



31 August 2007

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

P R E L I M I N A R Y F I N A L R E S U L T S

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 2007, together with the Managing Director's Review.

Kim Hogg
Company Secretary

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MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

The 2007 financial year – our second year as a listed company – was in many respects a watershed year for Quickstep Holdings Limited.

Having laid the foundations over the past few years for the commercialisation of our core asset, the unique fluid-based Quickstep Process for the manufacture of advanced composite materials, 2007 saw the Company begin to deliver on the substantial growth opportunities ahead of it.

Perhaps most importantly, our efforts in marketing the Quickstep Process to the global aerospace industry – our largest and potentially most lucrative target market – through our newly established international network of 'Quickstep Centres of Excellence' began to pay dividends, with the Company recently securing its inaugural manufacturing contract in the aerospace sector through our newly established German subsidiary.

In addition to the rapidly expanding range of activities across our international network – which now spans the United Kingdom, Europe and North America – we are also continuing to ramp up our facilities in Fremantle, Western Australia as a manufacturing centre for aerospace components. The Company is moving to the next level and I am excited about our growth prospects over the next 12 months.

One of the key drivers of our recent success is the rapidly growing levels of demand for advanced composite components worldwide and the recognition by some of the world's leading aerospace companies and their Tier One suppliers of the need, not just to source new, more efficient manufacturing techniques, but also simply to have access to additional production capacity in the medium term.

The strong growth of the world economy and the rise of new economic powers such as China, India and parts of Eastern Europe is driving record growth in global air travel and, with it, demand for composite materials.

Professor Andrew Walker, Chairman of Quickstep's newly-established Technology Advisory Board estimates that, by 2012, Boeing and Airbus will both need to manufacture an additional 840 tonnes of carbon fibre components each month in order to satisfy demand for new twin-aisle and replacement single-aisle aircraft that will be manufactured in order to meet the world's insatiable appetite for air travel.

This additional production – amounting to over 20,000 tonnes of carbon fibre components per year valued at an estimated US\$4.5 billion – must be sourced from a manufacturing industry already operating at close to capacity, making new and more efficient processing techniques an absolute necessity.

I believe that Quickstep is now well placed to meet this need.

With the attention of many of the world's largest aerospace firms now focusing on the potential of out-of-autoclave processing to reduce costs and increase quality, I believe the stage is set for Quickstep to become a major solutions provider to this sector for composite component manufacture worldwide.

I hope that the achievement of this objective will deliver a quantum increase in the value of the Company in the years ahead. Our achievements over the past 12 months have certainly been reflected in a pleasing increase in the share price and market capitalisation of the Company, but I believe that this could be the beginning of what promises to be a sustained period of growth.

YEAR IN REVIEW

Our objectives for the year were:

- to leverage off our international network of Quickstep 'Centres of Excellence' by working closely with potential customers to qualify the Quickstep Process as a viable and effective alternative to their traditional autoclave-based composite manufacturing techniques;
 - to accelerate our entry to the global aerospace sector through development work and securing initial small-scale prototype contracts;
 - to further expand our existing portfolio of international research and development alliances and partnerships with major aerospace, industrial and automotive groups and their Tier One suppliers;
 - to coordinate a cohesive strategic plan for the Company's global Research & Development initiatives; and
 - to expand our global management team to ensure that the Company is positioned to take full advantage of new business opportunities as they arise.
-



I am pleased to report that over the course of 2007, Quickstep achieved exceptional progress in each of these areas and is now well placed to continue its strong record of business growth.

Aerospace Certification & Initial Manufacturing Contracts

Achieving certification for the Quickstep Process in the global aerospace manufacturing sector represents a core component of the Company's growth strategy, and I am pleased to report that Quickstep has made exceptional progress in this regard over the past 12 months, securing cooperation agreements and initial development contracts with some of the world's largest aerospace companies.

In May 2007, Quickstep announced a landmark Cooperation & Development Agreement (CDA) with Eurocopter, the world's largest helicopter supplier, establishing the framework for a long-term collaboration to investigate, optimise and qualify the manufacture of composite parts for the helicopter giant.

The establishment of a long-term partnership with one of the world's most substantial aerospace groups heralds our most significant step to date towards entering the global aerospace parts manufacturing sector.

Subject to success with the initial optimisation 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 programs during 2008. The CDA follows successful preliminary testing by Eurocopter, which indicated Quickstep's unique fluid-based composites manufacturing process may improve performance and efficiency in the production of Eurocopter's structural composite parts.

