



Quickstep

HOLDINGS LTD



AUGUST 2009

Newsletter



Dear Shareholder,

Welcome to Quickstep's August 2009 Shareholder Newsletter. 2009 has already been an auspicious year for Quickstep in many respects, with the Company achieving commercial-readiness for manufacturing of aerospace-grade parts at our North Coogee headquarters.

The successful commissioning of this facility – which is one of the most advanced aerospace manufacturing facilities in the southern hemisphere

and the second largest in Australia – marks a major milestone for Quickstep and all our stakeholders.

In June, our main operating and subsidiary company, Quickstep Technologies Pty Ltd, was awarded official accreditation to the sought-after AS9100/ISO9001:2000 international aerospace quality standard.

This accreditation, which was achieved within just 10 months of project launch, enables us to actively bid for and secure aerospace and defence contracts globally.

Quickstep Technologies is now one of a select group of only 25 companies in Australia to achieve AS9100 certification, putting the Company in a formidable position to secure composite manufacturing contracts.

We have assembled a world-class team of aerospace engineers, production and quality managers in preparation for the move to full scale aerospace manufacturing – with the North Coogee facility capable of producing sophisticated aerospace parts using either conventional autoclave or Quickstep out-of-autoclave production solutions.

We have excellent working relationships with several major aerospace groups and defence contractors and we are aggressively pursuing manufacturing contracts – both through the North Coogee facility and through our existing global network of Centers of Excellence, alliances and teaming arrangements.

Through this global network we have continued to make significant progress towards securing major commercial contracts. In March, the Company was awarded a subcontract to support Dayton-based composites fabricator, Vector Composites, to develop an Out-of-Autoclave processing cycle for high temperature resins used on the F-35 Joint Strike Fighter (JSF).

The recent Defence White Paper revealed that the Australian Government will purchase approximately 100 F-35 Joint Strike Fighter plans as part of a A\$100 billion defence spending program.

This highlights some exciting strategic opportunities for Quickstep, given that Australian defence purchase specifications stipulate that a level of Australian Industry Participation is required in Australian defence purchases. Our active involvement in the US Department of Defence JSF program puts Quickstep in a strong position to gain future defence contracts through the JSF program.

Also in the defence area, we recently teamed up with BAE Systems to design and manufacture unique, lightweight deployable Composite SATCOM Antennas for military and commercial applications which included being awarded a Phase 1 development contract.

In June, the Company secured a \$2.6 million grant under the Australian Federal Government's A\$75 million AusIndustry Climate Ready Program as part of a new initiative designed to achieve the mass production of a new generation of lightweight, low-emission vehicles.

The funds – provided over a three year period – will be used to expand the Quickstep Process to enable robotic, mass production of light weight composite parts focused on making it competitive with steel.

The initiative will see Quickstep participate in the global push to achieve reductions in CO2 emissions from both the aerospace and automotive sectors through "lightweighting" of components.

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Quickstep

Fully integrated suite of aerospace composite manufacturing solutions

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This is a very exciting development for Quickstep which could position us as the forefront of a "paradigm shift" in the automotive industry.

We have also been active on the corporate front, with the Company recently securing a funding injection of up to \$12.7 million through a \$10 million Convertible Loan Agreement with Abu Dhabi-based conglomerate, Al Farida Investments Company LLC, and a \$2.7 million private placement to existing professional and institutional shareholders.

As part of the arrangement, Quickstep has also signed an agreement appointing an Al Farida subsidiary as the exclusive representative for Quickstep within the United Arab Emirates to promote Quickstep's services to potential customers.

This agreement establishes an entryway for the Company into the Middle East region, one of the world's fastest growing aerospace markets.

In summary, with the Company actively pursuing substantial commercial and military contracts for the manufacture of advanced composite components along important Quickstep Process development programs this is a time of great transformation and excitement for Quickstep.

I look forward to sharing our progress with you in the months ahead.

Yours faithfully,

Philippe Odouard
Managing Director

Vector Composites and Quickstep Awarded Second US Defence Department Contract

In March, Quickstep secured a sub-contract to be the technology provider to advanced composites fabricator, Vector Composites, for Phase 1 US Department of Defence (DOD) Small Business Innovation Research contract by the Air Force Research Laboratory, located in Dayton, USA.

This research program will focus on the development of a Quickstep Out-of-Autoclave processing cycle used by the US Air Force on a qualified high temperature bismaleimide/carbon fibre/epoxy system used by the US Air

Force as part of the F-35 Joint Strike Fighter (JSF) program.

The JSF program is the US DOD's focal point for defining affordable, next generation strike aircraft weapon systems for the US Navy, Air Force, and Marines, as well as for US allies. The JSF program is the largest military aerospace program in the world and will be worth well in excess of US\$200 billion at current prices.

The contract is in keeping with Quickstep's objective of winning paid development work with the view to technology transfer and contract work using the Quickstep Process, utilises the Company's patented composites manufacturing technology.

The contract has just been awarded with the final report on this Phase I task due in late 2009.

The Australian Government's recently unveiled Defence White Paper outlined it would spend more than A\$100 billion to develop a next-generation defence force, including the purchase of 100 F-35 fighter jets.

Australian Defence Specifications outline a level of Australian Industry Participation in defence purchases and combined with Quickstep's ongoing involvement with the JSF manufacturing program, the Company is strategically well-placed to win future work within the JSF manufacturing program.

Quickstep Signs Teaming Agreement with BAE Systems

Quickstep has teamed up with BAE Systems to design and manufacture unique, lightweight deployable Composite SATCOM Antennas for military and commercial applications.

