

# QUARTERLY REPORT

## TO 31 DECEMBER 2009

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### HIGHLIGHTS

- **Memorandum of Understanding signed with global aerospace companies Lockheed Martin and Northrop Grumman to advance to JSF Contract for up to \$700 million.**
- **Second MOU signed with Marand Precision Engineering for potential of up to a \$50 million contract for the manufacture of composite tail fins for the JSF.**
- **Completion of A\$11.492 million share placement to institutional and sophisticated investors.**
- **Announcement of A\$6.24 million Share Purchase Plan (SPP) to existing shareholders.**
- **Exercise of convertible loan by InvestOne Financial Advisory Est.**
- **Cash reserves at the end of the December Quarter of A\$15.135 million.**

### **Subsequent Events**

- **Quickstep closed its SPP on January 14, 2010 and raised \$12.8 million**
- **As at January 29 the company had in excess of \$25 million cash at bank**
- **InvestOne Financial Advisory Est has ceased to be a substantial shareholder**

### OPERATIONS & DEVELOPMENT

#### **Quickstep Signs MOU to Advance to Joint Strike Fighter Manufacturing Contract with a value of up to \$700 million**

During the Quarter, Quickstep signed an MOU with global aerospace corporations Lockheed Martin Corporation and Northrop Grumman Systems Corporation intended to secure approximately \$700 million worth of potential contracts to manufacture components for the new multi-nation Joint Strike Fighter (JSF).

The MOU signed by Quickstep, Lockheed Martin and Northrop Grumman follows extensive discussions between the parties about the manufacture of components for the JSF utilising advanced composites.

It paves the way for the parties to work together to finalise a Long Term Agreement (LTA) for Quickstep to supply composite doors and access panels. These parts will all be exported to the United States for incorporation into the Joint Strike Fighters globally.

Under the contract Quickstep may supply up to 21 different components. The parts include lower side skins, maintenance access panels, F2 fuel tank cover, lower skin and in-board weapons bay doors. The potential manufacturing contract is planned to last between 20 and 30 years and could generate annual turnover of \$50 million by 2015.

Work commenced during the Quarter to prepare for future JSF contracts and Quickstep is working closely with Northrop Grumman and Lockheed Martin to deliver the required training and production plans necessary to establish long-term manufacturing programs.



Quickstep has completed its strategic and resource plans for the JSF programs, is nearing completion of its industrialisation plan and is currently in the process of recruiting more industry specialists.

Work is proceeding extremely well in preparation for the LTA, which Quickstep now anticipates will be finalised by the second quarter of 2010.

Quickstep competed with global suppliers to win the manufacturing package, and is delighted to have secured the MOU against highly respected multinational corporations. The LTA will be one of the largest awarded to Australian industry by the manufacturers of the JSF.

### **Quickstep Signs Second JSF MOU with Marand Precision Engineering**

In mid-November 2009 Quickstep signed a second MOU that could lead to a contract worth up to \$50 million to supply composite Vertical Tail (VT) skins for the JSF.

The MOU is with Melbourne-based Marand Precision Engineering (“Marand”), which has in turn signed an MOU with BAE Systems and Lockheed Martin Corporation (“Lockheed”), the global aerospace group and Original Equipment Manufacturer co-ordinating the JSF program.

The Marand MOU would involve Quickstep manufacturing VT skins utilising advanced composites, which are both light and strong. These skins would be supplied to the non-US partners in the JSF program, including Australia, the UK and Canada.

This is currently expected to account for over 700 pairs of Vertical Tails.

Shortly after the signing of the MOU with Lockheed and Northrop, the Marand MOU represents another potentially valuable opportunity for Quickstep. Creating a critical mass of advanced composite manufacturing know-how and capability would greatly strengthen the Company’s chances of establishing a world class competitive industry here in Australia.

Quickstep is in discussions with other parties concerning further possible JSF-related contracts.

## **CORPORATE**

### **Capital raising**

In December 2009, the Company completed a placement of 22.1 million shares at a price of 52 cents per share to raise \$11.492 million (before transaction costs).

The placement was arranged by State One Stockbroking Ltd, and was made to institutional and sophisticated investors, both locally and overseas. Settlement of the placement occurred on Tuesday, 8 December, 2009.

