

31 January 2013



Quarterly Report

To 31 December 2012

HIGHLIGHTS

CONTRACT MANUFACTURING:

Commissioning completed at state of the art Bankstown Airport facility, Sydney

- Commissioning of Bankstown Airport facility completed and approved by Northrop Grumman for production
- Initial production to supply contracts with leading aerospace companies Lockheed Martin and Northrop Grumman
- Perth facility closed

Progress continues on third major JSF contract

- Long Term Agreements (LTAs) to supply more complex parts for the world's largest military program continues
- Turnover from production increased to \$1.8 million for the first 6 months to 31 December 2012 for a total income of \$3.7 million (\$0.9Million for the first half of last financial year)
- Order received on last group of parts from Northrop Grumman
- Total contracts worth up to \$700 million cement foundation for long term cashflow for next 20 years

TECHNOLOGY DEVELOPMENT

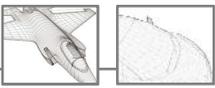
Progress

- Further progress made with patented Resin Spray Transfer (RST) technology
- Industrial RST cell commissioned and being installed at Bankstown Airport facility

CORPORATE

- **All resolutions at 2012 Annual General Meeting carried**
- **Appointment of new Company Secretary and Vice President Human Resources**
- **Cash and investments in term deposits at the end of the Quarter of \$1.6 million.**
- **Subsequent to the end of the quarter, Quickstep received around \$6 million as advanced payment from customers.**

The December 2012 Quarter saw the company commission its Bankstown facility in Sydney, which is one of the most advanced carbon composite manufacturing facilities in the world. The facility will service two large Agreements worth up to US\$800 million including the recent 12 month, US\$12 million order to supply composite wing flaps for Lockheed Martin's C-130J Hercules military transport aircraft.



1.0 CONTRACT MANUFACTURING

1.1 COMMISSIONING OF NEW MANUFACTURING FACILITY

During the quarter, Quickstep commissioned its manufacturing facility at Sydney's Bankstown Airport, completing the final TollGate review for manufacturing readiness set by global aerospace company Northrop Grumman, and enabling delivery of aerospace contract work for the F-35 Lightning II Joint Strike Fighter (JSF) military aircraft program at the new facility.

This facility is one of the most advanced aerospace carbon fibre component manufacturing plants in the world today, and the largest independent facility in Australia. It enables the company to transition rapidly into a substantial manufacturing business and ultimately become an integral part of the global supply chain for advanced carbon composite materials.

The facility comprises a 4,000 square metre hangar with \$15 million of the latest state of the art manufacturing equipment.

Subsequently, the Perth facility has now closed, with all manufacturing work transferred to Sydney.

Initial production will supply components servicing purchase orders with aerospace leaders Northrop Grumman Corporation and Lockheed Martin.

1.2 PROGRESS TOWARDS JSF PART 3 COMPONENTS AGREEMENT

Quickstep has started to deliver parts to JSF in increasing quantities. From the delivery of the first flying part in April 2012, Quickstep has delivered \$1.8 million of sales for aerospace activity in the first half of 2012/13 and has continued to deliver on time.

Quickstep has a Memorandum of Understanding (MOU) in place to supply the international JSF program with carbon fibre composite components. This serves as the foundation for long term cash flow generation, expected to deliver up to \$700 million in revenue over the next two decades. As the world's largest military program, the JSF contract provides a strong endorsement for Quickstep's capabilities, and enhance the company's ability to win further international business.

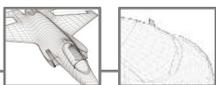
Under the MOU, Quickstep has executed two Long Term agreements (LTAs) to supply Group 1 and Group 2 parts for the JSF program over the next decade, and has already commenced supply of Group 1 parts. During the quarter, Quickstep completed the final TollGate review for manufacturing readiness, enabling the company to receive its first purchase order for 'Group 3' parts to be delivered in 2013/14 in January 2013. This purchase order comprising the most complex parts will be incorporated into the second LTA in due time. Quickstep is now under contract for all groups of parts required for the JSF program for Northrop Grumman.

1.3 LOCKHEED MARTIN C-130J CONTRACT

Preliminary work is continuing on Quickstep's contract to supply composite wing flaps for the C-130J transport aircraft. This component of the contract is valued between \$1.4- \$1.6 million and will be completed during 2013. The preliminary work includes planning, tooling and training activities. The initial purchase order to supply 24 flaps in twelve months beginning from 4Q2013 is valued at \$12 million. The entire program is anticipated to generate US\$75-US\$100 million over five years.

1.4 TENDERS

The company is continuing to submit a number of commercial-in-confidence tenders to aerospace companies regarding potential new contracts.



2.0 TECHNOLOGY DEVELOPMENT

2.1 Progress on RST

Progress continues on the company's patented Resin Spray Transfer (RST) technology. Quickstep's RST provides a fully automated serial production process, capable of efficiently and inexpensively mass-producing composite parts with a superior surface finish 'straight out of the mould', ideally suited for the automotive industry.

