

# QUARTERLY REPORT

## TO 31 MARCH 2007

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### HIGHLIGHTS

- **International ‘Quickstep Centres of Excellence’ win aerospace manufacturing contracts from OEM suppliers.**
- **New subsidiary company – ‘Quickstep GmbH i.G’ - established in Germany to underpin major Cooperation & Development Agreement currently under negotiation with a European aerospace group.**
- **Establishment of Technology Advisory Board to oversee the Company’s global Research & Development Programme.**
- **New Research & Development contracts signed with Victorian Centre for Advanced Materials Manufacturing (VCAMM) and US-based chemicals supplier, Zyvax Inc.**
- **Cash reserves at the end of the March Quarter of \$4.017 million.**

The March 2007 Quarter was another active period for Quickstep as the Company made important progress towards its core goal of obtaining aerospace certification for the patented Quickstep Process and securing large-scale manufacturing contracts in the global aerospace industry.

### **International ‘Quickstep Centres of Excellence’ Win Aerospace Manufacturing Contracts from OEM Suppliers**

During the Quarter, Quickstep was awarded two manufacturing contracts from Original Equipment Manufacturers (OEMs). Both are major aerospace companies and the projects are covered by confidentiality agreements.

These manufacturing contracts were secured through Quickstep’s international ‘Centres of Excellence’ in the UK and USA, which have been established to allow the Company to work more closely with potential customers.

The orders were valued at approximately €20,000 (approximately A\$32,600) and approximately US\$25,000 (approximately A\$30,500).

The confirmation of these contracts demonstrates the effectiveness of Quickstep’s strategy of using international showcase sites to secure new business for the Company and foster a belief amongst OEMs and their Tier One suppliers that Quickstep is the first and best choice for out-of-autoclave processing.

While the value of the contracts is relatively small, they will allow Quickstep to further demonstrate the efficiencies of the Quickstep Process in advanced composites manufacturing, and are expected to lead to larger scale, higher value contracts in the future.

Quickstep now has demonstration facilities located in Australia at the Victorian Centre for Advanced Materials Manufacturing (VCAMM) in Geelong, in the UK at the University of Manchester and in the USA at the National Composite Center (NCC) in Dayton, Ohio. A fourth showcase site is being set up in Germany and is expected to be operational by mid-May 2007 (see below).



## **Establishment of subsidiary company - 'Quickstep GmbH i.G' – in Germany to Underpin Development Work with European Aerospace Group**

Quickstep has bolstered its commitment to establishing the Quickstep Process in Europe, setting up a new wholly-owned subsidiary company, Quickstep GmbH i.G.

Quickstep GmbH i.G will initially operate one QS20 composites production machine, which was successfully commissioned in Perth at the end of March and is expected to be installed in Munich during late May 2007. The QS20 will be committed exclusively to testing and product development for a select group of European customers.

Quickstep GmbH i.G has already hired its first two employees, both of whom have already completed a 3-month Quickstep training course in Perth.

Dr Jens Schlimbach has been appointed CEO of Quickstep GmbH i.G., and has six years of experience in advanced composite manufacturing technologies, including design and development of carbon fibre reinforced polymer (CFRP) structures as an alternative to steel and aluminium. Dr Schlimbach has provided consultancy services to a number of aerospace companies, including Eurocopter, the world's largest helicopter supplier.

Dr Amol Ogale will be responsible for production and development of Quickstep's technologies in Germany and has more than five years of experience in dry fibre based composite manufacturing technologies including preforming, liquid composite moulding and development of CFRP components as an alternative to existing metallic parts.

Both Dr Schlimbach and Dr Ogale have extensive project management experience, having managed a number of German national and international projects at the Institut für Verbundwerkstoffe GmbH ("Institute for Composite Materials") in Kaiserslautern, Germany.

Quickstep GmbH i.G will target a number of high-potential markets in the region, focusing initially on supporting advanced discussions with a leading European aerospace manufacturer. The intention of these negotiations is to establish a framework cooperation and development agreement to achieve certification for aerospace components for the Quickstep Process, a forerunner to actual aerospace components manufacture. The establishment of Quickstep GmbH i.G allows Quickstep to work more closely with European-based aerospace manufacturers to achieve this necessary certification.

Quickstep expects to make a positive announcement regarding these negotiations in May 2007.

## **Establishment of Technology Advisory Board to oversee the Company's global Research & Development Programme**

Quickstep has established a Technology Advisory Board to oversee the Company's global Research & Development programme and promote the Quickstep Process to key decision-makers as the preferred out-of-autoclave curing process for composite manufacturing.

The Advisory Board will be chaired by Professor Andrew Walker, a leading consultant to global aerospace companies and a long-term advocate of composites technology. Based at the University of Manchester in the UK, Professor Walker is the Director of a UK Research Initiative to develop future civil aircraft and works to bring key academics together with industrial partners and aviation authorities. He previously worked for Airbus as Chief Manufacturing Engineer on the A380 and designed the \$1bn A380 wing factory at Broughton, UK.

Professor Walker is a world expert on composites – having developed "Saffil" reinforced engine pistons – and has been involved in materials processing for over 25 years. Professor



Walker is also engaged on the airline side of the industry, sitting on the Board of Virgin Atlantic and consulting to other leading airlines.

