

QUARTERLY REPORT

TO 30 JUNE 2009

HIGHLIGHTS

Operations & Development

AS9100 Certification

- Quickstep Technologies Pty Ltd awarded official accreditation to the international AS9100/ISO9001:2000 aerospace quality standard.

Climate-Ready Grant

- A\$2.6M grant awarded under the Australian Federal Government's A\$75 million AusIndustry Climate Ready Program.

BAE Systems Teaming Agreement

- Exclusive Teaming Agreement signed with BAE Systems aimed at supplying deployable composite antennas for Satellite Communications (SATCOM) terminals.

MoU with Malaysia's CTRM

- MoU signed with Composites Technology Research Malaysia (CTRM), the 5th largest composites supplier to Airbus, to evaluate Quickstep's Out-of-Autoclave Process to enhance its composite manufacturing operations based in Malaka, Malaysia.

Corporate

- Convertible Loan Agreement for A\$10 million formally signed at a ceremony in the United Arab Emirates with InvestOne Financial Advisory Est. a related company of Al Farida Investments Company LLC.
- Agency Agreement also formalised with Al Sahel Trading Agencies LLC to assist Quickstep to access Middle East companies seeking to become international contractors to the aerospace industry.
- Cash reserves at the end of the June Quarter of A\$2.816 million.

Quickstep Technologies Awarded AS9100 Aerospace Certification

During the Quarter, Quickstep achieved a major milestone after its main operating subsidiary company, Quickstep Technologies Pty Ltd, was awarded official accreditation to the AS9100 international aerospace quality standard. The achievement of this standard enables Quickstep to actively bid on and sign aerospace and defence contracts globally and clears the way for Quickstep Technologies to work with the giant Original Equipment Manufacturers ("OEM") and their Tier One Manufacturers across Europe and the USA.

The AS9100 certification was achieved in just 10 months from official project launch, reflecting the Company's drive and commitment to be a world-class supplier of aerospace components to civil and defence markets. Achieving this accreditation normally takes around two years.



AS9100 accreditation covers the more well known ISO 9001:2000 quality standard, ensuring that the company has the right procedures and track record to do the more stringent aerospace work. Certification to the AS9100 standard provides:

- *Qualification as a prerequisite to be considered as an aerospace supplier*
- *Public recognition*
- *Internal validation of procedures and controls*
- *Independent feedback to foster continual improvement*

Most of the major aircraft engine manufacturers, such as Airbus, General Electric's Aircraft Engine Division (GEAE), Boeing, Rolls-Royce Allison and Pratt & Whitney, require their suppliers to be certified to AS9100.

AS9100 now covers all of Quickstep Technologies' business processes, including all composite manufacturing programs using either conventional autoclave or Quickstep out-of-autoclave solutions.

The AS9100 certification program – which was managed by a team led by Quickstep's Quality Management System Project Manager, Woodie Beckles – marks the Company's transition from an R&D organisation to a fully certified production and development organisation.

It also clears the way for commercial manufacturing operations to commence at the Company's recently commissioned A\$10 million manufacturing facility at North Coogee in Western Australia, as reported in the March Quarterly Report.

Quickstep Secures Climate Ready Grant for Fuel Efficient Transports

During the Quarter, Quickstep was successful in securing a A\$2.6 million grant under the Australian Federal Government's A\$75 million AusIndustry Climate Ready Program as part of a new program designed to achieve the mass production of a new generation of lightweight, low-emission vehicles – primarily aircraft and land based vehicles.

The funds – to be provided over a three year period – will be used for the development and commercialisation of one of Quickstep's leading edge composite manufacturing technologies known as Resin Spray Transfer ("RST"). RST is focused on reducing part costs and manufacturing times by the semi and full automation of composite component production and the reduction of material and labour costs.

Targeted at the mass production of light weight parts for the aerospace and automotive sectors, RST could expand the Quickstep curing process to higher volume low cost field's not normally associated with premier quality parts.

While the benefits of using advanced composites have been known for many years, the traditional barriers to a more widespread adoption of these materials have been low production rates and high costs. Quickstep's RST manufacturing technology has the potential to break these barriers, which would create a paradigm shift in how all types of vehicles are designed, manufactured and ultimately perform.

Exclusive Antenna Teaming Agreement Signed with BAE Systems

Quickstep announced during the Quarter that it had teamed with BAE Systems, a large supplier of satellite communication terminals, to design and manufacture unique, lightweight deployable Composite SATCOM Antennas for military and commercial applications.

BAE Systems will integrate its multi-band feed technology to provide the next generation of Australian designed and manufactured SATCOM Antennas.



The Agreement has resulted in the paid manufacture of a demonstration Composite Antenna at Quickstep's North Coogee Headquarters.

Quickstep will produce the carbon fibre composite components required for the antenna using either conventional autoclave processes and/or the Company's proprietary fluid-based composites production process, both of which are now available at North Coogee.

The Agreement follows the successful production at North Coogee of two sets of flat monolithic (solid) and one set of foam cored coupons. BAE Systems was pleased with the results of these test programs and consequently the two organisations entered into a formal Teaming Agreement followed by a contract to develop the first carbon dish antenna.

The partnership combines the complementary capabilities of BAE Systems' globally recognised engineering expertise and Quickstep's world class composite capability, further strengthening Quickstep's strategic platform for targeting substantial composite manufacturing contracts in the defence and aerospace sectors and adding to its existing portfolio of international alliances, teaming agreements and partnerships.

MoU Signed with Malaysia's CTRM for Out-of-Autoclave Composite Production

During the Paris Airshow in June, Quickstep signed a Memorandum of Understanding (MoU) with Composites Technology Research Malaysia Sdn Bhd (CTRM), a major Malaysian-based manufacturer of composite components for Airbus and Boeing aircraft.

