

# Quarterly Report

## To 30 June 2012

### HIGHLIGHTS

#### CONTRACT MANUFACTURING:

##### **New manufacturing facility opens in Sydney**

- Official opening of new facilities at Bankstown airport by NSW Premier O'Farrell and President of Northrop Grumman Aerospace Systems Division Mr Gary Ervin
- Facility represents the most advanced independent aerospace composites manufacturing plant in Australia
- Production on track to commence in Q4 2012

##### **Second Long Term Agreement JSF Supply Agreement**

- Second Long Term Agreement (LTA) signed with Northrop Grumman
- Framework in place for manufacture of "Group 2" F-35 Lightning II Joint Strike Fighter (JSF) components until 2020
- Production of Group 1 JSF components underway with multiple shipments delivered

##### **Quickstep selected to supply C-130J Aircraft Wing Flaps contract**

- Maiden delivery of parts targeting 2014
- Potential contract value estimated between \$75- \$100 million over 5 years
- Order could create 60+ new jobs at Bankstown facility

#### TECHNOLOGY DEVELOPMENT

##### **Major International Innovation Award and Support**

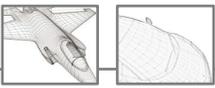
- Quickstep wins prestigious JEC Innovation Award at the JEC ASIA 2012 Show
- Award recognises Quickstep's innovative Resin Spray Transfer (RST) process
- Quickstep **accepted into the European Commission's Cleansky program** to produce in one shot stiffened aerospace parts.

##### **Progress**

- Quickstep's Resin Spray Transfer projects (partially funded under the Climate Ready Program) is nearing completion including a production-ready automated RST cell and an industrial Quickstep curing system
- US Small Business Innovation Research ("SBIR") due to complete in Q1 2013. Results to date show equivalent properties to autoclave for aerospace application.

#### CORPORATE

- **Cash and investments in term deposits at the end of the June Quarter of \$3,691 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 NEW MANUFACTURING FACILITY OPENS IN SYDNEY

During the quarter, Quickstep officially opened its new manufacturing facility at Sydney's Bankstown Airport.

The \$15 million facility is the most advanced independent aerospace composites manufacturing facility in Australia and is located within a 4000 square metre hangar. The site will soon serve as Quickstep's headquarters, with the company maintaining the Quickstep office in Western Australia until the end of 2012.

The facility will supply components to aerospace leaders Northrop Grumman Corporation and Lockheed Martin commencing in Q4 2012. Further substantial opportunities are now under discussion.

The opening of the facility marks a significant milestone in demonstrating the company's capacity to become an integral part of the global supply chain for high volume manufacturing industries. The contracts already in place as well as those the company expects to secure will lead to the creation of approximately 300 new jobs within the next 5 years.

NSW Premier, Barry O'Farrell and Mr Gary Ervin, President of Northrop Grumman's Aerospace Systems Division, officially opened the facility at a launch ceremony on 22 June.

#### Notable Quotes:

"We congratulate Quickstep on this new facility. This is one of the world's most advanced carbon fibre component manufacturing plants and a great example of high technology bringing international work to NSW. With this facility, Quickstep will be the largest independent aerospace composites manufacturer in Australia," **said Premier O'Farrell.**

"Northrop Grumman is honoured to be part of this opening ceremony. This new facility is just one example of the investments Quickstep has made in the last two years in preparation for executing F-35 work. It's a testament to the strong partnership Northrop Grumman has with Quickstep in producing the F-35 centre fuselage, as well as the Governments of Australia and New South Wales in establishing this critical composite manufacturing capability in Australia," **said Gary Ervin President of Northrop Grumman Aerospace Division.**

The facility also incorporates research and development (R&D) activities to drive technology transfer opportunities in the global automotive sector.

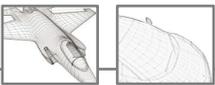
With legislation forcing manufacturers to meet new emission standards, lightening vehicles is a pivotal way to meet these demands, with carbon fibre materials destined to play a major role.

As a result, there has been significant automotive sector interest in carbon fibre cars, highlighted by the planned release of BMW's i3 Megacity car next year and further underscored by Quickstep's joint development project supported by the German government and Audi aimed at reducing production costs for automobiles using lightweight composites by 30%.

To capitalise on this shift to lighter vehicles, Quickstep's strategy is to generate revenues through the use of its resins, licencing fees and the sale of machines to component manufacturers.

### 1.2 SECOND LTA WITH NORTHROP GRUMMAN FOR GROUP 2 JSF PARTS

On 22 June, the company announced its second LTA that it had signed with Northrop Grumman Corporation, a major global aerospace and defence technology company with over 75,000 employees worldwide, to manufacture parts for the international F-35 Lightning II JSF program.



The LTA covers production of “Group 2” JSF components until 2020. The Group 2 parts represent more complex aircraft components than the Group 1 JSF components already being supplied, and includes portions of the main F-35 structure and supports.

The latest LTA follows Quickstep’s successful completion of a qualification process to demonstrate production readiness for the manufacture of Group 2 parts. This is the second in a series of three agreements to implement the Memorandum of Understanding (MOU) signed in November 2009 with F-35 prime contractor Lockheed Martin and principal F-35 subcontractor Northrop Grumman. Under the MOU, Quickstep will ultimately supply several different JSF components, including lower side skins, maintenance access panels, fuel tank covers and lower skins. The third of these LTA’s is expected to be signed by Q4 2012.

Quickstep’s involvement in the JSF program has not been impacted by the Australian Government’s proposed defence cuts.

