29 February 2012

Companies Announcements Office
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Please find attached the Company's interim results for the 2010/11 year, for immediate release to the market.

Included in this announcement are ASX Appendix 4D and the Condensed Interim Financial Statements for the half year to 31 December 2012 as required by ASX listing rule 4.2A. This information should be read in conjunction with the annual financial statements for the year ended 30 June 2011.

Yours Faithfully

Phillip J MacLeod

Phillip MacLeod
Company Secretary

Att.

QUICKSTEP HOLDINGS LTD

Appendix 4D

Half Year Report Period Ended 31 December 2011

Results for announcement to the Market

The loss after tax of the consolidated entity for the half-year was $4,936,786, compared to a loss of $6,952,598 for the comparative period in 2010.

	Percentage Change		$'000
Revenue from ordinary activities	36% up	to	314
Loss from ordinary activities after tax attributable to members	29% down	to	(4,937)
Net Loss for the period attributable to members	30% down	to	(4,919)

Business activity in the period centered on the establishment of new production facilities in Bankstown, the development and qualification process for JSF production including the delivery of the first part and the continued investment in the technology for automotive and aerospace application.

The following comparison to the previous corresponding half year reflects these activities:

- A decrease in operational expenses of $1,172,463 to $3,161,220. In the corresponding period in 2010 the Group made a substantial investment in development of staff resources, production systems and process to support development of the Group's production capability.
- An increase in administration and corporate expenses of $284,767 to $2,575,912 due primarily to additional professional advice in support of the restructuring of the financial facilities of the group including the establishment of a $10 million loan facility, termination of the convertible notes facility and a successful rights issue.
- An increase in research and development expenses of $682,451 to $1,507,289 due to increased activity particularly relating to the automotive and aerospace industries
- An increase in financial income of $1,544,449 to $1,956,322 reflecting the net change in derivatives at fair value through the profit and loss resulting from their conversion and termination in December 2011, partly offset by lower interest earned on decreased average cash and term deposit balances over the half year.
- A decrease in financial expenses of $29,290 to $102,587 mainly due to changes in the funding structure.

Dividends	Amount per security	Percentage Franked
Current period:		
Interim Dividend	Nil	N/A
Date the Dividend is Payable:		N/A
Record Date for determining entitlements to the Dividend:		N/A
Prior corresponding period:		
Interim Dividend	Nil	N/A

Net Tangible Assets per Security

As at 31 December 2011	$0.071
As at 31 December 2010	$0.083

QUICKSTEP HOLDINGS LIMITED

ACN: 096 268 156

CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 31st December 2011

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These condensed interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly these statements are to be read in conjunction with the annual statements for the year ended 30 June 2011 and any public announcements made by Quickstep Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors present their report together with the condensed interim financial statements of the Group, being Quickstep Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "Quickstep"), for the six months ended 31 December 2011 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the interim period are:

Mr Mark Jenkins	Chairman
Mr Philippe Odouard	Managing Director
Mr Dale Brosius	Executive Director
Mr Peter Cook	Non-Executive Director
Mr Deryck Graham Jnr	Executive Director
Mr Errol McCormack AO	Non-Executive Director
Mr David Singleton	Non-Executive Director
Mr David Wills	Non-Executive Director

Directors were appointed for the whole interim period unless otherwise stated.

2. Results

The Group incurred a loss after tax of $4,936,785 for the six months ended 31 December 2011 (2010: loss of $6,952,598).

3. Operating Review

CONTRACT MANUFACTURING

- *1.1 JOINT STRIKE FIGHTER*

- Quickstep continues to make excellent progress towards the commencement of commercial production of F-35 Lightning II Joint Strike Fighter (JSF) parts, with the delivery of a Destruct Test Article to Northrop Grumman Corporation in mid-October, a month ahead of schedule.
- The Company has now commenced serial production of Group 1 JSF parts, with the shipment of the first flying part expected to occur in the first quarter of calendar 2012.
- In parallel with the commencement of Group 1 manufacturing, Quickstep is also working to secure 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 third quarter of calendar 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 PROGRESS REPORT ON MOVE TO NSW MANUFACTURING FACILITY*

- Quickstep has completed Stage One of the fit-out of the Bankstown facility, installing and commissioning equipment required to begin production of composite parts.
- Leveraging from the site's ready access to a highly skilled workforce, the first permanent NSW-based employees have commenced and a number of existing employees have successfully transitioned to Sydney.
- This facility is now customer-approved to start process qualifications which will run in parallel with the facility establishment.
- The completion of the facility and the commencement of production in Sydney are on schedule for third quarter of calendar 2012.

