

# QUARTERLY REPORT

## TO 30 SEPTEMBER 2007

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### HIGHLIGHTS

- **Official opening of new testing and manufacturing facility in Munich, Germany.**
- **First German manufacturing contract secured with Airbus Deutschland GmbH – Site Laupheim.**
- **New research from VCAMM delivers major boost to automotive parts manufacturing potential.**
- **Completion of \$6.0million share placement to international and domestic wholesale clients of State One Stockbroking and Tolhurst Limited.**
- **Announcement of Share Purchase Plan to existing shareholders.**
- **Cash reserves at the end of the September Quarter of \$6.9 million.**

The September 2007 Quarter saw Quickstep achieve a number of important milestones that will play a key role in helping the Company realise its core goal of securing aerospace certification for the patented Quickstep Process and obtaining large-scale manufacturing contracts in the global aerospace industry.

#### **Official Opening of New Testing & Manufacturing Facility in Germany**

Following the landmark Cooperation & Development Agreement (CDA) with Eurocopter, the world's largest helicopter supplier, announced in May 2007, Quickstep's new German testing and manufacturing facility was successfully commissioned in August, and was officially opened on 9 October 2007 by Australia's Ambassador to the Federal Republic of Germany, HE Ian Kemish AM.

The facility will be operated by Quickstep's wholly owned subsidiary, Quickstep GmbH, and will be used to conduct manufacturing trials and development work for European aerospace groups including Eurocopter and Airbus.

The Centre represents an integral component of the Company's strategy to qualify the Quickstep Process for use in aerospace parts manufacturing. This new facility will enable Quickstep to conduct vital development work with a number of key aerospace groups that we anticipate may lead to our first large-scale aerospace manufacturing contracts in 2008.

The first projects to be conducted at the site involve development work being carried out under the CDA with Eurocopter, as well as the manufacture of prototype parts for 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 Airbus Deutschland GmbH – Site Laupheim contract are currently confidential, the first prototype parts were successfully delivered at the end of September. Airbus employees who assisted in the first prototypes have indicated a strong willingness to progress and further aerospace manufacturing opportunities should be available for Quickstep in the future.



Both Eurocopter and Airbus are part of the EADS group, a global leader in aerospace, defence and related services, which in 2006 generated revenues of over €39 billion.

Quickstep's German facility is the Company's fourth international showcase site, with similar sites also operating at the University of Manchester in the UK, at the National Composite Center in Dayton in the US, and at the Victorian Centre for Advanced Materials Manufacturing (VCAMM) in Geelong, Australia.

### **New Research from VCAMM Delivers Major Boost to Automotive Parts Manufacturing Potential**

In August 2007, the Victorian Centre for Advanced Materials Manufacturing (VCAMM) in Geelong, Victoria, announced the preliminary results of an ongoing study of the effect of the Quickstep Process in the manufacture of composite parts for automotive applications.

Composites are currently used extensively in the manufacture of racing cars and high performance 'super cars' to deliver improved strength-to-weight ratios and increased fuel efficiency. However the application of composite technology in the broader automotive industry has been limited due to key barriers, two of which are the increased cost of manufacturing; and the absence of reliable computer modelling showing how composite automotive components react in crash situations.

Initial research results from VCAMM have indicated the Quickstep Process may deliver a viable solution to both barriers to entry.

The research has involved the manufacture of composite 'tubes' which are designed to simulate standard steel chassis rails in a vehicle. VCAMM then 'crash tests' these tubes to determine how they react in a crash scenario and the results so far have proved extremely positive - confirming that manufacturing automotive crash structures using the Quickstep Process has strong potential.

Initial tests have shown that carbon fibre parts manufactured using the Quickstep Process absorb crash energy at a rate of up to 86 kilojoules per kilogram. This compares to around 60kJ/kg for aluminium and around 45kJ/kg for steel. The more energy that can be absorbed by a vehicle in a crash, the less that is transferred to the vehicle's occupants, providing passengers greater potential safety.

In addition, VCAMM has been able to cure a crash tube using the Quickstep Process in as low as seven minutes, which compares favourably with other composites manufacturing techniques and is within the acceptable limits for the automotive industry who manufacture in large volumes.

If ongoing research confirms VCAMM's initial test results, it would represent a significant opportunity for the Company, and could offer a new stream of business opportunities from luxury and performance car manufacturers.

### **Corporate**

During the Quarter, Quickstep completed a \$6.0 million share placement and announced plans to undertake a Share Purchase Plan (SPP) to existing shareholders.

Capital raised through the SPP and share placement will be partially used to fund process qualification and part certification work relating to the Cooperation & Development Agreement between Quickstep and Eurocopter, the world's largest helicopter supplier; as well as initial manufacturing trials for Airbus Deutschland GmbH - Site Laupheim, Sikorsky and GE Aviation. The balance of the proceeds will be used for working capital and to

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assist in preparing Quickstep's headquarters in Fremantle, Western Australia, for aerospace parts manufacturing.

The share placement, comprising 10,000,000 fully paid ordinary shares at an issue price of 60 cents has been completed with international and domestic wholesale clients of State One Stockbroking Ltd and Tolhurst Limited, who jointly acted as brokers to the placement.

The placement received strong support from existing institutional shareholders and was ratified at a meeting of shareholders on 26 October 2007.

The Share Purchase Plan was established to enable eligible Australian and New Zealand shareholders in the Company to purchase up to \$5,000 worth of fully paid ordinary shares in Quickstep at a price equivalent to the placement price of 60 cents per share - representing a 15.7% discount to the average closing price of the Company's shares over the 5 trading days prior to 12 September 2007 (the date the Company went into trading halt to conduct the share placement).

The shares offered under the SPP will rank equally with existing fully paid ordinary shares.

The SPP offer closed on 25 October 2007 and raised \$5.0 million, bring the total value of the Company's capital raising to \$11.0 million.

### **Outlook**

With important development work now underway for a number of aerospace companies - including Airbus Deutschland GmbH: Site Laupheim, GE Aviation, Sikorsky and Eurocopter - through our international centres of excellence, the Company is confident that opportunities to secure future aerospace manufacturing contracts and potential JV's will ensue.

The Company's key aim over the next few months is to continue to work closely with 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.

We look forward to welcoming our shareholders to the Quickstep facility in Fremantle on 22 November 2007 for our AGM. A review of the previous year and a presentation of the future possibilities in the composites markets for Quickstep will be detailed. A site visit of the facilities will allow shareholders to gain a better understanding of their Company and its exciting prospects.

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# 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 SEPTEMBER 2007**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	9	9
1.2 Payments for		
(a) staff costs	(630)	(630)
(b) advertising and marketing	(191)	(191)
(c) research and development	(179)	(179)
(d) leased assets	(2)	(2)
(e) other working capital	(522)	(522)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	29	29
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes received/(paid)	443	443
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(1,044)</b>	<b>(1,044)</b>

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

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(1,044)</b>	<b>(1,044)</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*	(134)	(134)
(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)	(8)	(8)
<b>Net investing cash flows</b>	<b>(142)</b>	<b>(142)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,186)</b>	<b>(1,186)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc (net)	5,639	5,639
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>5,639</b>	<b>5,639</b>
<b>Net increase (decrease) in cash held</b>	<b>4,453</b>	<b>4,453</b>
1.21 Cash at beginning of quarter/year to date	2,446	2,446
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>6,899</b>	<b>6,899</b>

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**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	(195)
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	159
- 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

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**Quarterly report for entities**  
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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	611	1,046
4.2	Deposits at call	6,288	1,400
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		6,899	2,446

**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 October 2007**

Print name: **Kim Hogg**

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## 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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