In accepting the role, Professor Walker said: "I have been a keen and active supporter of Quickstep for many years. Fundamentally, their patented liquid-based composite curing process is superior to traditional autoclave curing for a range of manufacturing opportunities. My focus will be to assist Quickstep in convincing global aerospace manufacturers that, based on a considerable body of test data, the Quickstep Process can achieve a superior result at a demonstrably lower capital and operating cost."

Joining Professor Walker on the Technology Advisory Board will be Dr Bronwyn Fox and Mr Louis Luedtke.

Dr Fox is a Senior Lecturer at Deakin University, Geelong, and a researcher at the Victorian Centre for Advanced Materials Manufacturing (VCAMM). Dr Fox has been involved in the research behind the Quickstep Process for over four years and leads a team of research students at Deakin University undertaking specific R&D projects utilising the Quickstep Process for a variety of composite manufacturing applications.

Mr Lou Luedtke, President and CEO of the National Composite Center in Dayton, USA, brings more than 30 years of engineering, technical sales and business leadership experience to the Technology Advisory Board. Mr Luedtke was hand-selected to take the National Composite Center to a new level of performance in 1999 and under his leadership the NCC has launched several new businesses and helped customers across the US get their products to market more quickly. His strategies have also helped the Center develop a supportive incubation environment for composites companies and industrial manufacturers.

### **New Research & Development contracts signed with VCAMM and US-based chemicals supplier, Zyvax Inc.**

During the March 2007 Quarter, Quickstep entered into two key agreements – both offering significant potential benefits in the global commercialisation of the Quickstep Process.

In January, Quickstep and the Victorian Centre for Advanced Materials Manufacturing (VCAMM) announced a new R&D programme focusing on the development and analysis of composite components for aerospace and automotive applications. The most significant component of the research will extend earlier research work that indicates Quickstep's curing process can result in apparent improvements in the performance of composite materials. The new work will examine how and why these apparent improvements are produced and could provide a further significant competitive advantage to the Company, particularly in the construction of high-value primary aircraft structures.

Additionally, in March Quickstep announced a new business alliance with global chemical supplier, Zyvax Inc, focusing on the development and promotion of composite production techniques utilising Quickstep's manufacturing process combined with Zyvax's proprietary tool treatment formulas. The 'Quickstep Process' – as with all composites manufacturing - requires that a barrier treatment be applied to moulds and tooling parts in order to prevent the manufactured component from sticking to the mould. Zyvax manufactures a range of proven, environmentally friendly, high-performance treatment products, and can also develop new formulas to meet specific manufacturing requirements.

The alliance recognises that Quickstep's and Zyvax's patented innovations are complementary, and significant synergies could be generated through a formal business alliance. Under the agreement, Zyvax will supply its products free of charge to all Quickstep locations for use in testing and demonstrations, allowing Zyvax and Quickstep to jointly present an enhanced composites manufacturing solution to potential customers.



## **Flat-Out-Boats update**

Quickstep's Flat-Out-Boats business continues to attract strong interest from recreational boaters and camping enthusiasts – having already received over 820 enquiries from prospective buyers, and over 280 requests to attend the launch of the new-look boat, targeted for July 2007.

## **Corporate**

There were 50,429 options exercised during the Quarter, raising \$12,607.25 in cash.

As at 31 March 2007, Quickstep had a total of 131,694,425 shares on issue, of which 85,655,187 are quoted with the balance in escrow until October 2007.

## **Outlook**

With advanced discussions now underway with a number of international aerospace companies, Quickstep's key focus is now on converting these negotiations into commercial contracts.

The outstanding preliminary work being performed by our network of international showcase sites in demonstrating the Quickstep Process to potential clients puts the Company in good stead to secure large-scale contracts.

We expect the June 2007 quarter will present further outstanding opportunities to Quickstep in this vital stage of the Company's development.

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

**QUICKSTEP HOLDINGS LIMITED**

ABN

**55 096 268 156**

Quarter ended ("current quarter")

**31 MARCH 2007**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	510	860
1.2 Payments for		
(a) staff costs	(340)	(966)
(b) advertising and marketing	(152)	(577)
(c) research and development	(88)	(507)
(d) leased assets	-	-
(e) other working capital	(938)	(1,669)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	90	269
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(918)</b>	<b>(2,590)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(918)</b>	<b>(2,590)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(189)	(828)
(e) other non-current assets	-	-
<i>*including in-house asset construction</i>		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (development costs of Flat Out Boats)	(31)	(100)
<b>Net investing cash flows</b>	<b>(220)</b>	<b>(928)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,138)</b>	<b>(3,518)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc (net)	12	3,433
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>12</b>	<b>3,433</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,126)</b>	<b>(85)</b>
1.21 Cash at beginning of quarter/year to date	5,143	4,102
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>4,017</b>	<b>4,017</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(190)
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
		<u>\$A'000</u>
	- Directors' remuneration	(154)
	- Research and development consultancy services	(24)
	- Marketing and promotion expenses	(12)

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	167	143
4.2	Deposits at call	3,850	5,000
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		4,017	5,143

**Acquisitions and disposals of business entities**

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

(Company Secretary)

Date: **30 April 2007**

Print name: **Kim Hogg**

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+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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