TECHNOLOGY DEVELOPMENT

2.1 RST FOR AUTOMOTIVE MANUFACTURING

During the Quarter, Quickstep was appointed to lead a joint development project supported by the German Government and leading car manufacturer Audi to develop new manufacturing solutions for the cost effective volume production of composite parts for the automotive industry.

The project is aiming to achieve cost reductions of up to 30 per cent over existing costs for the production of light-weight composite automotive parts. It plans to do this by combining independent composite manufacturing technologies including Quickstep's Resin Spray Transfer (RST) technology and patented Quickstep Process.

The ability to cheaply and rapidly manufacture and cure composite parts to A-Grade surface finish for the automotive industry without the need and expense of traditional autoclaves or other more expensive technologies presents a significant opportunity for Quickstep.

Quickstep is also in discussions with other automotive manufacturers wishing to manufacture composite cars in volume.

2.2 'QUICKSTEP PROCESS' DEVELOPMENT FOR JOINT STRIKE FIGHTER

Work is continuing on the Phase II research and development program funded by the US Department of Defense, aimed at assessing the patented Quickstep Process to manufacture composite materials used in the international F-35 Lightning II Joint Strike Fighter program.

The program is scheduled to be completed late in 2012, and will provide extensive mechanical properties data for comparison to baseline autoclave results, enabling major JSF contractors and subcontractors to consider the Quickstep Process as a viable alternative to traditional high cost autoclave solutions.

Industrial partners supporting the contract include Lockheed Martin and BAE Systems. At the conclusion of the contract, any or all of the participating companies can elect to pursue full qualification of the process for use in production.

2.3 PROCESS CAPABILITY DEVELOPMENT FOR AEROSPACE MANUFACTURING

Over the past 18 months, Quickstep has undertaken a program to develop a proprietary aerospace manufacturing capability to support the JSF project.

This capability will be an Australian first, and represents innovation of the highest levels for the Australian aerospace composite manufacturing industry. The objective of this program is to develop proprietary process capabilities that will enable Quickstep to qualify, deliver and efficiently manufacture both simple and complex parts to meet and exceed the technical specifications of the aerospace and defence industries.

Quickstep has successfully delivered a destruct test article to Northrop Grumman as part of its purchase order for the supply of Group 1 parts. This is an important milestone, and an achievement that sets the foundation for world-class composite manufacturing in Australia.

CORPORATE

3.1 EXPORT FINANCE GUARANTEE FROM AUSTRALIAN FEDERAL GOVERNMENT

During the Quarter, the Australian Federal Government provided a guarantee to underpin the Company's borrowings for the JSF program. The guarantee was made through the Export Finance Insurance Corporation (EFIC) under its national interest account.

3.2 LOAN FACILITY AGREEMENT WITH ANZ

Receipt of the EFIC Guarantee, outlined above, enabled Quickstep to negotiate a loan facility agreement with Australia and New Zealand Banking Group Limited (“ANZ”). The facility will be used to fund the purchase of capital equipment and intellectual property to manufacture and supply composite parts required to fulfil project supply contracts for the JSF program.

The loan facility comprises a $10 million loan plus up to $3.3 million in capitalised interest. It has a maximum term of 10 years, subject to earlier refinancing after multi-year F-35 JSF production contracts are awarded. The loan will have an availability period of four years. Repayments of principal will be over six years, commencing at the end of year five.
The loan is secured by a charge over the assets of Quickstep Technologies Pty Ltd, the subsidiary undertaking this work.

3.3 COMPLETION OF $7.5M NON-RENOUNCEABLE ENTITLEMENT OFFER

The Company launched an Entitlement Offer in November providing eligible shareholders with the ability to subscribe for new shares at a price of $0.16 per share, representing a 17.3% discount to the volume weighted average price of shares (of $0.1934) for the five trading days up to and including 22 November 2011 (the day prior to the Company going into trading halt while it arranged the Entitlement Offer).
The offer was partially underwritten by State One Equities Ltd to the value of $7.5 million.

