

QUARTERLY REPORT

TO 30 SEPTEMBER 2010

HIGHLIGHTS

- Former RAAF Chief, Air Marshal Errol McCormack (Ret'd), appointed to the Board as a Non-Executive Director
- Development program for Joint Strike Fighter (JSF) manufacturing progressing on schedule, with all deadlines agreed with Northrop Grumman continuing to be met
- Upgrade to North Coogee manufacturing facility proceeding on schedule
- Contingent of Quickstep employees visited Northrop Grumman's American manufacturing headquarters in September to receive training on the methods, tools and processes for the manufacture of JSF parts
- Delivery of the first JSF parts on-track for 2012
- Appointment of experienced aerospace executives Sebastien Godbille as General Manager of Quickstep Process Systems and Ari Vihersaari as Vice President of Global Business Development
- Cash and investment in term deposits at the end of the September quarter of \$16.7 million

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

The September 2010 quarter has seen continued strong progress preparing for JSF manufacturing work. To date, the deadlines agreed with lead JSF contractors, Lockheed Martin and Northrop Grumman, have been met and delivery of the first JSF parts is on track to occur in 2012.

During the quarter, Quickstep completed the following development activities required for the commencement of JSF manufacturing:

- The last export authorisation has finally been released by the US government, allowing us to work from a complete set of technical files on all parts.
- With these final technical files in place, an updated quote was provided to Northrop Grumman which will form the basis for the Long Term Agreement (LTA).
- A group of 19 Quickstep employees visited Northrop Grumman's manufacturing facility in the United States to receive Technical Assistance Training on the methods, tools and processes for the manufacture of JSF parts.
- Northrop Grumman representatives have since been based in Quickstep's facilities to monitor and support Quickstep's preparation to deliver the 19 composite components comprising fully assembled doors and access panels.
- Quickstep has continued to meet major milestones and "Toll Gate" reviews as set by Northrop Grumman.

RESEARCH & DEVELOPMENT

Good progress is being recorded on the Quickstep Process development programs.

The Climate Ready Grant provided by the Department of Innovation and Industry in Australia is starting to bear fruit. The first parts using Resin Spray Transfer have successfully been produced validating the technology. These panels were produced with negligible levels of porosity and a high level of finish as we had predicted. The level of interest in the automotive industry has been significantly raised and a number of initiatives have been undertaken to showcase the technology to a number of car companies.

The development of the Quickstep production machine has also progressed satisfactorily. It has finished its validation process that confirmed the reliability and maintainability of the new concept machine to be safely installed in a production environment. Our next iteration using an off the shelf boiler, is progressing well, with delivery expected from Germany in the next quarter.

INTERNATIONAL DEVELOPMENT SITES

Quickstep GmbH (Germany)

Quickstep GmbH is continuing to work closely with a number of high-profile development partners, including Airbus UK, EADS Innovation Works, Fraunhofer ICT Augsburg and EDAG to develop and promote the commercial and technical advantages of the Quickstep Process. They are all progressing according to plan.

In keeping with the Quickstep business model, Quickstep GmbH is undertaking numerous paid development programs focused on opening commercial opportunities for Quickstep production solutions. Sprayforming for the manufacture of low cost tools and Binder Activation for the manufacturing of preformed composite structures represent two of the 30 development programs underway worldwide.

The facility in Ottobrunn includes a QS20 manufacturing machine, curing chambers, a small oven for resin infusion, an ultrasonic Non Destructive Testing machine, a DSC analyser, a stereo microscope, a sample cutting and polishing machine and a storage system managed by 7 high skilled technicians and engineers.

United States

During the quarter, activities in the US were focused on Research and Development work associated with the Phase II Small Business Innovation Research (SBIR) 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 (JSF).

This work is being undertaken in conjunction with key development partner, Vector Composites Inc. Steady technical progress and incoming cash flow are being recorded against this activity.

CORPORATE

Appointment of former RAAF Chief as Non-Executive Director

In August, reflecting the impending move into aerospace manufacturing, Quickstep appointed former head of the Royal Australian Air Force, Air Marshall Errol McCormack (Ret'd) to the Board as a non-executive director.

Errol McCormack served in the Royal Australian Air Force for 39 years, retiring in 2001 as Chief of Air Force with the rank of Air Marshal. Since his retirement from the RAAF he has established a company providing consultancy services for multi-national companies working with the Australian Department of Defence. He has outstanding contacts throughout the Australian and international defence industries,

and significant experience in assisting companies such as Quickstep in defence contracting and government liaison.

