

QUARTERLY REPORT

TO 30 SEPTEMBER 2011

HIGHLIGHTS

- First part for the F-35 Lightning II Fighter program shipped more than a month ahead of schedule to Northrop Grumman Corporation.
- The Destruct Test Article (DTA) is the first purchase order item to be manufactured as part of the Long Term Agreement (LTA) signed in February 2011, following receipt of the first purchase order on 21 July 2011.
- JSF Program update released by Lockheed Martin in early October shows that the results of the testing program for the F-35 Joint Strike Fighter have been well received, demonstrating the excellent progress being made with the JSF program globally.
- Establishment of Quickstep production facility in Bankstown, NSW continuing on schedule for production commencement second half 2012.
- Installation of machinery and equipment commenced in Bankstown in August, enabling the qualification of JSF work to start in the December 2011 Quarter.
- Manufacture of our first A-Class finish panel with our patented RST technology for the automotive industry
- Highly experienced aerospace production specialist, Michael Schramko, appointed as Quickstep's new Operations Manager.
- Quickstep agrees variation to US\$15M Convertible Note Facility with La Jolla Cove Investors Inc., allowing the parties to agree that minimum monthly payments may be delayed for an agreed period
- Cash and investments in term deposits at the end of the June Quarter of \$ 7,498million.
- New corporate presentation delivered at the Rodman & Renshaw 2011 Global Investment Conference, New York.
- Quickstep AGM to be held at 11.00am (WST) on Wednesday, 23 November 2011.

EARLY SHIPMENT OF FIRST F-35 LIGHTNING JOINT STRIKE FIGHTER PART

Further to the receipt of the First Purchase Order to manufacture parts for the Joint Strike Fighter program, Quickstep successfully shipped the first production F-35 Lightning II part to Northrop Grumman Corporation in early October, more than a month prior to its November 11 deadline.

The Destruct Test Article (DTA) is the first purchase order item to be manufactured by Quickstep as part of the Long Term Agreement signed in February 2011.

As outlined in the June Quarterly Report, Quickstep received its First Purchase Order to manufacture parts for the JSF program on 21 July, marking the first contract in what is expected to be a 20-year plus manufacturing program and officially commencing Quickstep's involvement in the F-35 manufacturing program.

The delivery of this first part further strengthens the Company's standing in the aerospace industry and supports Quickstep's activities in securing further long-term defence contracts.

These accomplishments come at a particularly significant time for the Company, which is currently establishing itself in part of the former Boeing facilities in Bankstown, NSW (*see below*).

Under the framework established in the LTA, Quickstep will supply a variety of F-35 components, including a large number of composite doors and panels.

In parallel with F-35 Group 1 part manufacturing, which is expected to commence out of the North Coogee plant shortly, Quickstep is now undertaking the qualification process to enable the Company to manufacture Group 2 and Group 3 F-35 components from its Bankstown facility.

GLOBAL UPDATE ON JOINT STRIKE FIGHTER PROGRAM

The F-35 Joint Strike Fighter is the only fifth generation multi-role fighter in the world. It is designed to be a stealth fighter that can use a variety of air-to-surface and air-to-air missions. The unique capability of the F-35 JSF means that it can cover three variants: standard take-off and landing variant, short take-off and vertical landing variant and carrier variant.

A recent program update released by prime JSF contractor Lockheed Martin (October 5) has shown that the results of the testing program have been meeting expectations.

The JSF program is being developed primarily by the Government of the United States of America, which has planned to purchase more than 2500 of the F-35 aircrafts across its Navy, Air Force and Marine Corps divisions. The program is also being supported by the following partner governments who have proposed to purchase the respective quantities of F-35 Joint Strike Fighter aircrafts:

United Kingdom	(138)
Australia	(100)
Italy	(131)
Netherlands	(85)
Canada	(65)
Turkey	(100)
Norway	(48)
Denmark	(30)

This worldwide collaboration further highlights the significance of the project and the impact of the JSF program on future aerospace development.

In early October, Lockheed Martin announced that the test program had conducted 1261 System Development and Demonstration (SDD) flights.

So far, this portion of the testing program has included the successful vertical take-off and vertical landing variant on the deck of the USS WASP (LHD-1), marking the beginning of the ship suitability testing component. These tests are designed to determine the aircraft's ability to assimilate with the landing operations of the ship, so the successful passing of this milestone is a huge achievement for the whole program.

