

QUARTERLY REPORT

TO 30 JUNE 2007

HIGHLIGHTS

- **Landmark Cooperation & Development Agreement signed with Eurocopter, the world's largest helicopter supplier.**
- **Process capability work commences at North American Quickstep Centre of Excellence for US aerospace companies including GE Aviation and Sikorsky.**
- **New research from VCAMM suggests the Quickstep Process may offer key benefits in 'nanotechnology' composites production.**
- **Cash reserves at the end of the June Quarter of \$2.45 million.**

The June 2007 Quarter was another active period for Quickstep in which the Company made a number of very significant developments towards its core goal of obtaining aerospace certification for the patented Quickstep Process and securing large-scale manufacturing contracts in the global aerospace industry.

Landmark Agreement with Eurocopter

In May 2007 Quickstep took a major step towards the large-scale production of component parts for the global aerospace sector, announcing a landmark Cooperation and Development Agreement ("CDA") with Eurocopter, the world's largest helicopter supplier.

The agreement represents Quickstep's most significant step to date towards entering the global aerospace parts manufacturing sector, establishing a long-term partnership with one of the world's most significant aerospace companies.

The CDA follows visits and reviews by Eurocopter personnel both to Quickstep's European Centre of Excellence in the UK and Quickstep's headquarters in Western Australia.

Eurocopter has indicated its intention to quickly undertake further development work to bring this technology to market and become the first global aerospace group to do so. Subject to success with the initial process qualification phase, the agreement lays the foundations for an "industrialisation process" leading to the commencement of commercial production of aerospace components using the Quickstep Process for a number of helicopter programmes during 2008.

The collaboration is expected to lead to either a direct manufacturing partnership between Quickstep and Eurocopter, and/or Quickstep's approval as a qualified manufacturing subcontractor to Eurocopter.

Dr Christian Weimer, Head of Production Technologies and Projects Eurocopter, said the test programme was designed to achieve technological readiness for the Quickstep Process.

"The target is to be ready to apply the Process on future aircraft and helicopter programmes as soon as possible. After significant research we are convinced of the potential for the Quickstep Process to contribute to better performance in our products, and to higher production efficiency," he said. "We intend to expand on the close cooperation with Quickstep to fast-track further basic development work to bring these innovations to the market as rapidly as possible. We want to be first to market with the application of Quickstep's technology, and we will be working hard to achieve this."

Eurocopter is part of the EADS group of companies, which also includes aircraft manufacturer Airbus, and EADS Astrium, the European leader in space programmes from Ariane to Galileo. It is hoped that if the current test programme with Eurocopter is successful, the application of Quickstep's technology may also be transferred to other members of the EADS group.

The CDA with Eurocopter is the first major outcome of Quickstep's decision to set up a new global manufacturing and testing facility in Germany through our new subsidiary company, Quickstep GmbH (outlined in our last shareholder newsletter). A new Quickstep-owned QS20 production machine is now commissioned inside the EADS group facilities in Munich, with first trials for Eurocopter to commence shortly.

Process capability work commences with major US aerospace firms

In late May 2007, Quickstep completed commissioning of the QS20 composites production machine at the North American Quickstep Centre of Excellence (NAQCE), located in the heart of the North American composites industry in Dayton, Ohio. The NAQCE is located at the National Composite Center's (NCC's) Dayton Campus for Advanced Materials Technologies.

The QS20 machine at the NAQCE is the first deployment of Quickstep's patented technology in North America – the world's largest market for advanced composites materials – and is consistent with the Company's strategy of establishing demonstration facilities near target markets to enable it to work more closely with potential customers.

Several North American companies have already committed to evaluation projects with Quickstep through the NAQCE, including leading advanced technology companies GE Aviation – one of the world's leading producers of jet engines for commercial and military aircraft; and Sikorsky Aircraft Corporation – a world leader in the design, manufacture and service of military and commercial helicopters and fixed wing aircraft. Both companies are exploring the potential of the Quickstep Process as a viable and effective alternative to autoclave-based manufacturing.