Quickstep has now demonstrated that the technology can deliver consistent and repetitive high quality finishes on complex shaped parts, further increasing confidence in reliability and de-risking the technology.

In parallel, the development of our production cell has now been commissioned and is being installed at the Bankstown facility, enabling production of industrial parts to further develop the technology, as well as supplying demonstration parts to the automotive industry.

A video of the RST process is now available at Quickstep's website at www.quickstep.com.au. Quickstep has prepared demonstration parts for customers and anticipates commencement of an active sales program to the automobile industry in the near term.

3.0 CORPORATE

3.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$1.6 million, which includes \$390,400 held in investments to be held to maturity.

Subsequent to the end of the quarter Quickstep has received advance payments from customers in respect of orders of \$6 million in January 2013. The company is expected to imminently receive an R&D tax rebate of \$3.6 million. Of this, \$2.8 million will be used to repay debt.

3.2 NEW APPOINTMENTS

With the company's move of headquarters to Sydney, the Board appointed Sydney-based Mr Jaime Pinto as Company Secretary following the resignation of Mr Phillip Macleod. Mr Pinto has over 20 years experience in both professional practice and in senior commercial roles across a broad range of industries and as a Company Secretary to both listed and private companies.

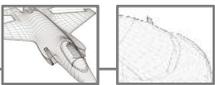
The company has appointed Mr Paul Robertson as Vice President Finance, taking over from Mr. John Johnson, who has become Vice President – Commercial and Administration.

The company has appointed Mrs Tracy Swinley as the Vice President Human Resources, following the relocation of the company to Sydney. She brings a wealth of human resources to the company and was previously employed by companies including Inghams Enterprises, AGL, and AMP. Mrs Swinley replaces Mrs Michelle Withers who wanted to stay in Perth.

The Board extends its thanks to Mr MacLeod and Mrs Withers for their outstanding services to the company.

3.3 ANNUAL GENERAL MEETING

The company held its Annual General Meeting on 22nd November 2012, its first in Sydney, to a large audience of shareholders. All six resolutions were passed by an overwhelming majority of votes.



4.0 OUTLOOK

With the Bankstown facility now complete, the commissioned, the company is focussed on ramping up production and delivering on its contracts with major aerospace leaders. In addition, Quickstep's near-term goals are:

1. Contract manufacturing
 - Ramping up the production in Bankstown towards becoming cash flow positive
 - Pursuing additional manufacturing contracts in the aerospace and defence sectors
2. Technology development
 - Further progression of R&D work to incorporate the Quickstep Process within JSF manufacturing
 - Maturing the RST technology to make relevant to larger production runs
 - Progressing commercialisation of the RST technology for automotive manufacture

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")

31 DECEMBER 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (06 months) \$A'000
1.1 Receipts from customers	928	1,172
1.2 Payments for		
(a) staff costs	(1,855)	(3,722)
(b) advertising and marketing	(17)	(24)
(c) research and development	(170)	(599)
(d) leased assets	(18)	(21)
(e) other working capital	(1,464)	(3,857)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	55
1.5 Interest and other costs of finance paid	(227)	(227)
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other Income (E.g. Climate Ready Grant)	698	719
Net operating cash flows	(2,107)	(6,504)

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (06 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,107)	(6,504)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(1,965)	(3,057)
(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 – investment in term deposits	-	300
Net investing cash flows	(1,965)	(2,757)
1.14 Total operating and investing cash flows	(4,072)	(9,261)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	4,133	7,449
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	4,133	7,449
Net increase (decrease) in cash held	61	(1,812)
1.21 Cash at beginning of quarter/year to date	1,128	3,001
1.22 Effects of exchange rate changes on cash held in foreign currencies	(2)	(2)
1.23 Cash at end of quarter	1,187*	1,187

* Investments in term deposits with an original maturity of greater than 3 months are cash flows related to investing activities. These deposits do not meet the strict definition of a cash equivalent within *AASB107 Cash Flow Statements* hence do not form part of Cash at the end of quarter. As at 31 December 2012 the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$390k (30 September 2012 - \$390k)

+ See chapter 19 for defined terms.

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	271
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

	\$A'000
- Directors' remuneration (Item 1.24)	266
- Staff costs - marketing and promotion (Item 1.24)	5

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

N/A

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

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	17,783	14,027
3.2 Credit standby arrangements	NIL	NIL

Loan facility includes \$14.5M facility with capability to capitalise interest up to \$3.3M.

+ See chapter 19 for defined terms.

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

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	1,187	1,128
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,187	1,128

As at 31st December 2012, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$390k. (30 September 2012: \$390k).

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	NIL	NIL
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: *Jaime Pinto* Date:
(Company Secretary)

Print name: **Jaime Pinto**

+ See chapter 19 for defined terms.

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.

+ See chapter 19 for defined terms.