277</u>	<u>2,783,579</u>
CURRENT LIABILITIES		
Trade and other payables	532,400	399,775
Employee benefits	17,658	5,184
Unearned income	381,490	-
Total Current Liabilities	<u>931,548</u>	<u>404,959</u>
NON CURRENT LIABILITIES		
Trade and other payables	934,300	1,071,210
Total Non Current Liabilities	<u>934,300</u>	<u>1,071,210</u>
TOTAL LIABILITIES	<u>1,865,848</u>	<u>1,476,169</u>
NET ASSETS	<u>5,356,429</u>	<u>1,307,410</u>
EQUITY		
Issued capital	10,255,302	4,733,052
Reserves	167,762	1,667
Accumulated losses	(5,066,635)	(3,427,309)
TOTAL EQUITY	<u>5,356,429</u>	<u>1,307,410</u>

Part 7 – Consolidated Statement of Cash Flows

	2006 (\$)	2005 (\$)
Cash flows from operating activities		
Cash receipts in the course of operations	667,119	901,498
Cash payments in the course of operations	(2,537,674)	(1,603,062)
Interest received	179,611	5,723
<i>Net cash used in operating activities</i>	<u>(1,690,944)</u>	<u>(695,841)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(173,520)	(13,516)
Acquisition of business	(75,000)	-
<i>Net cash used in investing activities</i>	<u>(248,520)</u>	<u>(13,516)</u>
Cash flows from financing activities		
Net proceeds from issues of shares	6,027,504	1,160,418
Share issue costs	(467,964)	(45,000)
<i>Net cash provided by financing activities</i>	<u>5,559,540</u>	<u>1,115,418</u>
Net increase in cash held	3,620,071	406,061
Cash at the beginning of the year	482,471	76,410
CASH AT THE END OF THE YEAR	<u>4,102,547</u>	<u>482,471</u>

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:

	2006	2005
	\$	\$
(a) Other income		
Proceeds from government grants	209,175	103,000
Gain from recognition of re-acquired asset	165,000	-
Interest income	216,764	5,723
	<u>590,939</u>	<u>108,723</u>
(b) Other expenses		
Amortisation expense	309,304	42,832
Depreciation expense	92,734	66,084
	<u>402,038</u>	<u>108,916</u>
(c) Employee benefits expense		
Wages and salaries	344,262	205,044
Other associated personnel expenses	46,041	34,138
Increase in liability for annual leave	12,320	345
Expense of share based payments	128,805	-
	<u>531,428</u>	<u>239,527</u>

Part 10 – Commentary on Results

Refer to Managing Director's Review attached.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	2006 (\$)	2005 (\$)
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	4,102,547	482,471

	2006 \$	2005 \$
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss for the period	(1,639,326)	(1,040,055)
Adjustments for:		
- Amortisation	309,304	42,832
- Depreciation	92,734	66,084
- Gain from recognition of re-acquired asset	165,000	-
- Share based payment expenses	128,805	331,907
Operating loss before changes in assets and liabilities	(1,275,483)	(599,232)
(Increase) in trade and other receivables	(565,888)	(104,477)
(Increase) in inventories	(7,307)	-
(Increase)/ decrease in other current assets	(68,943)	-
(Decrease)/ increase in trade and other payables	(169,287)	7,522
Increase in employee benefits	12,474	346
Increase in unearned revenue	381,490	-
Net cash used in operating activities	(1,690,944)	(695,841)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	
Amount per security	
Total dividend	
Amount per security of foreign sourced dividend or distribution	
Details of any dividend reinvestment plans in operation	
The last date for receipt of an election notice for participation in any dividend reinvestment plans	

Part 13 – Earnings per Share

	2006	2005
Basic loss per share		
Ordinary shares	<u>(1.52 cents)</u>	<u>(6.05 cents)</u>
The Company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.		
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	<u>107,570,173</u>	<u>17,195,838</u>

Part 14 – Net Tangible Assets per Security

	2006	2005
Net tangible asset backing per ordinary security	3.29 cents	(0.40 cents)

Part 15 – Details of Entities Over Which Control has been Gained or Lost

On 9 May 2006, the Company incorporated a new wholly owned subsidiary, QuickBoats Pty Ltd.