The entitlement offer closed on 23 December 2011, with total funds raised of approximately $7.5 million.
This constitutes a very positive result in a very difficult market and Quickstep would like to thank its shareholders, underwriters and sub-underwriters for their confidence in the Company.
The new shares under the entitlement offer were issued on Friday, 30 December 2011.
Following completion of the capital raising, the Company has 322,748,630 ordinary shares on issue.

3.4 LA JOLLA COVE CONVERTIBLE NOTES COMPLETION

Part of the funds raised through the Entitlement Offer outlined above were utilised to repay the amount due under the La Jolla Cove convertible notes facility, which has been terminated at no additional cost to the Company.

3.5 ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company’s shareholders was held on 23 November 2011, with all resolutions passed on a show of hands.

3.6 CASH POSITION

At the end of the Quarter, the consolidated group balance of Cash and Short term deposits was $9.615 million. A further $690,400 is held in investments to be held to maturity.

CURRENT FOCUS AND OUTLOOK

The next six months will be another busy period for Quickstep, with focus to remain on the Company’s three core business units:

1. Contract manufacturing

   - Shipping first flying part for JSF.
   - Pursuing additional manufacturing contracts in the aerospace and defence sectors.

- Continue to enhance and innovate on its proprietary manufacturing capability. This includes improving Group 1 manufacturing processes and commencing development of proprietary process capabilities to enable the manufacturing of larger and more complex Group 2 and 3 parts.

- Process and product qualification of the Bankstown Facility for JSF production.

2. Quickstep Process Technology development

   - Progressing R&D work associated with the potential use of the Quickstep Process for JSF manufacturing

3. Research Programs

   - Finalisation of the Climate ready Program

   - 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, with the Australian R&D team relocating in January 2012, the installation of Stage Two equipment and commencement of process qualification all focused on the commencement of production in third quarter of calendar 2012.

4. Lead Auditor's Independence Declaration

The lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*, which forms part of this Directors' Report for the six months ended 31 December 2011, is set out on page 18.

Dated at Perth, Western Australia this 29th day of February 2012.

Signed in accordance with a resolution of the Directors:

P M Odouard

Managing Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 December 2011

	Note	31 December 2011 $	31 December 2010 $
Revenue		313,561	230,673
Cost of sales		(223,302)	(82,316)
Gross profit		90,259	148,357
Other income		612,724	644,164
Administration and corporate expenses		(2,575,912)	(2,291,145)
Marketing expenses		(481,265)	(451,849)
Operational expenses		(3,161,220)	(4,333,683)
Research and development expenses		(1,507,289)	(824,838)
Other expenses		(26,031)	(114,285)
Loss from operating activities		(7,048,734)	(7,223,279)
Financial income	11	1,956,322	411,873
Financial expense		(102,587)	(131,877)
Net financing income		1,853,735	279,996
Loss before income tax		(5,194,999)	(6,943,283)
Income tax benefit/(expense)		258,214	(9,315)
Loss for the period		(4,936,785)	(6,952,598)
Other comprehensive income , net of income tax			
Effective portion of changes in fair value of cash flow hedges		71,065	-
Foreign currency translation difference for foreign operations		(52,825)	(113,103)
Other comprehensive income for the period, net of income tax		18,240	(113,103)
Total comprehensive loss for the period		(4,918,545)	(7,065,701)
Loss attributable to:			
Owners of the Company		(4,918,545)	(6,952,598)
Total comprehensive income attributable to:			
Owners of the Company		(4,918,545)	(7,065,701)
Earnings per share			
Basic loss (cents/share) for Quickstep Holdings Ltd		(1.82)	(2.75)
Diluted loss (cents/share) for Quickstep Holdings Ltd		(1.82)	(2.75)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2011

