

QUICKSTEP ACQUIRES SPECIALTY BOAT-BUILDER IN NEW MANUFACTURING VENTURE

- Agreement to acquire niche Western Australian boat-building business of Flatout Boats Pty Ltd as first use for new manufacturing solution using the Quickstep Process.
- Commercial production of uniquely designed folding boats to commence in 2H 2006.
- Boats to be produced using a new range of lightweight, cost competitive thermoplastic composite panels.
- First step in major expansion of flat panels business targeting vertically integrated global markets.

Advanced materials group Quickstep Holdings Limited (ASX: QHL) today announced a new manufacturing venture using its revolutionary composites technology, the Quickstep Process, after reaching agreement to purchase the business of Western Australian-based specialty boat-builder, **Flatout Boats Pty Ltd**, the designer and manufacturer of an innovative “folding” boat.

For Quickstep, the acquisition represents another important step in the commercialisation of its flat panel business and will utilise a high-performance fibreglass-reinforced thermoplastic composite material offering extraordinary impact resistance combined with light weight at very competitive costs.

Designed by boat builder Gavin Ager in 1999, the “Flatout Boat” is believed to be the first “rigid” folding boat available in the world market. The boat utilises new technology incorporating a unique patented geometry which enables the front to bend upward to form the shape of a conventional bow as it is being opened from a flat position.

Currently available in lengths of 3.3m, 3m or 2.4m boat, with the ability to accommodate up to an 8 horsepower outboard motor (depending on the configuration), the entire boat folds down to a 10cm thickness by 62cm width carry-bag size, and can be fully assembled within 3 minutes. It is currently manufactured using 4 premium grade composite panels made using resin infusion, giving it great strength, light weight (about 48kg) and excellent stability on the water.

Subject to completion of due diligence, Quickstep will purchase the business of Flatout Boats, including all associated patents and designs, for a total consideration of \$250,000 to be paid in increments over an 18 month period. An initial cash payment of \$75,000 will be made on completion of due diligence, with subsequent payments due on completion of milestones up to the 450th boat produced using the Quickstep Process. The milestone payments will be based on production platforms, with the first payment of \$50,000 to occur after completion of the first 150 boats. Thereafter, two further payments of \$50,000 and a final payment of \$25,000 will be made upon incremental sales of 100 boats. The vendors have the right to buy back the business if the agreed payment terms are not met.

Quickstep’s Managing Director, Nick Noble, said the Company intended to significantly expand production of Flatout Boats, initially establishing a commercial manufacturing facility in Perth with a Quickstep QS20TP production machine to produce panels using the thermoplastic composite material.

“The application of our patented manufacturing process, with its rapid heat transfer and highly accurate temperature control, delivers light-weight, cost effective thermoplastic composite panels that further enhance this unique product, unlocking significant competitive advantages for Flatout Boats and establishing the basis for a strong new growth business in world markets,” Mr Noble said.

“The application of the Quickstep Process to the unique patented Flatout Boat design brings a new manufacturing technology to the business that will enable Flatout Boats to be produced more rapidly and more cost effectively, delivering a significantly enhanced end-product that is stronger and tougher,” he added. “Our initial target is to have a fully-fledged WA-based boat building business in commercial operation during the second half of 2006 at a new facility in Perth,” Mr Noble continued.

“Thereafter, we see a number of exciting growth opportunities for the business worldwide, building on the marketing carried out to date which has focused mainly on the Australian market,” Mr Noble said.

“Because of its flexibility, light weight and strength, we see opportunities for this product as a replacement for small trailer boats and dinghies in the recreational boat market, as well as in commercial and scientific usages or in special emergencies such as during cyclones and floods,” Mr Noble said. “One of our longer-term growth strategies will be to target potential alliance partners to manufacture Flatout Boats overseas and bring this remarkable product to a much broader market.”

GROWING MOMENTUM IN FLAT PANELS BUSINESS

The acquisition of Flatout Boats represents Quickstep’s first planned utilisation of a new thermoplastic range of reinforced high-performance composites suitable for production using the Quickstep Process which, because of their lower cost relative to other advanced composites (such as carbon fibre preregs), will open up significant new market segments for the Company.

“We expect that this will open up a whole range of new, vertically integrated markets for Quickstep’s flat panel business, including numerous marine, automotive and commercial opportunities,” Mr Noble commented. “The Flatout Boats business is an outstanding example of a ‘middle ground’ application for composites that will benefit from the cost advantages and outstanding strength and weight properties of high-performance thermoplastic composite materials.

“Ventures such as this clearly demonstrate the cost and performance benefits of incorporating composites manufacturing by the Quickstep Process into existing products,” he added. “In turn, we expect these ventures to strengthen our competitive advantage across the board and create new manufacturing opportunities for the Quickstep Process, complementing our ongoing business development targeting ‘high-end’ composite applications such as in the aerospace industry,” he added.

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Released by:
Jan Hope/Nicholas Read
Jan Hope & Partners
Telephone: (+61-8) 9388 1474

On behalf of:
Mr Nick Noble
Managing Director
Quickstep Holdings Ltd
Telephone: (+61-8) 9456 2656
Mobile/Cell: (+61-412) 447 117

For further information, please refer to:
www.flatoutboats.com.au
www.quickstep.com.au

Note: High-resolution colour pictures are available on request from Jan Hope & Partners.

Background on Quickstep Holdings Limited

Perth-based **Quickstep Holdings Limited** (ASX Code: **QHL**) is an advanced materials company which listed on the Australian Stock Exchange in 2005 following a successful A\$6 million IPO to underpin the worldwide commercialisation of an innovative, fully proven Australian composites manufacturing technology with application in the multi-billion dollar aerospace and automotive industries as well as other mid-tier market segments.

Composites combine high strength with light weight and are key materials in aerospace, automotive, marine, defence, public transport and industrial applications. The global composites parts market is growing strongly, reflecting a shift towards the greater use of composites as an increasingly desirable replacement for metals in many applications because of their high strength and reduced weight.

Quickstep's unique and patented Quickstep Process is an innovative fluid-based curing technology that significantly reduces the cost and time involved in the production of composites compared with conventional processes. Quickstep has been at the leading edge of the growing need to reduce part costs since the early 1990s, with a significant investment in the development of the Quickstep Process over the past decade.

Quickstep already has fully automated Quickstep plants operating at three separate locations in Japan, in Geelong, Australia at the Victorian Centre for Advanced Materials Manufacturing (VCAMM) and the University of Manchester in England.

Global alliances are also in place with major international advanced materials suppliers, alongside R&D Agreements with groups such as VCAMM, the University of Manchester and the Australian National University (ANU) in Canberra.

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