On top of this, the program has also achieved the record number of 10 SDD test flights and six vertical landings in one day.

Most significantly, the program carried out static testing on the F-35C Lighting II carrier variant (CV) aircraft CF-2 at Joint Base McGuire-Dix-Lakehurst, New Jersey in August this year. With this achievement in hand, the F-35 program has successfully accomplished its static structural testing milestone for the year.

These major achievements bear the whole mark of a program that delivers against its commitments and should be balanced against a lot of unfounded negative rumours.

PROGRESS REPORT ON THE ESTABLISHMENT OF NSW MANUFACTURING FACILITY

Further excellent progress was achieved during the Quarter towards the establishment of Quickstep's main manufacturing operations at a facility previously operated by US aerospace company Boeing at Bankstown Airport, in south-west Sydney, New South Wales.

The Company is undertaking the move to enable it to secure a long-term, large scale manufacturing facility to underpin its contractual obligations relating to the international F-35 Joint Strike Fighter (JSF) program, as well as to access the highly skilled aerospace workforce residing in New South Wales.

The current Bankstown facilities comprise two buildings – a 1,250m² office building and a 3,500m² main hangar, which will be extended to 4,000m². Boeing is planning to vacate over 50,000m² of purpose built facilities, providing Quickstep with further opportunities to extend as required.

The Company's relocation will occur in two phases – the composite curing phase and the precision machining equipment installation phase – designed to minimise schedule risk associated with upgrading an established facility and ensure that the timeframe for the JSF component delivery is met.

Construction for the composite curing plant is well underway and is due for completion in November 2011. The Company has already placed permanent staff at the Bankstown facility and office space has been established for permanent as well as rotational staff. Qualification of the facility will start in mid-October and production should start in Bankstown during the second half of 2012.

The precision machining equipment installation phase will run from November 2011 to the first Quarter of 2012. Most of the equipment required for this phase is on order, with deliveries on schedule and trade contractors appointed.

Quickstep will maintain operations at its existing facility in North Coogee, Western Australia, until the Bankstown facility is fully operational.

The move to Bankstown represents a step change for Quickstep. The new facility will provide the Company with the ability to deliver on its key growth objectives.

The Bankstown premise is much larger than the existing facility in Western Australia, has considerable scope for expansion and offers the added benefit of a long term lease – which is an absolute requirement in our securing JSF contracts as well as new work we are continuing to pursue.

Quickstep will continue to provide progress updates on the move to Bankstown and report as further milestones are achieved.

RESEARCH & DEVELOPMENT

We have continued to develop our patented Resin Spray Transfer(RST) technology for automotive and achieved the manufacturing of panels with an A-class finish.

The potential market for RST is considerable as the car industry works towards lighter vehicles that have a lower consumption and lower CO₂ emission. With a market for Carbon fibre sales for the automotive manufacturing planned to be between 120,000 and 400,000 tonnes p.a. around 2020-2023, the potential for Quickstep is very high. Our technology would be one of the only one to achieve A-Class finish, rapid production and low cost across the manufacturing value chain. Carbon cars are now becoming a reality with the first Megacity from BMW, a medium size carbon car to be launched in 2013. It will be the first carbon car with quantities above 10,000 units being produced per year. In parallel, Volkswagen has presented its first all carbon car, the XL1 with a fuel consumption below 1ltr per 100km and a generation of 20g/km of CO₂ (average new car today is 160g/km).

Quickstep RST is gaining momentum in that environment and could take a substantial market share in this fast expanding market.

CORPORATE

Variation to Convertible Note Agreement with La Jolla

During the Quarter, Quickstep reached agreement with La Jolla Cove Investors Inc. (“La Jolla”) to vary the terms of its previously announced US\$15 million Convertible Note Facility. The new arrangement allows for the parties to agree that minimum monthly payments may be delayed for an agreed period.

While the agreement retains La Jolla’s obligation to make minimum monthly payments, it provides the ability to defer payments by mutual agreement. Importantly this amendment retains the Company’s access to draw-down under the Convertible Note Facility to better match against actual cash flow requirements. The follow on effect of the amendment can see a reduced amount of La Jolla conversions into Quickstep shares at times of significant volatility and weakness in global and Australian equity markets.

