

Quarterly Report

To 30 September 2012

HIGHLIGHTS

CONTRACT MANUFACTURING:

Quickstep Receives US\$12M Lockheed Martin Purchase Order

- First production purchase order for C-130J 'Hercules' contract.
- From 4Q2013, Quickstep to supply wing flaps for 2 aircraft per month.
- Quickstep's largest purchase order contract to date valued at initial US\$12M.
- Potential overall contract value estimated between \$75- \$100 million over 5 years.

Commissioning of new Bankstown facility continues

- Final preparations made ahead of initial production at Bankstown facility in 4Q2012.
- Initial production to supply contracts with leading aerospace companies Lockheed Martin and Northrop Grumman.
- Closure of the Perth facility planned for end of the year and is on target.

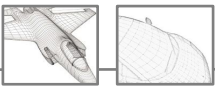
TECHNOLOGY DEVELOPMENT

Progress

- Substantial success achieved on repeatability of part manufacture using our patented Resin Spray Transfer technology.
- Industrial RST cell nearing completion.

CORPORATE

- Cash and investments in term deposits at the end of the September Quarter of \$1.52million.



1.0 CONTRACT MANUFACTURING

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

During the Quarter, Quickstep received its first production purchase order for the C-130J 'Hercules' contract with Lockheed Martin. The order follows an initial purchase order for preliminary work announced in June 2012.

Valued at US\$12 million, the 12-month production order represents Quickstep's largest to date. It covers the manufacture and delivery of composite carbon fibre wing flaps for 24 aircraft, beginning in 4Q2013. As is typical for aerospace contracts servicing the defence sector, further orders will be secured on a year-by-year basis dependent on demand, which has remained strong. Since initiation, more than 2,400 C-130 aircraft have been built in the longest continuously operating military aircraft production in history. The C130 does not have a direct competitor in the Western world.

The purchase order is part of an overall agreement with Lockheed Martin expected to generate revenues of between US\$75 million to US\$100 million over five years.

Each set of wing flaps comprises four parts with an aluminium and carbon structure and skins of carbon fibre composite, providing light, strong components capable of great endurance and longevity.

The work is to be undertaken at the Bankstown aerospace facility, officially opened in June 2012. In terms of local employment, the deal is expected to lead to the creation of in excess of 60 new jobs.

1.2 JSF CONTRACT

In November 2009, Quickstep signed a Memorandum of Understanding (MOU) with F-35 prime contractor Lockheed Martin and principal subcontractor Northrop Grumman to supply several components for the F-35 Lightning II Joint Strike Fighter (JSF) program. The MoU and subsequent long term agreements (LTA) are expected to ultimately generate up to \$700 million in revenues over the next 20 years for Quickstep through the manufacture of lower side skins, maintenance access panels, fuel tank covers and lower skins for the JSF.

To date, Quickstep has entered two LTAs. "Group 1" components are already being supplied, including portions of the main F-35 structure and supports. More complex "Group 2" JSF components will be produced from the Bankstown facility from November 2012.

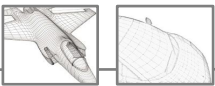
1.3 COMMISSIONING OF NEW MANUFACTURING FACILITY

During the quarter, Quickstep continued the commissioning of its new manufacturing facility at Sydney's Bankstown Airport ahead of first production in 4Q2012.

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

The Perth factory is on target to be closed by end of December. All deliveries made from the Perth factory have been done on time and some stock has been built up to allow the transfer of tools to Sydney over the Christmas break. Transfer of staff between the 2 facilities is now nearly complete with full capability now available at Bankstown.

Further substantial opportunities have been bid or in the process of being bid. Some are under advance discussion.



2.0 TECHNOLOGY DEVELOPMENT

2.1 Progress on RST

Quickstep's patented Resin Spray Transfer (RST) technology has been designed to offer a fully automated serial production process for the automotive industry which is capable of efficiently and inexpensively mass-producing composite parts with a high gloss 'Class A' finish.

Progress continues on the Quickstep technology and Resin Spray Transfer where parts of high quality are now produced repeatedly using the process.

In parallel, the development of our production cell continues and is now in its final stages of integration. This cell to be installed in Bankstown will allow starting producing small series of parts in an industrial environment to continue developing the technology as well as supplying real parts to the automotive industry.

3.0 CORPORATE

3.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was \$1.52 million. In addition, there is \$0.578 million of available funds under the \$10 million long-term loan facility guaranteed by EFIC to fund the balance of capital expenditure. A facility which is secured against research and development tax incentives has been established at the end of October. It will provide for an immediate drawdown of \$2.6 million against expenditure already incurred and provide ongoing funding of an additional \$1.6 million for future activities.

4.0 OUTLOOK

With the commissioning of the Bankstown facility nearing completion, the company is focused on ramping up production of parts for the JSF program in 4Q 2012. In addition, Quickstep's near-term goals are:

1. Contract manufacturing
 - 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
 - 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 SEPTEMBER 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	244	244
1.2 Payments for		
(a) staff costs	(1,866)	(1,866)
(b) advertising and marketing	(7)	(7)
(c) research and development	(429)	(429)
(d) leased assets	(3)	(3)
(e) other working capital	(2,396)	(2,396)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other Income (E.g. Climate Ready Grant)	21	21
Net operating cash flows	(4,399)	(4,399)

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,399)	(4,399)
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*	(1,091)	(1,091)
(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	-	-
Net investing cash flows	(1,091)	(1,091)
1.14 Total operating and investing cash flows	(5,490)	(5,490)
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	3,316	3,316
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	3,316	3,316
Net increase (decrease) in cash held	(2,174)	(2,174)
1.21 Cash at beginning of quarter/year to date	3,692	3,692
1.22 Effects of exchange rate changes on cash held in foreign currencies	-	-
1.23 Cash at end of quarter	1,518	1,518

+ 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	244
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)	202
	- Staff costs - marketing and promotion (Item 1.24)	42

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	9,422
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	1,128	3,001
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	390	690
Total: cash at end of quarter (item 1.23)	1,518	3,691


As at 30 September 2012, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$390,400. (30 June 2012: \$690k).

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: 31 October 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.