Eurocopter has indicated its intention to quickly undertake further development work to bring Quickstep's manufacturing technology to market and become the first global aerospace group to do so. The collaboration is expected to lead to either a direct manufacturing partnership between Quickstep and Eurocopter for the production of aerospace components, and/or Quickstep's approval as a qualified manufacturing subcontractor to Eurocopter.

Work conducted under the CDA will take place at a new Quickstep manufacturing facility, located at the EADS group facilities in Munich, where a QS20 composites production machine has already been commissioned.

"The target is to be ready to apply the Quickstep Process on future aircraft and helicopter programs 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. We want to be first to market with the application of Quickstep's technology, and we will be working hard to achieve this."

Dr Christian Weimer – Head of Production Technologies and Projects, Eurocopter

In August 2007, Quickstep also secured an aerospace parts development contract with Airbus Deutschland GmbH, Site Laupheim, the developer and producer of interior components for the Airbus family of aircraft, including the new A380 aircraft. While details of the contract will remain confidential, it involves the manufacture of prototype parts which are scheduled to be delivered by the end of September 2007.

We are confident that this initial development and test work for Eurocopter and Airbus Deutschland GmbH, Site Laupheim, if successful, may lead to additional opportunities down the track. Both Airbus and Eurocopter are part of the giant EADS group, a global leader in aerospace, defence and related services, which in 2006 generated revenues of over €39 billion.

In the US, our North American Quickstep Center of Excellence has commenced process capability work for US aerospace giants, GE Aviation and Sikorsky Aircraft Corporation. GE Aviation is one of the world's leading producers of jet engines for commercial and military aircraft, and Sikorsky is 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.

"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."

Stephen Mitchell - GE Aviation Technology Transition & Productivity Programs

Our international Centres of Excellence in the UK and USA have also secured two small-scale development contracts from major aerospace Original Equipment Manufacturers (OEMs), both of which are covered by confidentiality agreements.



Quickstep's success in entering the global aerospace sector over the course of the 2007 financial year highlights the effectiveness of our strategy of using international showcase sites to secure new business for the Company and demonstrate first hand to OEMs and their Tier One suppliers that Quickstep is the first and best choice for out-of-autoclave processing.

While the value of these initial 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.

International Network of Showcase Centres / Pilot Production Facilities

One of the primary pillars of Quickstep's growth strategy has been the establishment of an international network of demonstration sites and pilot production facilities in close proximity to key target markets, to assist the Company to work more closely with potential customers – particularly those in the global aerospace and automotive sectors.

Over the 2007 financial year, this strategy has been enhanced through the completion of commissioning at Quickstep's North American Quickstep Center of Excellence in Dayton, Ohio, and the establishment of the Company's fourth international showcase site inside the EADS group facilities in Munich, Germany.

The North American Quickstep Center of Excellence (NAQCE), located at the National Composite Center (NCC) in Dayton, was officially opened by the Governor of Ohio, Governor Bob Taft, on 16 October 2006.

The QS20 composites production machine at the NAQCE represents the first deployment of Quickstep's patented technology in North America – the world's largest market for advanced composites materials and home to many of the world's largest aerospace, automotive, marine and infrastructure manufacturers and their Tier One suppliers.

The strong partnership Quickstep has forged with the NCC through the establishment of the NAQCE represents a very important component of Quickstep's long-term growth and global expansion plans. The NCC's new Dayton Campus for Advanced Materials Technology – home to the NAQCE – is well positioned geographically with respect to the US automotive and aerospace industries, and the NCC offers a number of complementary composite manufacturing synergies with Quickstep, including comprehensive closed moulding, rapid fibre pre-forming, design optimisation, and Long Fibre Reinforced Thermoplastics (LFT), all of which have the potential to be significantly enhanced by Quickstep's rapid curing process.

Since commissioning was completed, the NAQCE has already delivered significant success for Quickstep, with key initial development trials already underway with North American aerospace giants, GE Aviation and Sikorsky Aircraft Corporation, and significant interest from other companies including Boeing, General Motors, Huntsman Chemical, Applied Sciences and Vermont Composites.

In May 2007, Quickstep announced plans to further expand its global network through the establishment of a fourth international showcase site in Germany, to be undertaken via a new, wholly-owned subsidiary company, Quickstep GmbH.