	Note	31 December 2011 $	30 June 2011 $
CURRENT ASSETS			
Cash and cash equivalents	8	9,615,107	13,406,217
Trade and other receivables		1,235,265	796,731
Inventories		352,272	185,036
Other financial assets	8	690,400	690,400
Other assets		71,846	133,784
TOTAL CURRENT ASSETS		11,964,890	15,212,168
NON-CURRENT ASSETS			
Property, plant and equipment	9	17,167,108	12,769,447
Intangible assets		364,333	496,226
Work in Progress		63,596	14,020
TOTAL NON-CURRENT ASSETS		17,595,037	13,279,693
TOTAL ASSETS		29,559,927	28,491,861
CURRENT LIABILITIES			
Trade and other payables		2,916,232	5,038,611
Loans and borrowings		66,743	17,645
Employee benefits		302,465	252,074
TOTAL CURRENT LIABILITIES		3,285,440	5,308,330
NON-CURRENT LIABILITIES			
Trade and other payables		421,221	421,221
Loans and borrowings	10	2,612,747	12,622
Financial liabilities at fair value through profit and loss	11	-	2,820,000
TOTAL NON-CURRENT LIABILITIES		3,033,968	3,253,843
TOTAL LIABILITIES		6,319,408	8,562,173
NET ASSETS		23,240,519	19,929,688
EQUITY			
Share capital	12	74,874,713	66,854,895
Other reserves		1,963,714	1,735,916
Accumulated losses		(53,597,908	(48,661,123)
TOTAL EQUITY		23,240,519	19,929,688

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes

Quickstep

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 December 2010

	Note	Share capital	Translation reserve	Share based payments reserve	Accumulated losses	Total equity
		$	$	$	$	$
Balance as at 1 July 2010		62,296,410	(96,607)	1,157,091	(34,926,410)	28,430,484
Total comprehensive income for the period						
Loss for the period		-	-	-	(6,952,598)	(6,952,598)
Other comprehensive income						
Foreign currency translation difference		-	(113,103)	-	-	(113,103)
Total comprehensive income for the period		-	(113,103)	-	(6,952,598)	(7,065,701)
Transactions with owners, recorded directly in equity						
Share based transaction payments		-	-	211,297	-	211,297
Total transactions with owners		-	-	211,297	-	211,297
Balance at 31 December 2010		**62,296,410**	**(209,710)**	**1,368,388**	**(41,879,008)**	**21,576,080**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Quickstep

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE SIX MONTHS ENDED 31 December 2011

	Note	Share capital	Translation reserve	Hedging Reserve	Share based payments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2011		66,854,895	(220,656)	(71,065)	2,027,637	(48,661,123)	19,929,688
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(4,936,785)	(4,936,785)
Other comprehensive income							
Effective portion of change in fair value of cash flow hedges		-	-	71,065	-	-	71,065
Foreign currency translation difference		-	(52,825)	-	-	-	(52,825)
Total comprehensive income for the period		-	(52,825)	71,065	-	(4,936,785)	(4,918,545)
Transactions with owners, recorded directly in equity							
Issue of ordinary share	12	7,520,000	-	-	-	-	7,520,000
Share raising costs	12	(437,670)	-	-	-	-	(437,670)
Shares issue on conversion of notes		937,488	-	-	-	-	937,488
Share based transaction payments	13	-	-	-	209,558	-	209,558
Total transactions with owners		8,019,818	**-**	-	209,558	-	8,229,376
Balance at 31 December 2011		**74,874,713**	**(273,481)**	**-**	**2,237,195**	**(53,597,908)**	**23,240,519**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 December 2011

	Note	31 December 2011 $	31 December 2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		274,961	427,495
Interest received		282,652	632,853
Interest and other finance cost paid		(52,855)	(1,942)
Research and development tax offset rebate and government grants		424,514	532,366
Cash paid to suppliers and employees		(8,558,894)	(8,867,105)
Net cash (used in) operating activities		(7,629,622)	(7,276,333)
Cash flows from investing activities			
Acquisition of plant and equipment	9	(6,125,470)	(2,146,008)
Acquisition of intangibles		-	(174,379)
Proceeds from term deposits		-	3,000,000
Net cash from/(used in) investing activities		(6,125,470)	679,613
Cash flows from financing activities			
Proceeds from issues of shares	12	7,520,000	-
Repayment of convertible note		(604,017)	-
Proceeds from convertible loans		468,456	-
Drawdown of borrowings		3,442,198	-
Prepaid borrowing cost		(871,400)	-
Finance lease payments		(9,495)	(7,953)
Net cash from/(used in) financing activities		9,945,742	(7,953)
Net (decrease) in cash and cash equivalents		(3,809,350)	(6,604,673)
Effects of exchange rate changes on cash held in foreign currencies		18,240	(128,161)
Cash and cash equivalents at 1 July		13,406,217	12,225,823
Cash and cash equivalents at 31 December	8	**9,615,107**	**5,492,989**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 December 2011

