

# QUARTERLY REPORT

## TO 31 MARCH 2010

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### HIGHLIGHTS

- Development program for Joint Strike Fighter (JSF) manufacturing progressing well and on schedule.
- Long Term Agreement with Northrop Grumman for JSF contract now under negotiation.
- Long lead items including Coordinate Measuring Machine have been placed on order.
- Clean room and manufacturing equipment have been upgraded in preparation for meeting JSF program requirements and Northrop Grumman production rates.
- Share Purchase Plan finalised with outstanding response from shareholders.
- Appointment of experienced aerospace executive, John Johnson, to the position of Chief Financial Officer.
- Quickstep long term loans extinguished.
- Cash reserves at the end of the March Quarter of A\$23.9 million.

### OPERATIONS & DEVELOPMENT

#### **Preparations for F-35 Joint Strike Fighter (JSF) Manufacturing**

During the Quarter, preparations continued for JSF manufacturing ahead of the signing of a Long Term Agreement (LTA) with JSF subcontractor Northrop Grumman.

Work completed during the Quarter included an upgrade to key items of equipment at the Company's North Coogee, manufacturing facility, including the Breton 5-Axis Machine and the clean room. A number of, long lead time items were also placed on order during the Quarter including a Coordinate Measuring Machine, material test laboratory equipment, ply cutter and an ERP system. These form part of the upgrades that will ensure the facility is fully equipped to meet specified program requirements and production rates.

Preparations for production involved the streamlining of a number of procedures to adapt to the JSF requirement and the recruitment of some highly qualified specialists and managers to drive those preparations and formal accreditations.

Quickstep signed a Manufacturing Licence Agreement with Northrop Grumman in March, which provided Northrop Grumman with export approval from the U.S Department of State to begin transferring to Quickstep technical information necessary for the manufacture of the JSF parts.

This has enabled a more detailed exchange between Northrop and Quickstep necessary to respond to their RFP for the initial work scope and to prepare the manufacturing facilities to meet Northrop Grumman's production requirements.

Under the LTA, Quickstep would supply 21 different F-35 components. The parts would then be exported to the United States for incorporation into F-35s globally. Manufacturing would

commence in 2012, and last between 20 and 30 years generating annual turnover of up to \$50 million p.a. by 2015.

### **Quickstep team makes advances at JEC Composites Show in Paris**

A global Quickstep team from Australia, Germany, the UK and the US were on hand in Paris, April 13-15, as the Company presented the latest advancements in its patented Quickstep out-of-autoclave curing process for high performance composites. The 45<sup>th</sup> annual edition of the JEC Composites Exposition attracted over 1000 exhibitors and a record 27,500 visitors over the three days, from all parts of the world.

The Quickstep booth received a significant amount of traffic, including those new to the process, and a number of existing development clients, providing an excellent opportunity to advance discussions on technology and commercial potentials in aerospace, automotive and industrial markets.

### **CORPORATE**

#### **Completion of Share Purchase Plan**

In November 2009 the Company announced plans to complete a Share Purchase Plan (SPP) to existing shareholders.

Quickstep had initially sought to raise \$6.24 million through the SPP, however following a strong response from shareholders the Company elected to accept all oversubscriptions to allow as many shareholders as possible to participate.

The SPP closed over-subscribed on 14 January 2010 and successfully raised approximately \$12.8 million.

The SPP followed the completion of an \$11.492 million share placement comprising 22.1 million fully paid ordinary shares at an issue price of 52 cents per share to institutional and sophisticated investors in Australia and overseas. The placement and SPP were managed by State One Stockbroking Ltd.

The proceeds of the capital raising will be used mainly for the purchase of capital equipment and non-recurring costs relating to potential manufacturing contracts for the international JSF program.

#### **Extinguishment of debt facilities**

In January 2010, \$4 million of convertible notes under the InvestOne Loan facility were converted to shares. In February the company exercised its conversion rights over \$2.7 million of convertible notes which had been issued in March 2009. As a result of these conversions the company no longer has drawings under any long term debt facility.

Both of these issues of Convertible Notes were part of a broader capital raising to assist with preparations for aerospace-grade manufacturing at Quickstep's facility.

The conversions comprised the issue of 33.5 million Quickstep shares, which brought the total number of shares on issue to 245.4 million.

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### **Appointment of Chief Financial Officer**

In January 2010 Quickstep appointed former Boeing executive John F Johnson to the position of Chief Financial Officer.

Mr Johnson has held senior positions with several high-profile aerospace companies including Commercial Manager of Finance (Divisional CFO) Hawker de Havilland for The Boeing Company, Financial Controller (Divisional CFO) ASTA Components for Aerospace Technologies of Australia Ltd; and he assisted as Manager for the Defence Integrated Distribution System Project Team for BAE Systems.

He has also recently held the positions of Executive General Manager Finance & Legal and Executive General Manager Corporate Service for the Port of Melbourne Corporation.

### **OUTLOOK**

Quickstep is progressing well in its efforts to prepare for JSF manufacturing, with strong progress made in the March 2010 Quarter.

Outside of JSF manufacturing, the Company is also proceeding well with the development and commercialisation of the Quickstep Process with a number new commercial development programs being formed and due to commence in Q2, 2010.

Other substantial contracting opportunities currently under discussion remain confidential but all offer significant opportunity for future income if successfully concluded.

The Company's efforts remain focused on the preparation of its manufacturing facility and the commercialisation of the Quickstep Process and remains well positioned to deliver continued growth in the future.