

# Appendix 4E

## Preliminary Final Report to the Australian Securities Exchange

### Part 1

<b>Name of Entity</b>	<b>Quickstep Holdings Limited</b>
<b>ABN</b>	<b>55 096 268 156</b>
<b>Financial Period</b>	<b>Year ended 30 June 2010</b>
<b>Previous Corresponding Reporting Period</b>	<b>Year ended 30 June 2009</b>

### Part 2 – Results for Announcement to the Market

	<b>\$'000</b>	<b>Percentage increase /(decrease) over previous corresponding period</b>
<b>Revenue from continuing operations</b>	448	42%
<b>Loss after related income tax benefit</b>	(10,971)	(27%)
<b>Net loss attributable to members of the parent entity</b>	(10,971)	(27%)

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Interim Dividend</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

Refer to accompanying Managing Director's Review for commentary on the results for the year.

### Part 3 – Contents of ASX Appendix 4E

<b>Section</b>	<b>Contents</b>
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
Part 4	Consolidated income statement
Part 5	Accumulated losses
Part 6	Consolidated balance sheet
Part 7	Consolidated statement of cash flows
Part 8	Other income and expenses
Part 9	Details relating to dividends
Part 10	Loss per share
Part 11	Net tangible assets per security
Part 12	Details of entities over which control has been gained or lost
Part 13	Issued securities
Part 14	Reserves
Part 15	Subsequent events
Part 16	Audit status

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**Part 4 – Consolidated Income Statement**

	<b>2010</b> <b>(\$)</b>	<b>2009</b> <b>(\$)</b>
Sales revenue	448,322	314,667
Cost of sales	<u>(108,491)</u>	<u>(129,515)</u>
<b>Gross profit</b>	339,831	185,152
Other revenue	1,064,787	201,033
Operational expenses	(4,741,921)	(3,443,005)
Marketing and distribution expenses	(657,024)	(977,652)
Corporate and administrative expenses	(5,192,167)	(2,687,264)
Research and development expenses	(2,063,720)	(793,677)
Other expenses	<u>(115,355)</u>	<u>(2,002,562)</u>
<b>Loss from operating activities</b>	<u>(11,365,569)</u>	<u>(9,517,975)</u>
Financial income	669,153	689,477
Financial expense	<u>(812,286)</u>	<u>(120,995)</u>
<b>Net financing costs</b>	<u>(143,133)</u>	<u>568,482</u>
<b>Loss before income tax</b>	(11,508,702)	(8,949,493)
Income tax benefit	<u>538,089</u>	<u>328,520</u>
<b>Loss for the period</b>	<u><b>(10,970,613)</b></u>	<u><b>(8,620,973)</b></u>

**Part 5 – Accumulated losses**

	<b>2010</b> <b>(\$)</b>	<b>2009</b> <b>(\$)</b>
Accumulated losses at the beginning of the year	(23,955,797)	(15,334,824)
Loss for the year	<u>(10,970,613)</u>	<u>(8,620,973)</u>
Accumulated losses at the end of the year	<u><u>(34,926,410)</u></u>	<u><u>(23,955,797)</u></u>

**Part 6 – Consolidated Balance Sheet**

	<b>2010</b>	<b>2009</b>
	(\$)	(\$)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	12,225,823	2,815,876
Trade and other receivables	1,156,488	650,655
Inventories	76,673	115,475
Other financial assets	10,238,422	-
Other assets	496,385	294,178
<b>Total Current Assets</b>	<b>24,193,791</b>	<b>3,876,184</b>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	8,091,182	7,026,016
Intangible assets	381,503	171,322
<b>Total Non Current Assets</b>	<b>8,472,685</b>	<b>7,197,338</b>
<b>TOTAL ASSETS</b>	<b>32,666,476</b>	<b>11,073,522</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,626,875	964,188
Loans and borrowings	9,890	9,890
Employee benefits	119,892	63,626
<b>Total Current Liabilities</b>	<b>3,756,657</b>	<b>1,037,704</b>
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	471,093	889,934
Loans and borrowings	8,242	2,508,124
<b>Total Non Current Liabilities</b>	<b>479,335</b>	<b>3,398,058</b>
<b>TOTAL LIABILITIES</b>	<b>4,235,992</b>	<b>4,435,762</b>
<b>NET ASSETS</b>	<b>28,430,484</b>	<b>6,637,760</b>
<b>EQUITY</b>		
Issued capital	62,296,410	30,146,119
Reserves	1,060,484	447,438
Accumulated losses	(34,926,410)	(23,955,797)
<b>TOTAL EQUITY</b>	<b>28,430,484</b>	<b>6,637,760</b>

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**Part 7 – Consolidated Statement of Cash Flows**