Appointment of new Operations Manager – Michael Schramko

During the Quarter, Quickstep appointed Michael Schramko as the Company’s new Operations Manager. Mr Schramko joins Quickstep with 20 years’ experience in aeronautical engineering, having held the previous positions of Operations Manager, Product Development Manager and Program Manager at Boeing.

In his role with Boeing, Mr Schramko successfully managed a 450-strong workforce across all factory operations, including composite layup, robotic and manual assembly and the paint shop. Mr Schramko also has experience in international contract management and workforce streamlining.

Mr Schramko will play a key role in overseeing the establishment of Quickstep’s new large-scale aerospace manufacturing facility at Bankstown, which was previously utilised by Boeing; he will initially manage operations at North Coogee and then oversee the transfer to Bankstown, where he will be permanently based.

New Corporate Presentation

On 13 September 2011, Quickstep’s Managing Director, Philippe Odouard, delivered a new corporate presentation at the Rodman and Renshaw 2011 Global Investment Conference, New York. This presentation can also be found at Quickstep’s new website, at www.quickstep.com.au.

This presentation outlined:

- the rapid growth in the global market for advanced composite materials, driven by the automotive and aerospace industries;
- the key drivers in terms of reduced production costs which is creating a significant opportunity for the patented Quickstep Process – a faster and simpler process for manufacturing composites;
- Quickstep’s recent progress in establishing its process and manufacturing credentials in the aerospace and defence sectors, both of which have high barriers to entry but offer long-term 20+ year contracts once these are overcome;
- Quickstep’s recent success in securing its first contract as part of the Joint Strike Fighter Project, the world’s largest military aerospace program (US\$300 billion plus); and
- Other initiatives underway within the Company towards expanding its revenue base through Quickstep Process solution provision to the aerospace, defence and automotive sectors.

This presentation provides a snapshot of Quickstep’s strategy to long term profitability and to build long-term shareholder value by leveraging off its prominent position in the advanced composite manufacturing industry.

Annual General Meeting

Quickstep’s Annual General Meeting will be held at 11.00am (WST) on Wednesday, 23 November at Exchange Plaza, Level 8, 2 The Esplanade, Perth.

Cash Position

At the end of the Quarter, the consolidated group cash balance was \$7,498 million.

OUTLOOK

The December 2011 Quarter will be a pivotal period for Quickstep, with the Company's focus on the following key activities:

- completion of core capabilities for the relocation program to the new facility at Bankstown, NSW;
- further steps in the industrialisation of the Quickstep Resin Spray Transfer technology focused on the automotive industry
- production of the next Group 1 F-35 JSF parts

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 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A '000	Year to date (03 months) \$A '000
1.1 Receipts from customers	70	70
1.2 Payments for (a) staff costs	(1,749)	(1,749)
(b) advertising and marketing	(12)	(12)
(c) research and development	(110)	(110)
(d) leased assets	(3)	(3)
(e) other working capital	(3,246)	(3,246)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	190	190
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes received/(paid) – R&D	-	-
1.7 Other (Export Market Development Grant, Climate Ready Grant & State Govt Grant)	199	199
Net operating cash flows	(4,665)	(4,665)

+ 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 (03 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,665)	(4,665)
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*	(2,389)	(2,389)
(e) other non-current assets	(1)	(1)
<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*	1,000	1,000
Net investing cash flows	(1,390)	(1,390)
1.14 Total operating and investing cash flows	(6,055)	(6,055)
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	468	468
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other	(3)	(3)
Net financing cash flows	465	465
Net increase (decrease) in cash held	(5,590)	(5,590)
1.21 Cash at beginning of quarter/year to date	12,406	12,406
1.22 Effects of exchange rate changes on cash held in foreign currencies	(8)	(8)
1.23 Cash at end of quarter	6,808	6,808

* 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 2011 the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$7,498k (30 June 2011: \$14,096k).

+ 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	283
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)	269
- Staff costs - marketing and promotion (Item 1.24)	14

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	13,968	1,277
3.2	Credit standby arrangements	NIL	NIL

Loan facilities include US\$ 15M of convertible note, which are drawn down at a minimum of \$0.5 m per month

+ 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	1,108	7,707
4.2 Deposits at call	5,700	4,699
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	6,808	12,406

As at 30 September 2011, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$7,498k (30 June 2011: \$14,097k).

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: *Phil Macleod*
 Company Secretary

Date: 31 October 2011

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.