This new German facility, which was successfully commissioned in August 2007, is located at the facilities of the giant EADS Group in Munich, and will undertake product development work for a select group of European customers. The facility will underpin work to be carried out under the recently signed Cooperation & Development Agreement (CDA) with Eurocopter, the world's largest helicopter supplier, and initial manufacturing work for Airbus Deutschland GmbH, Site Laupheim, outlined above.

Quickstep has already hired senior staff to manage these German operations, with Dr Jens Schlimbach appointed CEO of Quickstep GmbH and Dr Amol Ogale responsible for production and development of the Quickstep technologies in Germany. 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.

The establishment of these new centres in the US and Germany complements Quickstep's existing network of showcase sites and pilot production facilities, with the Company now having a strategic presence in North America, Europe, the UK and Australia. The Company now has:

- two QS20 production machines in operation at our headquarters in Fremantle, Western Australia;
- one QS5 machine in operation at the Victorian Centre for Advanced Materials Manufacturing (VCAMM) in Geelong, Victoria for R&D and production development (delivered September 2003);
- one QS5 machine in operation in Japan (delivered September 2004);
- one QS5 machine in operation at the University of Manchester in the UK, now the focus of the European Quickstep Centre of Excellence (delivered March 2005);



- one QS20 machine in operation at the North American Quickstep Center of Excellence (delivered October 2006); and
- one QS20 machine in operation at Quickstep GmbH in Germany (delivered May 2007).

Research & Development Initiatives

With Quickstep now operating from four strategic locations across the globe through our international Centres of Excellence, we recognise the need to adopt a coordinated approach to the Company's global Research & Development initiatives. In March 2007, we 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 is 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 \$1 billion A380 wing factory at Broughton, UK.

Professor Walker is a world expert on composites – having developed “Saffil” reinforced engine pistons in the 1980s – and has been involved in materials processing for over 25 years. He has three international visiting/honorary Professorships in Engineering, as well as a PhD (Process Metallurgy) and a BSc (Metallurgy), both from Imperial College, London. Professor Walker is also engaged in assisting Virgin Atlantic and Singapore Airlines.

“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.”

Professor Andrew Walker – Chairman of Quickstep's Technology Advisory Board

The other members of the Technology Advisory Board are 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). She has been involved in the research behind the Quickstep Process for over four years and now leads a team of eight PhD students and two post-doctoral research fellows at Deakin University undertaking specific R&D projects utilising the Quickstep Process for a variety of composite manufacturing applications. VCAMM, through its CEO, Brad Dunstan, has facilitated access to a number of funding schemes that have enabled the research effort to expand and add value to Quickstep's core business activities.

Mr 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. He has served the power and environmental markets and has held leadership positions in US Fortune 500 companies and foreign-owned global companies. 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.

“Based on research conducted by my teams and presented to groups such as Airbus and Boeing, the projected increase in aircraft production simply requires them to adopt alternatives to the traditional autoclave composite curing process. In my opinion, the Quickstep Process is a leading contender for this role.”

Professor Andrew Walker – Chairman of Quickstep's Technology Advisory Board

Manufacturing Ventures

Unfortunately, the booming Western Australian economy has impacted our Flat-Out-Boats manufacturing venture, making product design, detail manufacture and tooling not only more expensive than initially anticipated, but also very slow from a delivery perspective.

However the fundamental composite parts for the Flat-Out-Boat have now been clearly defined and a production process established. We now hope to commence manufacturing at our Fremantle facility in January 2008.

We have also made excellent progress regarding the use of thermoplastic Twintex materials as a direct result of a mining project we successfully delivered recently.



Quickstep is now actively investigating the potential to sell part of the Flat-Out-Boats business to a US partner, and also relocate the manufacturing of this product to the US. This will free up our local manufacturing facility for larger-scale aerospace work, whilst also providing significant benefits in terms of accessing plentiful semi-skilled labour in the US at a surprisingly lower cost than can be achieved here in Australia, as well as giving us access to exceptional industrial engineering expertise and a manufacturing facility in the centre of the world's largest market.

We are confident of finding a US-based joint venture partner for the Flat-Out-Boats business, and believe this strategy would deliver a vastly improved outcome for Quickstep.

As mentioned above, Quickstep has also recently completed a contract for the manufacture of doors for a mine winder using thermoplastic Twintex materials. At the time of writing these doors had not yet been installed, however if successful, a follow on order will be forthcoming. This is our first venture in to the mining industry and it holds real promise.

