

Quarterly Report

To 31 March 2012

HIGHLIGHTS

CONTRACT MANUFACTURING:

- **Quickstep selected by Lockheed Martin as future sole source supplier for the C-130J composite wing flaps:**
 - First order for initial non-recurring activities received in April 2012 with first delivery of parts expected to commence in 2014
 - Potential contract value estimated between \$75 to \$100 million over 5 years
- Serial production of “flying” F-35 parts underway at Quickstep’s facilities, with first part accepted by Northrop Grumman. Regular cash flow now expected from shipment of Group 1 JSF parts – ramping up during 2012.
- Second Purchase Order for Group 1 JSF parts received, covering production throughout 2013.
- Establishment of new production facility in Bankstown, NSW, progressing on schedule for completion in Q2 2012.

TECHNOLOGY DEVELOPMENT

- Quickstep RST trials have proven A grade surface finish can be achieved using robotic spray technology.
- Trials with Audi progressing well with world renowned super car manufacturer now actively reviewing technology.
- Mobile low-cost Quickstep development plant built to meet R&D institution demands.

CORPORATE

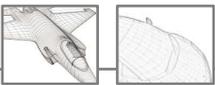
- Cash and investments in term deposits at the end of the March Quarter of \$3.967 million.

The March 2012 Quarter saw continued steady progress in Quickstep’s Contract Manufacturing business unit, with the Company confirmed as future sole source supplier for composite wing flaps for the C-130J Hercules military transport aircraft and the completion of the first ‘flying’ JSF parts in March.

1.0 CONTRACT MANUFACTURING

1.1 JOINT STRIKE FIGHTER

During the Quarter Quickstep completed the first production parts for the international F-35 Lightning II Joint Strike Fighter (“JSF”) program under the Purchase Order secured in July 2011. The first part has been accepted by Northrop Grumman after being presented for acceptance weeks ahead of the schedule agreed with Northrop Grumman in 2009.



The parts, assembled access panels for the F-35 aircraft, represent the first “flying” Group 1 parts manufactured by Quickstep for the JSF program. Quickstep initially expects to manufacture approximately one completed part per week and will gradually ramp up in quantity.

With serial production now underway, Quickstep will be making regular shipments of Group 1 JSF parts to Northrop Grumman and receiving regular cash flow, with the intention of ramping up production over the next 12 months.

During the Quarter Quickstep also received its second Purchase Order for Group 1 parts covering manufacturing and delivery throughout 2013. While details of Purchase Orders will continue to remain confidential, the 2013 Purchase Order represents a three-fold increase in JSF part deliveries compared to 2012 quantities and Quickstep’s production ramp up will be completed to meet this timetable.

In parallel with the commencement of Group 1 manufacturing, Quickstep is also working to finalise Long Term Agreements (LTAs) with Northrop Grumman for the manufacture of Group 2 and Group 3 JSF parts, which complete the commitments of the initial Memorandum of Understanding (MOU) signed in 2009. The Company expects to secure these LTAs by Q2 and Q3 2012.

To date, Quickstep has met, and in many cases outperformed, the JSF major delivery milestones agreed with Northrop Grumman in the 2009 MOU.

1.2 MANUFACTURING CONTRACT FOR C-130J AIRCRAFT CARBON FIBRE WING FLAPS

During the Quarter Quickstep was awarded the tender to manufacture wing flaps for the C-130J Hercules military transport aircraft.

Quickstep was confirmed as preferred tenderer to become sole source supplier for the C-130J flaps following an international commercial tender program by Lockheed Martin which attracted bids from numerous manufacturers from around the world. Representatives of Lockheed Martin are scheduled to visit Quickstep’s Australian headquarters in the June Quarter to finalise contract details, which are expected to include a multi-year agreement for Quickstep as sole source global supplier for these part sets.

First orders for initial non-recurring activities for the manufacturing program (such as planning, tooling, training and project management) were received in April 2012 with early cash flows following shortly after. First aircraft parts are scheduled to be delivered in 2014.

Lockheed Martin launched the tender process for the C-130J components after current supplier, Boeing Aerostructures Australia, announced that it will relocate from Sydney to Melbourne. Quickstep has secured a right of first refusal on most of Boeing’s existing C-130J manufacturing facilities at Bankstown Airport in Sydney.

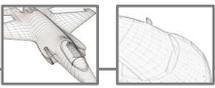
The C-130J Hercules aircraft has been in continuous production since 1954 and has been sold to 67 countries world-wide, with Lockheed Martin delivering its 2,400th C-130J aircraft in January 2012. 25 new C-130J aircraft were sold around the world in 2010, with projected sales over the next five years expected to remain at similar levels.

1.3 PROGRESS REPORT ON MOVE TO NSW MANUFACTURING FACILITY

The establishment of the new production facility in Bankstown, NSW, is progressing on schedule, with the installation of the last pieces of capital equipment nearly complete.

The high-precision Coordinates Measurement Machine (CMM) from Germany (WENZEL) is now installed and commissioned, and the Precision Milling Machine (PMM) from Italy (BRETON) is undergoing final testing, two weeks ahead of schedule. The last major equipment to be installed will be the non-destructive C-Scan testing centre from UK (MIDAS), which will take a month to assemble and commission.