Senior Executive Appointments

In August, Quickstep announced the appointment of Sebastien Godbille to the position of General Manager of Quickstep Process Systems and Ari Vihersaari to the position of Vice President of Global Business Development.

Sebastien Godbille is a highly experienced aerospace executive, who joins Quickstep following three years as CEO of Daher Australian Aerospace, a joint venture between French company Daher (a major Tier 1 supplier of composite parts in France) and Australian Aerospace (a subsidiary of Eurocopter, a member company of EADS, Europe's largest aerospace organisation).

During his time as CEO of Daher Australian Aerospace, Mr Godbille was responsible for building and managing a new multi-million-dollar facility in South-East Queensland dedicated to the manufacture of advanced composite parts for helicopter fuselages for Eurocopter.

His role with Quickstep will be to develop, promote and implement Quickstep Plants and Processes within the manufacturing lines of industrial customers involved in advanced composites parts manufacturing.

He has spent most of this career in the aerospace and defense sectors, and in companies developing, designing and manufacturing advanced, lightweight structures. His experience includes management of high technology SME's, managing spin-off programs, sales & marketing, engineering and business development.

Mr. Vihersaari worked in the aerospace, defence and advanced composite industry for over twenty years. Among other responsibilities, he managed an advanced composites company engaged in the design and manufacture of composite ship superstructures and lightweight armouring solutions, including overseeing the company's spin-off from its prior conglomerate ownership. His aerospace and defence experience includes over ten years with Patria Corporation and its predecessor companies, where he held positions in aeronautical engineering, sales & marketing and management, working on Airbus and Boeing aircraft programs, e.g. the A400M and 787, respectively and specifically on business related to composite aerostructures. Patria is a aerospace and defence company based in Finland offering products and services for international and domestic customers involved in defence, security and aerospace.

Ari is an aeronautical engineer and has a MBA degree.

Cash Position

At the end of the quarter the consolidated group balance of cash and term deposits was \$16.7 million.

OUTLOOK

The December 2010 quarter is set to be another extremely active period for Quickstep, with preparations for JSF manufacturing continuing and the testing of Quickstep-made qualification JSF panels well underway.

The key focus now will be on passing a major technical milestone recognising our preparedness for manufacture. A preliminary evaluation of our status versus the 200 plus requirements of this review shows Quickstep should pass the milestone without difficulties. When this milestone is passed, negotiations on the Long Term Agreement with Northrop Grumman to formalise the JSF parts supply will immediately begin.

In addition to this significant progress, Quickstep is now exceptionally well placed to secure further contracts from within the international defence industry.

The defence sector is one of the most difficult industries in the world to gain access to, with significant barriers to entry and lengthy approval processes for new technologies. However, with Quickstep now having overcome the majority of these hurdles, and increasing recognition from within the industry of the strength and quality of Quickstep's manufacturing solutions, the targeting of additional contracts will remain a core priority for Quickstep going forward.

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 2010

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	160	160
1.2 Payments for		
(a) staff costs	(1,219)	(1,219)
(b) advertising and marketing	(20)	(20)
(c) research and development	(52)	(52)
(d) leased assets	(1)	(1)
(e) other working capital	(3,878)	(3,878)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	452	452
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	320
Net operating cash flows	(4,238)	(4,238)

+ 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)	(4,238)	(4,238)
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*	(1,154)	(1,154)
(e) other non-current assets	(98)	(98)
<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*	(3,300)	(3,300)
Net investing cash flows	(4,552)	(4,552)
1.14 Total operating and investing cash flows	(8,790)	(8,790)
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	(3)	(3)
Net financing cash flows	(3)	(3)
Net increase (decrease) in cash held	(8,793)	(8,793)
1.21 Cash at beginning of quarter/year to date	22,226	22,226
1.22 Effects of exchange rate changes on cash held in foreign currencies	(35)	(35)
1.23 Cash at end of quarter	13,398	13,398

* 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 September 2010, the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$16,698k.

+ 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	227
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)	170
- Research and development consultancy services (Item 1.24)	17
- Staff costs - marketing and promotion (Item 1.24)	40

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 ¹	4,000	nil
3.2	Credit standby arrangements	NIL	NIL

¹ Relates to a convertible loans facility for \$10 million which has previously been drawn upon for \$4 million and subsequently converted to capital. A further \$2 million of the facility has expired.

+ 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	1,698	7,226
4.2 Deposits at call	11,700	15,000
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	13,398	22,226


As at 30 September 2010, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$16,698k.

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: 29 October 2010

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.