During the previous financial year, Quickstep announced a joint venture with NTF (India) Private Ltd and Avanti Corporation Ltd, to target mass transit manufacturing opportunities in India. The key contract being targeted by this joint venture did not eventuate, so this project has been deferred while awaiting a suitable future opportunity.

As reported above we are most encouraged by the development contracts with Airbus Deutschland GmbH, Site Laupheim, GE Aviation, Sikorsky and Eurocopter won through our Quickstep Centres of Excellence. We are very confident that with the exciting work being conducted for these customers, it is only be a matter of time before a substantial manufacturing contract is secured.

Enhancement of Senior Management Team

To underpin the accelerating global commercialisation of the Quickstep Process, I am pleased to report that we have made a number of additions to the Company's management team over the last 12 months.

Mr Andrew (Drew) Myers has been appointed to the position of Chief Operating Officer for our Australian operations, where he is responsible for the daily management of Quickstep's Australian business as well as playing a strategic role in the ongoing delivery of the Company's technology into key target markets, particularly the global aerospace sector.

Drew has over 10 years' experience in international composite applications, having most recently worked as a specialist composite consultant to Airbus UK, being involved with design, certification and manufacturing aspects of the A350 Airbus wing programme. Between 1996 and 2003 he was directly employed by Airbus in roles including Product Engineering Leader for the A330/A340 wing structure and Team Leader for the A340-500/600 composite wing leading edge design and build. He also spent two years as Head of Composite Production Engineering with the Red Bull Racing F1 Team (formerly Jaguar Racing Formula 1 Team) from 2003 to 2005, where he was responsible for generating and implementing manufacturing procedures and process improvements for automotive composite applications.

One of Drew's key initial roles as Chief Operating Officer has been the preparation of Quickstep's new Fremantle facility for aerospace component manufacturing.

Corporate

Quickstep's Board has remained stable throughout the year and has continued to strive to deliver on the vision outlined in the Company's 2005 Prospectus.

As noted above, key appointments have been made to the Company's management team, including Drew Myers as Chief Operating Officer and Andy Helps as Financial Controller, to support the Board through the significant growth phase now upon us.

In July 2006, the Company raised just over \$3 million through the placement of 14.5 million shares. And throughout the year, approximately 2.7 million options were exercised, which raised a further \$700,000 for the Company. A total of 4.9 million options also lapsed in July 2006.

The Company now has just over 132 million shares on issue, giving a market capitalisation at 30 June 2007 of \$128 million. There remain 7.64 million unlisted options on issue, all of which expire in 2010.

Summary & Outlook

With manufacturing trials now underway with a number of major aerospace firms, our international network of showcase centres completed and operating very effectively, a highly credentialed international management team in place, and a clear strategy for advancing the commercialisation of the Quickstep Process to the next level, Quickstep has entered a pivotal period of growth and development.



Our key aim over the next few months is to continue to work closely with our customers to confirm the Quickstep Process as a viable and effective alternative to their existing manufacturing technology. If the small-scale development contracts secured this year can be converted into larger, longer-term projects once the basic technology has been certified, this is expected to drive a major increase in shareholder value.

Our key areas of focus for the 2007/2008 financial year will include:

- the completion of an initial test programme with Eurocopter in support of the planned commencement of commercial production of aerospace components in 2008;
- maintaining a strategic global marketing campaign to potential customers through our international showcase sites and pilot production facilities;
- leveraging from the international expertise and advocacy of the Quickstep Technology Advisory Board to secure new opportunities for the Company;
- advancing our international R&D programmes and alliances with a view to signing licensing and joint venture agreements for the commercial application of the Quickstep Process; and
- working urgently to secure early cash-flow generating contracts.

Thanks to the strong foundations laid over the 2007 financial year, Quickstep is now poised to enter a landmark phase of growth as we move into commercial manufacturing. With our sights firmly set on the multi-billion dollar global aerospace sector, I believe the Company is exceptionally well positioned to continue delivering strong business growth and share market performance.

I would like to take this opportunity to again thank Quickstep's highly dedicated team of employees, consultants and supporters, as well as my fellow directors and executives, who have shown exceptional commitment and vision in this exciting phase of the Company's growth.

Nick Noble
Managing Director

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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 2007
Previous Corresponding Reporting Period	Year ended 30 June 2006

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	922	293%
Loss from ordinary activities after related income tax benefit	(3,823)	215%
Net loss attributable to members of the parent entity	(3,823)	215%

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.