BAE Systems, a large supplier of satellite communication terminals, will integrate its multi-band feed technology to provide the next generation of Australian designed and manufactured SATCOM Antennas.

Quickstep CEO, Philippe Odouard, said the Agreement has led to the paid manufacture of a demonstration Composite Antenna at Quickstep's North Coogee Headquarters in Western Australia.

Quickstep will produce the carbon fibre composite components required for the antenna using either conventional autoclave processes or the proprietary Quickstep fluid-based composites production process.

The Agreement follows the successful production at North Coogee of two sets of flat monolithic (solid) and one set of foam cored coupons. BAE Systems was pleased with the

results of these test programs and consequently the two organisations entered into a formal Teaming Agreement.

"We are delighted to have entered into this Agreement with BAE Systems which could lead to early manufacturing opportunities of these state-of-the-art composite units," Mr Odouard said.

"This partnership, offering the complementary capabilities of BAE Systems' globally recognised engineering expertise and Quickstep's world class composite capability provides a significant strategic advantage in pursuing defence and aerospace contracts, complementing our other teaming and partnership arrangements," Mr Odouard said.

The Teaming Agreement with BAE Systems further strengthens Quickstep's strategic platform for targeting substantial composite manufacturing contracts in the defence and aerospace sectors, adding to its existing portfolio of international alliances, teaming agreements and partnerships.



Quickstep Secures AS9100 Aerospace Accreditation as New Facility Opens for Business

In June Quickstep Technologies was awarded official certification to the international AS9100/ISO9001:2000 aerospace quality standard. The certification reflects Quickstep's commitment to be a world-class supplier of aerospace components to civil and defence markets.

Certification to the AS9100 standard provides:

- Qualification as a prerequisite to be considered as an aerospace supplier
- Public recognition
- Internal validation of procedures and controls
- Independent feedback to foster continual improvement

Most of the major aircraft engine manufacturers such as Airbus, General Electric's Aircraft Engine Division (GEAE), Boeing, Rolls-Royce Allison and Pratt & Whitney, require their suppliers to be certified to AS9100.

The achievement of this important milestone now enables Quickstep to bid on and sign aerospace and defence contracts globally and clears the way for Quickstep Technologies to work with the giant Original Equipment Manufacturers and their Tier One Manufacturers across Europe and the USA.

The newly established North Coogee facility includes some of the most sophisticated machine tooling and laser tracking and measurement systems in Australia – all of which are now available and open for business. As part of a A\$10 million refurbishment program, Quickstep has installed three new autoclaves and a Breton 5-axis CNC milling machine at North Coogee.



The 2 Bondtech Autoclaves giving Quickstep second largest aerospace grade curing capacity in Australia second only to Boeing in Victoria.

The facility provides customers with access to both traditional manufacturing technologies alongside Quickstep's unique patented composites manufacturing technology.

In preparation for the move to full scale aerospace manufacturing, Quickstep has assembled a world class team of aerospace engineers, many of whom have relocated to Western Australia from overseas to work with and develop Quickstep's technology, a testament to the Company's reputation and standing in the global aerospace industry.

Quickstep Secures \$12.7M Funding Injection and Middle East Agency Agreement

Quickstep has further strengthened its financial position in recent months after securing additional funding through a A\$10 million Convertible Loan and Agency Agreement with InvestOne Financial Advisory Est and a local \$2.7 million private placement.

InvestOne Financial Advisory Est is a subsidiary of Al Farida Investments Company LLC, a diversified conglomerate headquartered in Abu Dhabi, with numerous interests spanning the Gulf Region.

Under the terms of the Convertible Loan Agreement, InvestOne Financial Advisory Est, will lend up to A\$10 million to Quickstep in tranches of up to \$2 million. If Quickstep chooses to fully drawn down, the loan could result in Al Farida emerging as Quickstep's largest shareholder with a stake of 20%.

As part of the arrangement with InvestOne Financial Advisory Est, Quickstep has also signed an Agency Agreement with Al Farida subsidiary, Al Sahel Trading Agencies LLC, to promote sales in the United Arab Emirates, Saudi Arabia and other Middle Eastern countries.

Under the agreement, Al Sahel has agreed to act as the exclusive representative for Quickstep within the UAE and wider region for a minimum of two years, and to promote Quickstep's services to potential customers. The appointment of a local trading agent situated in the UAE will enable Quickstep to carry out business in the region.

The two companies are aiming to work with the numerous companies already targeting aerospace manufacturing contracts in the Middle East with the objective of establishing the region as a significant new aerospace manufacturing hub globally.



Our Business

Quickstep Holdings Ltd has come a long way since listing in October 2005. Initially focused exclusively on the development and commercialisation of the Quickstep Process the Company has now expanded its facilities and team capabilities to become a contractor to the aerospace and defence industries using both traditional autoclave and new technology Quickstep processing.

You will now see us quote the use of autoclave in some contracting areas and then discuss technology transfer of the Quickstep process in other areas. So to clarify our business model is now made up of 3 potential income streams:

1. Technology transfer through the provision of the proprietary Quickstep Solution and production equipment with technical support and maintenance contracts or via joint venture arrangement;
2. Manufacture of composite components, out of its Australian facility, for aircraft OEM's and Prime suppliers; and
3. Conducting paid or self-funded commercially focused research & development on new composite structures and materials for the aerospace and defence sectors.

Our website home page now reflects this expansion of business model www.quickstep.com.au

Quickstep's recently installed 5 Axis CNC Milling machine is one of the most accurate milling machines in Australia with on + and - 7 microns variance over its 4.5 metre bed.