In addition, in November the Company also announced plans for a Share Purchase Plan (SPP) to existing shareholders to raise a further \$6.24 million. The SPP had a closing date of 14 January 2010, and at the end of the Quarter had already received a strong level of support from Shareholders.

The funds raised will largely be used for the purchase of capital equipment and non recurring costs relating to the Joint Strike Fighter program and general working capital requirements.

### **Exercise of convertible loan by InvestOne Financial Advisory Est.**

Quickstep entered into a Convertible Loan Agreement with InvestOne in May 2009, at the peak of the global economic crisis, to provide vital funding for the Company's ongoing growth and expansion.

Under the terms of the Convertible Loan Agreement, which was interest free, InvestOne could elect to convert the outstanding loan balance into fully paid Quickstep ordinary shares at any time, at an issue price of 20 cents per share.

On 17 December Quickstep received notice from InvestOne Financial Advisory Est ("InvestOne") that InvestOne had elected to convert its outstanding loan balance into Quickstep shares.

InvestOne notified Quickstep of its intention to convert the outstanding loan balance of A\$4 million into Quickstep shares, equating to 20 million fully paid ordinary shares. Following the share conversion, InvestOne held a 9.65% stake in Quickstep. The share conversion represents the whole of the drawn down loan amount from InvestOne.

### **Change of Company Secretary**

On 13 November 2009 Mr Phillip MacLeod was appointed Company Secretary. Mr MacLeod replaced Mr Peter Williams in the position.

### **EVENTS SUBSEQUENT TO END OF QUARTER**

Quickstep closed its Share Purchase Plan on January 14 and raised \$12.8 million from existing shareholders.

As at January 29 Quickstep has over A\$25 million cash on hand.

As at January 27, 2010 InvestOne had placed stock on the open market and now holds less than 5% ceasing to be a substantial shareholder.

As at January 7, 2010 Mr John Johnson was appointed Chief Financial Officer. Mr Johnson brings substantial experience working with Boeing and other aerospace and commercial industries.

### **OUTLOOK**

The December 2009 Quarter represented a watershed period for Quickstep, with the Company signing its first two major MOU's in relation to aerospace manufacturing contracts.

In the coming Quarter, the Company's efforts will be focused on preparing for manufacturing – including completing the necessary training and production plans, with the Long Term Agreements associated with the MOU's planned to be signed in the second quarter 2010.

Quickstep is still actively pursuing additional contracts and commercial opportunities in the aerospace and defence arenas.

# 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 DEC 2009**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	151	166
1.2 Payments for		
(a) staff costs	(1,078)	(2,050)
(b) advertising and marketing	(223)	(331)
(c) research and development	(130)	(226)
(d) leased assets	(3)	(5)
(e) other working capital	(607)	(1,008)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	48	78
1.5 Interest and other costs of finance paid	(73)	(210)
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other (Export Market Development Grant & Climate Ready Grant)	114	336
<b>Net operating cash flows</b>	<b>(1,801)</b>	<b>(3,250)</b>

+ 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)	<b>(1,801)</b>	<b>(3,250)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(318)	(530)
(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)	-	-
<b>Net investing cash flows</b>	<b>(318)</b>	<b>(530)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,119)</b>	<b>(3,780)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc (net)	11,057	11,065
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings( Net of Borrowing costs)	2,000	4,000
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Including subscriptions to Share Purchase Plan not yet allotted)	1,085	1083
<b>Net financing cash flows</b>	<b>14,142</b>	<b>16,148</b>
<b>Net increase (decrease) in cash held</b>	<b>12,023</b>	<b>12,368</b>
1.21 Cash at beginning of quarter/year to date	3,135	2,816
1.22 Effects of exchange rate changes on cash held in foreign currencies	(23)	(49)
<b>1.23 Cash at end of quarter</b>	<b>15,135</b>	<b>15,135</b>

+ 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	269
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)	201
	- Research and development consultancy services (Item 1.24)	31
	- Marketing and promotion expenses (Item 1.24)	37

**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
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- 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
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**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 <sup>1</sup>	12,490	6,490
3.2	Credit standby arrangements	NIL	NIL

<sup>1</sup> Relates to the two convertible loans. One for \$10 million and the other for \$2.449 million.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**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	8,135	3,135
4.2	Deposits at call	7,000-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		15,135	3,135

**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 January 2010**

Print name: **Phillip Macleod**

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+ 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.

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