The agreement, signed in the presence of senior Airbus executives, will see the two organisations work together to fast-track the evaluation and certification of Quickstep's Out-of-Autoclave manufacturing technology (the Quickstep Process) with a view to introducing it to CTRM's manufacturing facility based in Malaka, Malaysia, as soon as possible.

Both parties are focused on the quick and efficient qualification of parts for use in the new generation A350 aircraft, or other aircraft so that CTRM can commence production of parts in the shortest possible timeframe. CTRM has agreed to support the introduction of the Quickstep technology to the Airbus network and other aircraft manufacturers.

As the fifth largest supplier of composite parts to Airbus worldwide, CTRM brings aerospace industry know-how and commercial connections to assist in facilitating the certification of a flying composite part. Quickstep brings its technology, know-how and expertise in Out-of-Autoclave composite processing.

The CTRM program is due to attain part-validation by the fourth Quarter of 2009.

Convertible Loan and Agency Agreement Formally Signed

On 19 May, Quickstep announced that the Convertible Loan Agreement with Al Farida Investments Company LLC had been officially notarised and the Agency Agreement registered following a formal signing ceremony in the United Arab Emirates ("UAE").

Al Farida took the opportunity to transfer the Convertible Loan Agreement to its nominee, InvestOne Financial Advisory Est. ("InvestOne"), a related company of Al Farida. As previously advised these agreements underpin Quickstep's access to expansion funds and the ability to seek new aerospace manufacturing contracts in the Middle East region.

The agreement with InvestOne provides Quickstep with greater flexibility to draw upon funds depending on its needs and market conditions and reaffirms the Company's commitment to work with Al Farida to bring Quickstep Solutions to the UAE and surrounding nations.



Mr Bashir Siman, the Managing Director of InvestOne and Mr Philippe Odouard, Chief Executive Officer of Quickstep Holdings Limited signing the Convertible Loan Agreement

Under the terms of the Convertible Loan Agreement, InvestOne will lend up to A\$10 million to Quickstep in tranches of up to A\$2 million which can be drawn at intervals of at least 90 days, at Quickstep's discretion, with the first A\$2 million to be made available within 60 days from formal signing of the agreement.

The term of the loan facility is for two years from the date of formal execution.

The first A\$2 million of loan funds are convertible at a fixed price of 20 cents per share. InvestOne may now elect to convert all or part of each remaining tranche into Quickstep shares at an issue price of the lesser of 20 cents per share or the volume weighted average market price of Quickstep shares traded on the ASX during the 30 trading days prior to the date of payment to Quickstep of the relevant tranche of funds.

Under the terms of the Convertible Loan Agreement, Quickstep has the flexibility and choice to draw upon the tranches depending on funding requirements and market conditions.

Given that conversion of the loan into shares could result in InvestOne potentially obtaining a relevant interest in more than 20% of Quickstep's shares, Quickstep will convene a general meeting to seek shareholder approval of InvestOne's conversion rights under the revised facility.

Further details regarding the terms of the revised Convertible Loan Agreement will be set out in the notice of general meeting.

On 15 July 2009 Quickstep received the first \$2 million tranche of funding under this agreement.

Outlook

Quickstep is continuing to actively target aerospace and defence manufacturing contracts by sourcing and securing sales with major aerospace and defence customers.

As part of Quickstep's day to day business Quickstep is in various stages of discussions or negotiations, depending on the transactions, with both aerospace and defence organisations with the view to undertaking contract manufacturing work out of its Australian facilities.



With AS9100 quality standards now in place the Company is well placed to secure advanced composite manufacturing contracts.

The Quickstep facility is now the second largest fully integrated aerospace grade advanced composites manufacturing facility in Australia and the largest independent one.

The facility's access to both conventional autoclave and Quickstep's Out-of-Autoclave production solutions give Quickstep a unique competitive advantage at a time of significant positive change and opportunity in the global composites industry.

Progress continues to be made on a number of opportunities using Quickstep proprietary technology which will lead to revenue generating technology transfers in the near future.

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 2009

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	2	238
1.2 Payments for		
(a) staff costs	(919)	(3,589)
(b) advertising and marketing	(206)	(756)
(c) research and development	(188)	(681)
(d) leased assets	(1)	(8)
(e) other working capital	(699)	(2,349)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	35	410
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes received/(paid) – R&D	-	791
1.7 Other (Export Market Development Grant & Climate Ready Grant)	251	251
Net operating cash flows	(1,727)	(5,696)

+ 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)	(1,727)	(5,696)
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*	(812)	(4,694)
(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 (provide details if material)	-	-
Net investing cash flows	(812)	(4,694)
1.14 Total operating and investing cash flows	(2,539)	(10,390)
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 (Net of costs)	(16)	2,522
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	(3)	(10)
Net financing cash flows	(19)	2,512
Net increase (decrease) in cash held	(2,558)	(7,878)
1.21 Cash at beginning of quarter/year to date	5,447	10,307
1.22 Effects of exchange rate changes on cash held in foreign currencies	(73)	387
1.23 Cash at end of quarter	2,816	2,816

+ 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	235
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)	185
- Research and development consultancy services (Item 1.24)	20
- Marketing and promotion expenses (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

NIL

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 ¹	12,700	2,700
3.2	Credit standby arrangements	NIL	NIL

¹ Relates to the two convertible loans. One for \$10 million and the other for \$2.7 million.

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	2,816	2,647
4.2 Deposits at call	-	2,800
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	2,816	5,447

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 July 2009

Print name: **Peter Williams**

+ 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.