1. Reporting entity

Quickstep Holdings Limited ("the Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group" or "Quickstep"). The Group is primarily involved in the manufacture of composite components for the aerospace industry, and continuing research and development in composite manufacturing processes.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2011 are available upon request from the Company's registered office at 136 Cockburn Road, North Coogee, Western Australia, or may be viewed on the Company's website, www.quickstep.com.au.

2. Statement of compliance

The condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

The condensed consolidated interim financial statements were approved by the Board of Directors on 29 February 2012.

3. Significant accounting policies

The accounting policies and method of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2011.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 June 2011.

6. Financial position

The Group has incurred a loss after tax for the six months to 31 December 2011 of $4,936,785 (2010: loss $6,952,598). The Group has a surplus in working capital at 31 December 2011 of $8,679,450 (30 June 2011: surplus $9,903,838).

Since 30 June 2011, the Group has continued to;

- pursue its objectives of securing further Long Term Agreements (LTA) for the supply of Joint Strike Fighter (JSF) parts;
- develop a process capability to ready itself for advanced aerospace manufacturing activities;
- pursue other aerospace manufacturing opportunities; and
- develop its program of research into composite curing technologies in the automotive and aerospace industries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 December 2011 (cont'd)

Consistent with these objectives it has;

- invested $6.1 million in capital equipment to develop aerospace manufacturing capability;
- invested $1.5 million in research and development activity particularly relating to the automotive and aerospace industries; and
- utilised cash resources of $7.6 million for operational capability development, a majority of which has been to develop process capability for advanced aerospace manufacturing activities.

These activities have been the principal contributors to the reduction in cash reserves since 30 June 2011.

As a consequence of the above activities, since 30 June 2011, the Group has:

- Secured its first purchase order for the supply of Group 1 parts under the initial LTA with lead JSF contractor Northrop Grumman and delivered its first product, being a destruct test article;
- Delivered its first Group 1 part based on manufacturing processes which has been developed and refined over the past 18 months;
- Prepared for the negotiation of further long term agreements for Group 2 and 3 parts;
- Secured a renewal and extension of its AS9100 quality accreditation;
- Completed stage one of the production facilities in Bankstown, NSW;
- Commenced a significant research and development project with partners including Audi for the use of composites in the automotive industry; and
- Acquired a significant portion of the machinery required for stage 2 of the Bankstown facility.

In the next twelve months, the Group plans to:

- finish the redevelopment of the Bankstown production facility, readying it for production and commence delivery under the JSF program;
- continue to enhance and innovate on its proprietary manufacturing capability, including generating new knowledge through enhancing and improving Group 1 manufacturing processes, commencing development of proprietary process capabilities to enable the manufacturing of Group 2 and 3 parts for the aerospace industry and researching the technical viability of aerospace manufacturing technologies, processes and capabilities for the automotive industry
- continue its research and development programs to improve the Quickstep Process technology through partially funded programs to enhance capability in the automotive and aerospace sectors;
- actively seek opportunities for the sale of Quickstep machines and licensing of its associated technology; and
- actively seek other manufacturing contracts with an emphasis on short term opportunities.

These activities, in the opinion of Directors, warrant the ongoing commitments of the Group's financial resources to enable future profitable operations. Such operations are expected to enable recovery of the Group's investment in property, plant and equipment and intangible assets.

These activities will require working capital and capital expenditure outflows over at least the next 12 months. To fund these on-going activities the Group has:

- established in November 2011 a 10 year loan facility of $10 million plus capitalised interest of $3.3 million for the purposes of providing funding for the Group's JSF project. At 31 December 2011, the Group has utilised $3.4 million of the facility (refer Note 10); and
- executed an agreement in the prior financial year with the NSW State Government to provide grant funding for the establishment and operation of manufacturing facilities in support of the JSF project in NSW. Initial performance conditions have been met and further funding from this grant will become available once the Group has met targets relating to qualifying capital expenditure and employment targets.