### **1.3 MANUFACTURING CONTRACT FOR C-130J AIRCRAFT CARBON FIBRE WING FLAPS**

During the quarter, Quickstep progressed negotiations with Lockheed Martin to supply carbon fibre wing flaps for the C-130J Hercules military transport aircraft.

The negotiations follow Quickstep winning a competitive tender against several global manufacturers in March 2012 to become Lockheed’s preferred sole source supplier.

Maiden delivery of parts is scheduled for 2014.

The contract is significant, with the potential to generate between \$75- \$100 million in revenues over 5 years, and lead to further opportunities. In terms of local employment, the deal is expected to lead to the creation of in excess of 60 new jobs at the Bankstown facility.

## **2.0 TECHNOLOGY DEVELOPMENT**

### **2.1 MAJOR INTERNATIONAL ENDORSEMENT OF RST PROCESS**

Quickstep was awarded the prestigious JEC Innovation Award in the “Process” category in the JEC 2012 Asia Innovation Awards.

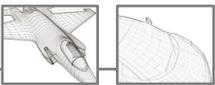
The award represents a major international endorsement for the company’s Resin Spray Transfer (RST) technology. The patented RST technology aims to provide a fully automated serial production process for the automotive industry, capable of efficiently and inexpensively mass-producing composite parts with a strong, high gloss ‘Class A’ finish.

JEC is one of the world’s largest and most highly regarded composites industry associations.

### **2.2 QUICKSTEP DEVELOPMENT PROGRAMS PROGRESSING WELL**

A number of R&D programs are underway, with progress as summarised:

- US Small Business Innovation Research (“SBIR”) project due to conclude in Q1 2013. Results to date show equivalent properties to autoclave **on key US Air Force materials**.
- The German government funded collaborative program including Audi is moving into phase 2 to prove material and technology **for using RST on a car panel**
- Quickstep’s AusIndustry funded Climate Ready project is in the final stages of completion **including an production ready automated RST cell and an industrial Quickstep curing system**
- Quickstep has displayed a section of the Lamborghini Gallardo Spyder rear bonnet at the JEC Trade show in 2012 **showing a class-A surface finish**.
- Quickstep R&D has shown the outstanding capabilities of the Quickstep Process for the use in spar production



- Quickstep's bid secured **first position to enter into the European Commission's Cleansky program** to produce stiffened aerospace parts in one shot for high temperature applications using energy efficient Quickstep infusion process.
- The first industrial “off the shelf” Quickstep Lab machine is ready for delivery to Deakin University in Geelong.

## 3.0 CORPORATE

### 3.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$3,691 million. In addition, there is \$3,762 million of available funds under the \$10 million long-term loan facility.

## 4.0 OUTLOOK

With the official opening of the Bankstown facility completed, the company is now focused on ramping up production of parts for the JSF program from the new facility with first production at the Sydney facility targeting 4Q 2012. In addition, Quickstep's near-term goals are:

1. Contract manufacturing
  - Execution of the first order for non-recurring activities relating to the C-130J manufacturing program generating early cash flows
  - Securing the third and final LTA to manufacture Group 3 JSF parts before year-end
  - Pursuing additional manufacturing contracts in the aerospace and defence sectors
2. Technology development
  - Further progression of R&D work associated with the potential use of the Quickstep Process for JSF manufacturing
  - Progressing development and commercialisation of the RST technology for automotive manufacture
  - Securing early orders for Quickstep Processing Plants in non automotive sectors

# 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")

**30 JUNE 2012**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	355
1.2 Payments for		
(a) staff costs	(1,849)	(6,667)
(b) advertising and marketing	(46)	(136)
(c) research and development	(229)	(971)
(d) leased assets	(4)	(18)
(e) other working capital	(930)	(8,582)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	52	385
1.5 Interest and other costs of finance paid	(74)	(998)
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other (Climate Ready Grant & State Govt Grant)	3,000	3,425
<b>Net operating cash flows</b>	<b>(80)</b>	<b>(13,217)</b>

+ 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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(80)</b>	<b>(13,217)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(2,930)	(10,765)
(e) other non-current assets	-	-
<i>*including in-house asset construction</i>		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	50	50
(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*	-	-
<b>Net investing cash flows</b>	<b>(2,880)</b>	<b>(10,715)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,960)</b>	<b>(23,932)</b>
<b>Cash flows related to financing activities</b>		
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	2,718	6,628
1.18 Repayment of borrowings	-	(604)
1.19 Dividends paid	-	-
1.20 Other	(3)	(17)
<b>Net financing cash flows</b>	<b>2,715</b>	<b>13,527</b>
<b>Net increase (decrease) in cash held</b>	<b>(245)</b>	<b>(10,405)</b>
1.21 Cash at beginning of quarter/year to date	3,277	13,406
1.22 Effects of exchange rate changes on cash held in foreign currencies	(31)	-
<b>1.23 Cash at end of quarter</b>	<b>3,001</b>	<b>3,001</b>

\* 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,30 June 2012 the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$3,691k (31 March 2012: \$3,967k ).

+ 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	237
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)	216
	- Staff costs - marketing and promotion (Item 1.24)	21

**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
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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
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**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	6,238
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	3,001	277
4.2 Deposits at call	-	3,000
4.3 Bank overdraft	-	-
4.4 Other (provide details)	690	690
<b>Total: cash at end of quarter (item 1.23)</b>	<b>3,692</b>	<b>3,967</b>

As at 30 June 2012, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$3,692k (31 March 2012: \$3,967k).

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	NIL	QuickBoats Pty Ltd
5.2 Place of incorporation or registration		WA
5.3 Consideration for acquisition or disposal		50,000
5.4 Total net assets		24,942
5.5 Nature of business		Dormant/Intellectual Property Holder

**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: 31 July 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.

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