On 11 May 2006, QuickBoats Pty Ltd acquired Western Australian-based specialty boat-builder, Flatout Boats. The consideration for the acquisition was \$250,000, which is to be paid in increments within 18 months of acquisition date, commencing with an initial \$75,000 payment made at time of settlement.

The \$250,000 consideration was apportioned as follows:

Goodwill	\$175,000
Intellectual Property	\$50,000
Sundry plant and equipment	\$15,000
Inventory	\$9,998
Contracts and Records	<u>\$2</u>
	<u>\$250,000</u>

The balance of the consideration payable, \$175,000, has been recorded as a current liability at 30 June 2006.

In the period to 30 June 2006, Quickboats incurred a loss of \$22,684.

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2006 %	2005 %	2006 \$A'000	2005 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Part 17 – Issued Securities

	2006	2005
	\$	\$
Issued capital		
114,826,108 (2005: 89,706,108) fully paid ordinary shares	10,255,302	4,733,052

The following movements in issued capital occurred during the year:

	<u>2006</u>		<u>2005</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	89,706,108	4,733,052	16,727,335	3,077,634
Shares issued for cash	-	-	1,488,000	1,137,918
			18,215,335	4,215,552
4.8 : 1 share split	-	-	87,433,608	4,215,552
Shares issued for cash	24,000,000	6,000,000	112,500	22,500
Shares issued on exercise of options	120,000	27,504	-	-
Shares issued as success fee	600,000	150,000	-	-
Shares issued to director as remuneration	400,000	78,800	-	-
Issued as part compensation for services provided	-	-	2,160,000	540,000
Share issue and capital raising costs	-	(734,054)	-	(45,000)
Balance at the end of the year	114,826,108	10,255,302	89,706,108	4,733,052

Options

Options granted during the year

During the financial year, the Company granted the following options over unissued ordinary shares:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
15 April 2010	\$0.25	1,500,000

These options were granted as part of a success fee following the listing of the Company on ASX.

Unissued shares under option

At 30 June 2006, unissued ordinary shares of the Company under option are:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
13 July 2006	\$0.2573	7,032,022
15 April 2010	\$0.25	7,500,000
16 June 2010	\$0.26	480,000
16 June 2010	\$0.313	240,000

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

During the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

<u>Number of shares</u>	<u>Amount paid on each share</u>
120,000	\$0.2292

Lapse of options

During the financial year, the following options lapsed:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
30 June 2006	\$0.2292	6,419,184

Part 18 – Segment Information

Quickstep predominantly operated in one business segment (technology commercialisation) and one geographic segment (Australia) during 2006.

Part 19 – Subsequent Events

Subsequent to 30 June 2006:

- the Company raised \$3,045,000 in cash (before the costs of the raising) through the issue of 14,500,000 shares at \$0.21 each, pursuant to a prospectus dated 3 July 2006.
- the Company raised \$552,342 in cash through the exercise of 2,146,686 options at \$0.2573 each.
- 4,885,336 options exercisable at \$0.2573 each lapsed on 13 July 2006 without being exercised.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2006.

Part 20 – Impact of adopting Australian equivalents to International Financial Reporting Standards

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of equity as presented under AIFRS to that under AGAAP

		30 June 2005 \$	Consolidated 31 Dec 2004 \$	1 July 2004 \$
Total equity under AGAAP		1,307,410	660,190	690,380
<i>Adjustments to accumulated losses</i>				
Recognition of share-based payment expense	(1)	(1,667)	-	-
<i>Adjustments to reserves</i>				
Recognition of share-based payment expense	(1)	<u>1,667</u>	<u>-</u>	<u>-</u>
Total equity under AIFRS		<u>1,307,410</u>	<u>660,190</u>	<u>690,380</u>

- (1) A grant of options to former directors occurred on 30 June 2005. Those options vested one month from the date of grant. Under AIFRS, the fair value of the options was calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. Under previous AGAAP, no expense was recorded in respect of the grant of options.

(ii) Reconciliation of losses as presented under AIFRS to that under AGAAP

	30 June 2005 \$	Consolidated 31 Dec 2004 \$
Net loss for the period under AGAAP	(1,038,388)	(258,190)
Recognition of share-based payment expense (see (1) above)	<u>(1,667)</u>	<u>-</u>
Net loss for the period under AIFRS	<u>(1,040,055)</u>	<u>(258,190)</u>

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Part 21 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not Applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not Applicable