In accordance with the program schedule, the facility should then be completed and fully operational by the end of Q2 2012.



2.0 TECHNOLOGY DEVELOPMENT

2.1 RST FOR AUTOMOTIVE MANUFACTURING

Recent trials conducted using Quickstep's RST technology have successfully demonstrated the ability to spray resin and provide a Class-A surface finish when cured together with the Quickstep Process.

Construction of a demonstrator work-cell featuring an automatic robot spraying system is underway at the Company's new manufacturing facility in Bankstown. The demonstrator should be completed by Q3 2012 and the first production line should be in place within the NSW facility during Q3 2012, enabling Quickstep to offer industrial RST capability for future small-quantity manufacturing contracts.

In parallel, Quickstep is also working with Audi to trial the Quickstep RST process with a view to creating a larger quantity automated composite manufacturing process.

2.2 'QUICKSTEP PROCESS' DEVELOPMENT FOR JOINT STRIKE FIGHTER

The ongoing qualification of Quickstep's out-of-autoclave curing process for use in the JSF program is progressing well, with the Quickstep Process now progressing towards full qualification.

This project is being undertaken by Quickstep's US subsidiary, Quickstep Composites LLC, and financed by the US Department of Defence.

2.3 QUICKSTEP PLANT CONSTRUCTION

In the March 2012 Quarter, Quickstep developed, commissioned and received the first portable machine to help universities and research organisations promote Quickstep's out-of-autoclave manufacturing technology.

This inexpensive machine is capable of curing small trial parts and allows fast and effective testing on the innumerable composite materials that make up advanced composite solutions for future aerospace, defence and automotive applications.

The machine was displayed at the JEC 2012 exhibition in Paris - the world's largest composite exhibition - where it received considerable interest.

The machine will now be sent to Deakin University in Melbourne to support R&D programs for Quickstep. The machine will be installed during Q2 2012, and is now part of the catalogue of curing systems Quickstep has to offer.

A second production machine, incorporating a range of enhancements devised over the past 18 months, is now under construction. The purpose of this machine will be to support Quickstep's Australian production capability to prepare for new contracts currently targeted by the Company, and for the JSF program should the qualification of the technology (outlined above) continue to progress well.

3.0 CORPORATE

3.1 CASH POSITION

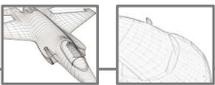
At the end of the Quarter, the consolidated group cash balance was \$3.967 million. In addition, there is \$6.6 million of available funds under the \$10M long term loan facility.

4.0 OUTLOOK

The June 2012 Quarter will be another busy period for Quickstep, with focus to remain on the Company's two core business units:

1. Contract manufacturing

- Ramping up production of parts for JSF program.



- Execution of the first order for non-recurring activities for the C-130J manufacturing program (such as planning, tooling, training and project management) are to set to commence, with early cash flows following shortly thereafter.
- Pursuing additional manufacturing contracts in the aerospace and defence sectors.

2. Technology development

- Progressing R&D work associated with the potential use of the Quickstep Process for JSF manufacturing.
- Progressing development and commercialisation of the Company's RST technology for automotive manufacturing.

In addition, Quickstep will continue to transition to its new manufacturing headquarters at Bankstown, NSW.

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 MARCH 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	340	440
1.2 Payments for		
(a) staff costs	(1,789)	(4,823)
(b) advertising and marketing	(20)	(90)
(c) research and development	(551)	(742)
(d) leased assets	(6)	(14)
(e) other working capital	(1,790)	(7,737)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	50	333
1.5 Interest and other costs of finance paid	(908)	(924)
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other (Climate Ready Grant & State Govt Grant)	53	425
Net operating cash flows	(4,621)	(13,132)

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,621)	(13,133)
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*	(1,793)	(7,835)
(e) other non-current assets	-	(3)
<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*	-	1,000
Net investing cash flows	(1,793)	(6,838)
1.14 Total operating and investing cash flows	(6,414)	(19,970)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc (net)	-	7,520
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	3,910
1.18 Repayment of borrowings	-	(604)
1.19 Dividends paid	-	-
1.20 Other	(5)	(14)
Net financing cash flows	(5)	10,812
Net increase (decrease) in cash held	(6,419)	(9,158)
1.21 Cash at beginning of quarter/year to date	9,596	12,406
1.22 Effects of exchange rate changes on cash held in foreign currencies	100	29
1.23 Cash at end of quarter	3,277	3,277

* 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 March 2012 the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$3,967k (31 December 2011: \$10,286k).

+ 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	216
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 (Item 1.24)	198
- Staff costs - marketing and promotion (Item 1.24)	18

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	10,000	3,442
3.2	Credit standby arrangements	NIL	NIL

Loan facility includes \$10M 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	277	7,096
4.2 Deposits at call	3,000	2,500
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	3,277	9,596

As at 31 March 2012, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$3,967k (31 December 2011: \$10,286k).

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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: 
 Company Secretary

Date: 30 April 2012

Print name: **Phillip MacLeod**

+ 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.