The new centre will enable potential North American customers to effectively 'test' the Quickstep Process and evaluate the specific benefits it could provide for their individual manufacturing needs.

Stephen Mitchell of GE Aviation's Technology Transition & Productivity Programmes, said, "Production rates are significantly increasing, given the success of our new GEnx engine. We have a great interest in exploring the limits and benefits of the Quickstep Process as it relates to materials and specific components in addressing our production requirements."

The Centre is now ready to perform curing trials on a wide range of materials and variety of components, and Quickstep is now in the process of inviting companies that have expressed interest in the process to come to Dayton to compare Quickstep with their current methods of part manufacture.

As the world's largest composites market, North America is a key focus for Quickstep and a primary component of our long term growth plan. We have already had a very positive response from our discussions with potential North American customers, and the NAQCE will enable us to work closely with these companies to fully qualify the benefits of the Quickstep Process for them.

Quickstep Process Delivers Key Benefits in 'Nanotechnology' Composite Production

In June 2007 Quickstep received a further boost to the commercialisation of the Quickstep Process, with new research from the Victorian Centre for Advanced Materials Manufacturing ("VCAMM") in Australia demonstrating that the Quickstep Process can lead to significant improvements in the structure of 'nanocomposite' materials.

For personal use only

Nanocomposite production is part of the broader field of 'nanotechnology', which is currently attracting major attention in the global scientific community. It involves the introduction of tiny 'nano sized' particles into the host composite material, which can serve to significantly change and improve the overall properties of the resulting product. Nanocomposites have specific application in the production of fire retardant composite materials, widely used in aerospace and automotive interiors.

The research was conducted by VCAMM in conjunction with the Australian Nuclear Science & Technology Organisation (ANSTO), which has independently verified all research conducted to date. The project was selected by ANSTO to be completed under the organisation's prestigious research scholarship programme.

Initial results from the research programme have indicated that Quickstep's manufacturing technique resulted in a more even separation of the nano sized particles throughout the composite material, significantly enhancing their overall effect.

The research has focused on comparing the structure of clay platelet particles in epoxy thermoset materials manufactured using different processing techniques.

Preliminary results indicate that the mechanical vibrations used in the Quickstep Process assist in separation, ensuring the platelets are evenly separated throughout the composite material. Faster heating also allows the polymer to get in between the clay platelets to further improve separation.

Improved particle separation enhances the overall quality of the nanocomposite product.

This research has exciting implications for Quickstep's core strategy of securing manufacturing contracts and joint ventures with aerospace and automotive OEMs and their Tier One suppliers.

2007 JEC exhibition

The 2007 JEC exhibition was held in Paris from April 3 to 5, and was once again the largest composites-focused event in the industry, drawing 27,336 visitors and over 1,000 exhibitors.

Quickstep exhibited for the third consecutive year, with brisk traffic that included OEMs, moulders, material suppliers and the media. While a number of new global contacts were made, 2007 marked an important transition where many visitors were from companies with which Quickstep had already established contact, either at prior JEC shows or through direct visits, and who stopped by to further existing projects or explore new opportunities.

These repeat visitors included representatives from a number of OEMs, including several Airbus locations, Eurocopter, Boeing, EADS, and the US Air Force. Key Tier 1 suppliers visiting the Quickstep booth included Plasan USA, Meridian Automotive, Brookhouse, Vermont Composites, General Electric and Aircelle, among others. Clearly, this is a sign that Quickstep is becoming established as a viable technology for the efficient curing of advanced composite components.

Additionally, a Quickstep invitation-only cocktail reception was held at the residence of the Australian Trade Ambassador to France, Ms Kirsten Sayers. This elegant event, overlooking the Eiffel Tower, was well received by key OEMs and Tier 1 suppliers, as well as key Quickstep partners from the material supply community. Media representatives from the three major composites industry publications were also in attendance.

