

QUARTERLY REPORT

TO 31 MARCH 2011

HIGHLIGHTS

- Long Term Agreement for Joint Strike Fighter (JSF) manufacturing signed with Northrop Grumman - delivery of first JSF parts scheduled for 2012
- Quickstep to relocate manufacturing plant to former Boeing facility at Bankstown Airport in New South Wales following substantial incentives from NSW Government
- Memorandum of Understanding signed with global helicopter supplier, Sikorsky, for defence contracts and Quickstep Process development
- Strategy to break into global automotive sector receives major boost with successful production of 'proof-of-concept' automotive panel using Quickstep Process
- Quickstep to participate in international Research & Development project for nanotechnology
- Cash and investments in term deposits at the end of the March Quarter of \$9.182 million
- Subsequent to end of reporting period, Quickstep secures funding to the value of \$17.3 million to underpin growth initiatives

PREPARATIONS FOR F-35 JOINT STRIKE FIGHTER (JSF) MANUFACTURING

Following many years of hard work developing the Company's advanced composites manufacturing capabilities, in February Quickstep announced it had embarked on a new phase of growth with the signing of a Long Term Agreement (LTA) with Northrop Grumman Corporation to manufacture parts for the international F-35 Joint Strike Fighter (JSF) program over the life of the aircraft.

The LTA was signed in Sydney on the 2nd of February 2011, at a ceremony attended by the then Premier of New South Wales the Hon. Kristina Keneally, the then Treasurer of New South Wales the Hon. Eric Roozendaal and the Minister for Defence Materiel the Hon. Jason Clare, as well as numerous representatives from the Australian and international aerospace and defence industries.

It marks the first of several agreements which will implement the Memorandum of Understanding (MOU) Quickstep signed in November 2009 with F-35 prime contractor Lockheed Martin and Northrop Grumman, one of its principal F-35 subcontractors. The LTA will be followed by annual purchase orders, with further manufacturing contracts expected to be awarded over the life of the project.

Under the MOU, Quickstep will supply a number of different JSF components, including lower side skins, maintenance access panels, fuel tank covers, and lower skins, projected to amount to some 36,000+ parts over the life of the program

Under the framework established in the LTA, first JSF parts and first cash flow will be delivered in 2012.

The signing of the LTA was an historic day for the Company, marking the culmination of many years of hard work in promoting Quickstep's aerospace manufacturing capabilities and demonstrating its ability to meet the high standards required under the JSF program requirements.

QUICKSTEP TO ESTABLISH A MAJOR NEW MANUFACTURING FACILITY IN NEW SOUTH WALES

With this Long Term Agreement for Joint Strike Fighter manufacturing in place, Quickstep announced plans to establish a major new aerospace manufacturing facility at Bankstown Airport in south-west Sydney, signing a Heads of Agreement to take a 10-year lease over 4,200sqm of buildings previously used by US aerospace giant Boeing. The lease covers the first of the buildings the Company intends to occupy, with option to lease additional buildings .

The move will provide Quickstep with the manufacturing capacity to become the largest independent aerospace composites manufacturer in Australia, with the Company actively seeking further manufacturing contracts.

The decision to establish a new manufacturing hub in NSW was underpinned by strong support from the NSW Government and the ability to access an existing workforce with the specialist skill sets required to deliver a large scale defence program such as JSF, together with access to the large network of suppliers located in NSW and on the east coast of Australia.

Quickstep's move to Bankstown will include the transfer of the Australian R&D programs relating to the Company's proprietary composites manufacturing technology – the Quickstep Process - which will form a key component of Quickstep's future licensing and export capabilities.

Quickstep intends to undertake a staged transition from its existing facility in Western Australia, with all Western Australian employees to be offered the opportunity to relocate to Sydney. The Company plans to move some initial staff members to Bankstown in mid 2011 to qualify the facility ready for aerospace manufacturing by the end of 2012.

MEMORANDUM OF UNDERSTANDING WITH SIKORSKY

Quickstep has signed a Memorandum of Understanding (MOU) with global helicopter company, Sikorsky, aimed at enabling Quickstep to become a recognised supplier to Sikorsky's global supply chain.

The MOU is contingent on Sikorsky securing a contract for the purchase of its MH-60R helicopters under the Australian Department of Defence's Air 9000 Phase 8 program, which is expected to be awarded in the Third Quarter of 2011.

If Sikorsky is successful in winning this contract, the MOU is intended to lead to Quickstep becoming a participant in Sikorsky's Australian Industry Participation Program.

RESEARCH & DEVELOPMENT

Automotive Manufacturing

Quickstep is progress well with its research program aimed at the development of a new high volume low cost automotive manufacturing process. During the Quarter the Company successfully completed a proof-of-concept painted carbon fibre flat panel to Class A automotive quality – the core properties required for automotive product.

The research program is investigating the use of Quickstep's patented Resin Spray Transmission (RST) technology to cheaply and efficiently mass produce composite parts with a Class A finish. Quickstep has been working with German car manufacturing line designer, EDAG, for some time to ensure the Company's ongoing development of RST technology is in line with the needs of the automotive industry.

Quickstep's RST-manufactured panels exhibited an exceptionally high quality for a rapid layup and curing process, with non-destructive ultrasonic scans confirming specifications well within automotive industry standards. In addition, they also achieved outstanding surface finish straight out of the mould, meeting the demands for exterior Class A automotive body panels without the need for additional expensive and labour-intensive bogging and sanding.

In addition, RST should also enable the manufacture of automotive parts in minutes rather than hours at costs that are comparable to steel in vehicles with low to medium production volumes.

The next steps in the research program will focus on addressing the challenges of producing representative geometries, working with different material systems and industrialising the production prototype.