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Part 3 – Contents of ASX Appendix 4E

Section	Contents
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
Part 4	Consolidated income statement
Part 5	Accumulated losses
Part 6	Consolidated balance sheet
Part 7	Consolidated statement of cash flows
Part 8	Other income and expenses
Part 9	Notes to the consolidated statement of cash flows
Part 10	Details relating to dividends
Part 11	Earnings per share
Part 12	Net tangible assets per security
Part 13	Details of entities over which control has been gained or lost
Part 14	Issued securities
Part 15	Segment information
Part 16	Information on audit or review

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Part 4 – Consolidated Income Statement

	2007 (\$)	2006 (\$)
Sales revenue	921,642	314,971
Cost of sales	<u>(451,534)</u>	<u>(184,293)</u>
Gross profit	<u>470,108</u>	<u>130,678</u>
Other revenue	(32,007)	209,175
Other income	-	165,000
Operational expenses	(1,601,359)	(821,411)
Marketing and distribution expenses	(1,290,139)	(665,174)
Corporate and administrative expenses	(1,049,283)	(499,449)
Research and development expenses	(785,374)	(478,628)
Other expenses	<u>(323,689)</u>	<u>(318,668)</u>
Loss from operating activities	(4,611,743)	(2,278,477)
Financial income	302,060	216,764
Financial expense	<u>(77,677)</u>	<u>-</u>
Net financing costs	<u>224,383</u>	<u>216,764</u>
Loss before income tax	(4,387,360)	(2,061,713)
Income tax benefit	<u>564,240</u>	<u>282,387</u>
Loss for the period	<u><u>(3,823,120)</u></u>	<u><u>(1,779,326)</u></u>

Part 5 – Accumulated losses

	2007 (\$)	2006 (\$)
Accumulated losses at the beginning of the year	(5,206,635)	(3,427,309)
Loss for the year	<u>(3,823,120)</u>	<u>(1,779,326)</u>
Accumulated losses at the end of the year	<u><u>(9,029,755)</u></u>	<u><u>(5,206,635)</u></u>

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Part 6 – Consolidated Balance Sheet

	2007	2006
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,446,113	4,102,547
Trade and other receivables	986,808	848,633
Inventories	105,459	7,307
Other	619,082	68,943
Total Current Assets	<u>4,157,462</u>	<u>5,027,430</u>
NON CURRENT ASSETS		
Property, plant and equipment	1,930,166	615,527
Intangible assets	1,484,448	1,579,320
Total Non Current Assets	<u>3,414,614</u>	<u>2,194,847</u>
TOTAL ASSETS	<u>7,572,076</u>	<u>7,222,277</u>
CURRENT LIABILITIES		
Trade and other payables	1,474,036	532,400
Loan and borrowings	9,891	-
Employee benefits	28,403	17,658
Unearned income	-	381,490
Total Current Liabilities	<u>1,512,330</u>	<u>931,548</u>
NON CURRENT LIABILITIES		
Trade and other payables	885,250	934,300
Loan and borrowings	37,912	-
Total Non Current Liabilities	<u>923,162</u>	<u>934,300</u>
TOTAL LIABILITIES	<u>2,435,492</u>	<u>1,865,848</u>
NET ASSETS	<u>5,136,584</u>	<u>5,356,429</u>
EQUITY		
Issued capital	13,775,983	10,255,302
Reserves	390,356	307,762
Accumulated losses	(9,029,755)	(5,206,635)
TOTAL EQUITY	<u>5,136,584</u>	<u>5,356,429</u>

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Part 7 – Consolidated Statement of Cash Flows

	2007	2006
	(\$)	(\$)
Cash flows from operating activities		
Cash receipts in the course of operations	849,344	498,120
Interest received	333,313	179,611
Interest paid	(431)	-
Research and development tax offset rebate	19,099	168,999
Cash payments in the course of operations	(4,584,478)	(2,537,674)
	<u>(3,383,153)</u>	<u>(1,690,944)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,413,827)	(173,520)
Development expenditure	(228,817)	-
Employee re-location loan	(150,000)	-
Proceeds from sale of fixed assets	330	-
Acquisition of business	-	(75,000)
	<u>(1,792,314)</u>	<u>(248,520)</u>
Cash flows from financing activities		
Proceeds from issues of shares	3,742,750	6,027,504
Share issue costs	(222,069)	(467,964)
Finance lease payments	(1,648)	-
	<u>3,519,033</u>	<u>5,559,540</u>
Net (decrease)/increase in cash held	(1,656,434)	3,620,076
Cash at the beginning of the year	4,102,547	482,471
CASH AT THE END OF THE YEAR	<u><u>2,446,113</u></u>	<u><u>4,102,547</u></u>