JEC 2007 was attended by Quickstep's Managing Director, Nick Noble, and Chairman, Mark Jenkins from Australia, Dale Brosius (COO Americas & Europe) and Ben Luedtke (Manager of the North American Quickstep Centre of Excellence) from the US, and Amol Ogale of Quickstep GmbH. The event was also attended by Professor Andrew Walker (Chairman of the Quickstep Technology Advisory Board) and Victoria James from the European Quickstep



Centre of Excellence, Bob Griffiths of ERG Ltd (a UK representative and new International President of SAMPE, the main advanced composites engineering society), and Dr Bronwyn Fox from Deakin University/VCAMM.

The 2008 JEC event takes place in Paris April 1-3.

US Patent Nearing Completion for “Melding” Aspect of the Quickstep Process

During the quarter, Quickstep received notification of a Final Office Action on its patent application in the United States covering the “melding” aspect of the Quickstep Process for composites manufacture. This represents a further significant step towards securing comprehensive international patent protection for Quickstep’s core technology.

Quickstep has been advised by its patent attorneys, Watermark, that the Final Office Action was issued in respect of US patent application No. 10/204938, with the requested amendments currently being made. Once these amendments are finalised, they are expected to bring the patent application into order for allowance within 1-2 months.

“Melding” is one of the most important features of Quickstep’s technology, allowing multiple composite components to be effectively ‘melted and welded’ together without the use of adhesives, bolts or rivets. The resultant structure has no physical difference or separating surface between the two joined parts and is homogeneous with the surrounding composite creating a new integrated part. As a result, the process confers greater flexibility of design and potentially greatly reduced processing costs for the manufacturer.

Melding, developed by Mr Neil Graham for Quickstep, has attracted international interest, including from some of the world’s leading aircraft and aerospace companies.

Watermark has advised Quickstep that this will provide commercially effective patent protection for the Quickstep melding production process within the United States – which represents a key target market for Quickstep because of its world-leading aerospace industry.

The patent application covering the “melding” production process was formally granted by the Australian Patent Office last year and is now in force in Australia, and the equivalent patent has also been issued in China. Corresponding patent applications have been made and are currently undergoing examination in Europe, South Korea, Brazil and Israel, while a patent application has also been made in Japan and is awaiting examination.

Corporate

During the quarter, a further 360,000 options were exercised, raising additional cash of \$90,000 for the Company. The Company now has 132,054,425 shares on issue, of which 46,039,238 remain in escrow.

Outlook

Based on the exceptional work currently being conducted at our showcase sites in Australia, the UK, North America and Germany, Quickstep is well positioned to build on the strong results achieved in the June Quarter.

We expect the 2007/08 financial year will be a landmark year for the Company, as we work towards the commercialisation of the patented Quickstep Process.

For personal use only

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")

30 JUNE 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	854
1.2 Payments for		
(a) staff costs	(440)	(1,406)
(b) advertising and marketing	(36)	(613)
(c) research and development	(47)	(554)
(d) leased assets	(2)	(2)
(e) other working capital	(593)	(2,256)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	320
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net operating cash flows	(1,067)	(3,657)

+ See chapter 19 for defined terms.

For personal use only

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,067)	(3,657)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(515)	(1,343)
(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)	(78)	(178)
Net investing cash flows	(593)	(1,521)
1.14 Total operating and investing cash flows	(1,660)	(5,178)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	89	3,522
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)	-	-
Net financing cash flows	89	3,522
Net increase (decrease) in cash held	(1,571)	(1,656)
1.21 Cash at beginning of quarter/year to date	4,017	4,102
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	2,446	2,446

+ 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	(265)
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	(223)
-	Research and development consultancy services	(24)
-	Marketing and promotion expenses	(18)

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

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

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.

For personal use only

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

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	1,046	167
4.2	Deposits at call	1,400	3,850
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		2,446	4,017

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: **31 July 2007**

Print name: **Kim Hogg**

+ 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.

+ See chapter 19 for defined terms.