Quickstep's RST development program is being undertaken as part of the Company's Climate Ready project, which has received a \$2.6 million funding grant from the Australian Federal Government's AusIndustry program.

Nanotechnology

Quickstep announced during the Quarter that it would participate in a European research project to investigate the use of nanotechnology to improve the material properties of advanced composites used in global transportation industries. The project is being undertaken by Quickstep's German subsidiary, Quickstep GmbH.

The total budget for the research project is approximately US\$10 million, with Quickstep GmbH receiving up to US\$445,000 from the European Commission under the Seventh Framework Programme, which is the European Union's chief instrument for funding research over the period 2007 to 2013. Quickstep has already received its first payment from the European Commission in relation to the project.

The nanotechnology, known in this case as 'nanotubes', involves the introduction of tiny 'nano sized' particles into the host composite material. Nanotechnology is currently generating considerable interest in the global scientific community, as it can significantly change and improve the overall properties of the end product.

The research project is solely focused on "out-of-autoclave" composite manufacturing technologies, and is being completed by an alliance of 16 different organisations, including research institutes, SME suppliers and multi-national industrial transport end-users.

The project is expected to be completed by the end of 2013.

INTERNATIONAL DEVELOPMENT FACILITIES

Quickstep GmbH (Germany)

The team at Quickstep GmbH in Germany are currently working on seven development programs, many of which are with substantial European and International partners. Discussions are ongoing to progress further externally funded development programs using the Quickstep Process.

These programs span the automotive and aerospace industries and cover nanotechnologies, sprayforming for tool production, online repair programs and production volume techniques.

The Company expects to make further announcements regarding these programs in the coming months.

Quickstep Composites LLC (United States)

Quickstep Composites LLC is working with Vector Composites on Research and Development work associated with the contract awarded by the U.S. Air Force in May 2010, aimed at qualifying the Quickstep Process for the manufacture of materials used in the F-35 Joint Strike Fighter.

This R&D program is progressing well and is generating cash flow for the Company.

CORPORATE

Cash Position

At the end of the Quarter the consolidated group balance of cash and investments in short term deposits was \$9.182 million.

Events subsequent to end of reporting period

Subsequent to the end of the Quarter, Quickstep announced that it had entered into a funding agreement for the issue of convertible notes to the value of US\$15 million (approximately AU\$14.0 million on current exchange rates) to US-based small-cap financier, La Jolla Cove Investors, Inc. (“**La Jolla**”). La Jolla is an experienced financier of financing small-cap, publicly traded companies having signed over US\$400 million of financing for companies on leading world exchanges since establishing in 1995.

The Company also announced that it would undertake a share placement to sophisticated and professional investors (including to La Jolla and to Quickstep’s largest shareholder Washington H Soul Pattinson & Co) comprising the issue of 10,277,500 fully paid ordinary shares at AU\$0.32 per share to raise \$3.3 million before costs.

Quickstep’s existing eligible shareholders will also be given the opportunity to participate in the capital raising through a Share Purchase Plan (“SPP”) at AU\$0.32.

The SPP will consist of an offer to existing eligible shareholders of Quickstep of up to \$15,000 of Shares per eligible shareholder.

Participation in the SPP is optional and will be open to shareholders who were holders of Shares as at 5.00pm (Perth time) on the record date for the SPP, which was Thursday, 21 April 2011, and whose registered address is in Australia or New Zealand. Each eligible shareholder will be able to acquire up to 46,875 Shares under the SPP.

The SPP offer will open, and SPP offer documents will be despatched to eligible shareholders, on or about Thursday, 5 May 2011. The SPP is currently expected to close at 5.00pm (Perth time) on Friday, 3 June 2011.

OUTLOOK

The June 2011 Quarter will be a busy one for Quickstep as the Company prepares to commence manufacturing for the Joint Strike Fighter program, with first parts scheduled to be delivered in early 2012.

With this first LTA now in place with Northrop Grumman, Quickstep expects that further aerospace and defence contracts should follow, and the Company will be actively targeting these additional contracts in the forthcoming Quarter.

Significant progress and interest is being generated in the Quickstep Process in the automotive industry which should lead to major opportunities in the medium term.

In addition, preparations will continue for the Company’s move to new, larger premises in New South Wales.

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 2011

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	310	661
1.2 Payments for		
(a) staff costs	(1,867)	(5,147)
(b) advertising and marketing	(13)	(46)
(c) research and development	(296)	(549)
(d) leased assets	(1)	(3)
(e) other working capital	(732)	(5,832)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	168	801
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other (Export Market Development Grant & Climate Ready Grant)	-	320
Net operating cash flows	(2,431)	(9,795)

+ See chapter 19 for defined terms.

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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)	(2,431)	(9,795)
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*	(879)	(2,992)
(e) other non-current assets	-	(174)
<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*	4,700	(2,300)
Net investing cash flows	3,821	(5,466)
1.14 Total operating and investing cash flows	1,390	(15,261)
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	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	(34)	(13)
Net financing cash flows	(34)	(13)
Net increase (decrease) in cash held	1,356	(15,274)
1.21 Cash at beginning of quarter/year to date	5,494	22,226
1.22 Effects of exchange rate changes on cash held in foreign currencies	32	(70)
1.23 Cash at end of quarter	6,882	6,882

* 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 2011, the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$9,182k (31 December 2010: \$12,494k).

+ 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	234
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)	194
- Research and development consultancy services (Item 1.24)	10
- Staff costs - marketing and promotion (Item 1.24)	30

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	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

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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	3,182	494
4.2	Deposits at call	3,700	5,000
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		6,882	5,494

As at 31 March 2011, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$9,182k (31 December 2010: \$12,494k).

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: 
 Company Secretary

Date: 29 April 2011

Print name: **Phillip Macleod**

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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.