The funding sources, together with existing cash reserves, should be sufficient to meet planned requirements for at least the next 12 months. Nevertheless, to address the business opportunities potentially available to the Group, Directors will continue to seek access to funds under favourable conditions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 December 2011 (cont'd)

7. Operating segments

Information about reportable segments for the six months ended 31 December 2011

	Manufacturing		Quickstep Process		Research and Development		Total	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Sales	48,735	-	-	-	264,826	230,673	313,561	230,673
Other Income	-	-	-	-	612,724	644,164	612,724	644,164
Reportable segment loss before income tax	(3,621,700)	(4,274,704)	(185,464)	(54,795)	(606,515)	(453,604)	(4,413,679)	(4,783,103)
	31/12/2011	30/6/2011	31/12/2011	30/6/2011	31/12/2011	30/6/2011	31/12/2011	30/6/2011
Reportable segment assets	18,437,808	10,842,346	42,608	1,425	966,097	417,658	19,446,513	11,261,429

The Group has three operating segments, as described below. These operating segments are managed separately because they address Quickstep's three separate strategies to grow the business and are reported to the CEO on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- **Manufacturing** - manufacturing utilising existing and internally developed processes and solutions based on traditional manufacturing technologies such as autoclaves and 'next generation' technologies such as the patented "Quickstep Process".
- **Quickstep Process -** Licensing our "Quickstep Process" technology to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines and support services.
- **Research and Development -** Conducting research and development on Quickstep Process and associated technologies where possible on a paid basis on behalf of customers to validate its suitability for their needs and/or develop the technology to meet their specific requirements.

There is integration between the segments in the form of use of the Manufacturing segment assets for Research and Development purposes.

	31 December 2011 $	31 December 2010 $
Reconciliation of reportable segment loss		
Total loss for reportable segment	(4,413,679)	(4,783,103)
Unallocated amounts: other corporate expenses	(523,106)	(2,160,180)
Consolidated loss before income tax	(4,936,785)	(6,943,283)

	31 December 2011 $	30 June 2011 $
Reconciliation of reportable segment assets		
Total assets for reportable segments	19,446,513	11,261,429
Unallocated amounts: other corporate assets	10,113,414	17,230,432
Consolidated total assets	29,559,927	28,491,862

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 December 2011 (cont'd)

8. Cash and other financial assets

	31 December 2011 $	30 June 2011 $
Cash and cash equivalents	7,115,507	7,706,217
Term deposits	2,499,600	5,700,000
Total cash and term deposits	9,615,107	13,406,217
Held to maturity investments	690,400	690,400
Total cash and other financial assets	10,305,507	14,096,617

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2011 the Group acquired assets principally relating to the Group's Bankstown facility with a cost of $5,049,151 (six months ended 31 December 2010: $2,192,460)

Capital commitments

At 31 December the Group's capital commitments are $4,044,712, (30 June 2011: $670,359) including $3,600,000 where the future amount is subject to variation.

10. Loans and Borrowings

On 1 November 2011 Quickstep Technologies Pty Ltd, a subsidiary company of the Group executed an Export Finance Facility Agreement with Australian and New Zealand Banking Group Limited (ANZ) (Financier) and Export Finance and Insurance Corporation (EFIC)(Guarantor) to fund capital expenditure. The Agreement provides for a loan facility of up to $10,000,000 plus capitalised interest of up to $3,333,333.

Interest is to be capitalised for the first four years of the facility after which it is payable half yearly in arrears.

Loan repayments commence in the fifth year of the facility, with the final repayment due in year 10.

The interest rate on the facility comprises a variable base rate, a fixed margin payable to the Financier and a fixed guarantee fee payable to the Guarantor. Unused limit fees are payable to both parties on the undrawn principle balance. The subsidiary company has purchased an interest rate cap which limits the maximum rate applicable to the base rate for the duration of the capitalisation period. This cap ensures that the interest accruing on the facility remains within the capitalised interest limit. The cost of the cap ($680,400) is recognised in the profit and loss through the effective interest rate method.