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Part 8 – Other Income and Expenses

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

	2007	2006
	\$	\$
(a) Other revenue		
Proceeds from government grants	(32,007)	209,175
(b) Other income		
Gain from recognition of re-acquired asset	-	165,000
(c) Depreciation and amortisation expenses		
Amortisation expense	323,689	309,304
Depreciation expense	148,188	92,734
(d) Employee benefits expense		
Wages and salaries	814,075	344,262
Other associated personnel expenses	144,081	46,041
Increase in liability for annual leave	10,745	12,320
Expense of share based payments	96,000	268,805
	<u>1,064,901</u>	<u>671,428</u>

Part 9 – Notes to the Consolidated Statement of Cash Flows

	2007	2006
	(\$)	(\$)
(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	<u>2,446,113</u>	<u>4,102,547</u>
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss for the period	(3,823,120)	(1,779,326)
Adjustments for:		
- Amortisation	323,689	309,304
- Depreciation	148,188	92,734
- Share based payment expenses	96,000	268,805
- Finance costs	77,246	-
- Loss on sale of fixed asset	121	-
- Gain from recognition of re-acquired asset	-	(165,000)
Operating loss before changes in assets and liabilities	(3,177,876)	(1,273,483)
(Increase) in trade and other receivables	(31,441)	(579,466)
(Increase) in inventories	(98,152)	(7,307)
(Increase) in other current assets	(547,917)	(55,365)
Increase/(decrease) in trade and other payables	842,978	(169,287)
Increase in employee benefits	10,745	12,474
(Decrease)/increase in unearned revenue	(381,490)	381,490
Net cash used in operating activities	<u>(3,383,153)</u>	<u>(1,690,944)</u>

Part 10 – Details Relating to Dividends

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

Part 11 – Earnings per Share

	2007	2006
Basic loss per share		
Ordinary shares	(2.92 cents)	(1.65 cents)
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	130,831,002	107,570,173

Part 12 – Net Tangible Assets per Security

	2007	2006
Net tangible asset backing per ordinary security	2.77 cents	3.29 cents

Part 13 – Details of Entities Over Which Control has been Gained or Lost

On 26 March 2007 the wholly-owned subsidiary Quickstep GmbH was incorporated in Germany.

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Part 14 – Issued Securities

	2007 \$	2006 \$
Issued capital		
132,054,425 (2006: 114,826,108) fully paid ordinary shares	<u>13,775,983</u>	<u>10,255,302</u>

The following movements in issued capital occurred during the year:

	<u>2007</u>		<u>2006</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	114,826,108	10,255,302	89,706,108	4,733,052
Shares issued for cash	14,500,000	3,045,000	24,000,000	6,000,000
Shares issued on exercise of options	2,728,317	697,750	120,000	27,504
Shares issued as success fee	-	-	600,000	150,000
Shares issued to director as remuneration	-	-	400,000	78,800
Share issue and capital raising costs	-	(222,069)	-	(734,054)
Balance at the end of the year	<u>132,054,425</u>	<u>13,775,983</u>	<u>114,826,108</u>	<u>10,255,302</u>

Options

Options granted during the year

No options to subscribe for ordinary fully paid shares were granted during the financial year.

Unissued shares under option

At 30 June 2007, unissued ordinary shares of the Company under option are:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
15 April 2010	\$0.25	6,918,369
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.

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>Expiry Date</u>	<u>Number of shares</u>	<u>Amount paid on each share</u>
13 July 2006	2,146,686	\$0.2573
15 April 2010	581,631	\$0.25

Lapse of options

During the financial year, the following options lapsed:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>
13 July 2006	\$0.2573	4,885,336

Part 15 – Segment Information

Quickstep predominantly operated in one business segment (technology commercialisation) and one geographic segment (Australia) during 2007.

Part 16 – 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"/>

<p>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:</p> <p style="text-align: center;">Not Applicable</p>
<p>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</p> <p style="text-align: center;">Not Applicable</p>

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