EFIC has agreed to guarantee certain of the subsidiary's obligations under the facility. The subsidiary has provided EFIC with a fixed and floating charge over its assets and undertakings.

Quickstep Holdings Limited has entered into subordination agreement which subordinates certain debts due to it from Quickstep Technologies Pty Ltd to the amounts due under the Export Finance Facility.

At 31 December 2011 the facility had been drawn to $3,442,198

	31 December 2011 $	30 June 2011 $
Long term secured loans	3,442,198	-
Finance lease liability	7,445	12,622
Prepaid borrowing costs	(836,896)	-
Total non-current loans and borrowings	2,612,747	12,622

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 December 2011 (cont'd)

11. Financial Liabilities at fair value through profit and loss

On 24 April 2011 the Group executed a Funding Agreement subject to conditions precedent with La Jolla Cove Investors Inc (La Jolla); a US private equity firm, for the issue of US$15,000,000 of convertible notes. The Agreement included an initial issue of a convertible note for US$ 7,500,000 (initial note) with an option at the Group's discretion, to subsequently issue another convertible note of US$7,500,000 (Subsequent Note).

On 12 May 2011 the conditions precedent were satisfied and the Group issued the initial Note with the issue price of US$7,500,000 to La Jolla. The Group elected to account for these instruments at fair value through the profit and loss.

During the six months to 31 December 2011, $468,456 of convertible notes were drawn down. $750,000 of notes were converted to 4,689,810 shares at a market value of $937,488.

In December 2011 the Group executed a termination agreement, under which the balance of the convertible notes at 20 December 2011, $604,017 was repaid. There were no termination costs. On termination, the resulting net decrease in fair value of the financial instrument, $1,746,980, was recognised through the profit and loss as finance income.

12. Share capital

Issuances

During the six months to 31 December 2011,

- 4,689,810 shares were issued as a result of conversions notices received from the holder of convertible notes. The face value of notes converted was $750,000 and the market value of the shares issued was $937,488;
- 680,235 shares were issued to senior managers upon exercise of rights which had vested as a result of loyalty bonuses based on years of service and included in existing executive service agreements. The shares were issued at $nil consideration. The market value of the rights exercised was $121,703;
- 339,823 shares were issued to senior management as compensation for long term bonuses relating to the 2010/11 year performance in accordance with executive service agreements. The market value of the rights issued was $62,867; and
- 47,000,000 shares were issued to existing shareholders and underwriters under the terms of the non renounceable rights issue which closed on 23 December 2011. The issue raised $7,520,000 at an issue price of $0.16. Cost incurred in raising these funds amounted to $437,670.

13. Share based payments

Employee Incentive Plan (equity-settled)

The Company has previously established the Quickstep Employee Incentive Plan (EIP). Under the EIP, the Board may grant options to selected Quickstep employees on such terms as it determines appropriate. Participation in the EIP is open to all employees of the Group, with the Board determining those employees eligible to participate in each grant under the EIP. Further details of the terms and conditions of the EIP are disclosed in the consolidated financial statements as at and for the year ended 30 June 2011.

On 23 November 2011, at the Group's 2011 Annual General Meeting, shareholders approved the offer of a further 706,373 options to Mr. Odouard. The offer was accepted and the options were granted on 26 November 2011 with a fair value of $122,203, valued utilising a Monte-Carlo simulation model.

Loyalty bonus (equity-settled)

During the six months ended 31 December 2011, 680,235 rights were exercised at $nil consideration. The market value of the rights exercised was $121,703.

Long term Incentives Bonuses

During the six months to 31 December 2011, 339,823 shares were issued to senior management as compensation for long term bonuses as part of executive service agreements relating to the 2010/11 year. The market value of the shares issued was $62,867.

DIRECTORS' DECLARATION
FOR THE SIX MONTHS ENDED 31 December 2011

In the opinion of the directors of Quickstep Holdings Limited:

1. (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the six months ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 29th day of February 2012.

Signed in accordance with a resolution of the Directors:

P M Odouard
Director

KPMG

Independent auditor's review report to the members of Quickstep Holdings Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Quickstep Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Quickstep Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Quickstep Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Matthew Beevers
Partner

Perth

29 February 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Quickstep Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Matthew Beevers
Partner

Perth

29 February 2012