	<b>2010</b> <b>(\$)</b>	<b>2009</b> <b>(\$)</b>
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	292,608	237,809
Interest received	390,753	409,711
Interest paid	(269,787)	(2,832)
R&D tax offset rebate and government grants	1,390,484	1,042,952
Cash payments in the course of operations	(9,421,034)	(7,440,240)
	<u>(7,616,976)</u>	<u>(5,752,600)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,723,741)	(4,690,732)
Acquisition of intangibles	(226,000)	-
Investment in term deposits	(10,000,000)	-
Repayment of employee loan	46,000	54,000
	<u>(11,903,741)</u>	<u>(4,636,732)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	25,907,412	-
Share issue costs	(836,294)	-
Proceeds from convertible notes	4,000,000	2,700,000
Convertible note issue costs	-	(178,200)
Finance lease payments	(9,890)	(9,890)
	<u>29,061,228</u>	<u>2,511,910</u>
<b>Net (decrease)/increase in cash held</b>	<b>9,540,511</b>	<b>(7,877,422)</b>
Effects of foreign exchange rate changes	(130,564)	385,683
<b>Cash at the beginning of the year</b>	<b>2,815,876</b>	<b>10,307,615</b>
	<u>12,225,823</u>	<u>2,815,876</u>
<b>CASH AT THE END OF THE YEAR</b>	<b>12,225,823</b>	<b>2,815,876</b>

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## Part 8 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:		
	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>(a) Other income</b>		
Proceeds from government grants	1,064,787	201,033
<b>(b) Other expenses</b>		
Impairment expense - property, plant & equipment	-	1,374,447
Impairment expense - intangible assets	-	264,197
Other	115,355	363,918
	<u>115,355</u>	<u>2,002,562</u>
<b>(c) Employee benefits expense</b>		
Wages and salaries	3,754,092	2,871,202
Other associated personnel expenses	572,788	331,869
Increase in liability for annual leave	56,266	27,737
Expense of share based payments	856,007	201,322
	<u>5,239,153</u>	<u>3,432,130</u>

## Part 9 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

## Part 10 – Loss per Share

	<b>2010</b>	<b>2009</b>
Basic loss per share		
Ordinary shares	<u>(5.41 cents)</u>	<u>(5.31 cents)</u>
The Company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.		
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	<u>202,961,683</u>	<u>162,446,305</u>

### Part 11 – Net Tangible Assets per Security

	2010	2009
Net tangible asset backing per ordinary security	11.20 cents	4.00 cents

### Part 12 – Details of Entities over Which Control has been Gained or Lost

Name of entity	Quickstep Composites LLC
Date control gained	8 October 2009
Contribution of the controlled entity to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	(\$163,148)
Profit (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	(\$163,148)

Name of entity	Quickstep Operations Pty Ltd
Date control gained	24 December 2009
Contribution of the controlled entity to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	Nil

### Part 13 – Issued Securities

	2010 (\$)	2009 (\$)
<b>Issued capital</b>		
251,416,900 (2009: 162,446,305) fully paid ordinary shares	<u>62,296,410</u>	<u>30,146,119</u>

The following movements in issued capital occurred during the year:

	<u>2010</u>		<u>2009</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	162,446,305	30,146,119	162,446,305	30,146,119
Shares issued for cash	47,305,022	24,421,527	-	-
Shares issued on exercise of options	5,935,619	1,485,885	-	-
Shares issued on conversion of notes	13,500,000	2,653,034	-	-
Shares issued on conversion of loans	20,000,000	3,275,102	-	-
Shares issued on exercised of rights	800,000	128,000	-	-
Shares issued to consultants	1,348,914	279,667	-	-
Shares issued to executives as remuneration	81,040	29,012	-	-
Share issue and capital raising costs	-	(893,800)	-	-
Transfer from convertible instruments reserve	-	771,864	-	-
Balance at the end of the year	<u>251,416,900</u>	<u>62,296,410</u>	<u>162,446,305</u>	<u>30,146,119</u>

**Options*****Options granted during the year***

During the financial year, the Company granted options as follows.

Expiry Date	Exercise Price	Number of Options	
		2010	2009
30 March 2017	\$0.00	3,249,476	-

***Unissued shares under option***

At 30 June 2010, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options	
		2010	2009
15 April 2010	\$0.25	-	6,391,489
16 June 2010	\$0.26	-	440,000
30 March 2017	\$0.00	3,249,476	-

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

***Exercise of options***

During the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued).

Expiry Date	Exercise Price	Number of Options	
		2010	2009
15 April 2010	\$0.25	5,735,619	-
16 June 2010	\$0.26	200,000	-

***Lapse of options***

During the current financial year, the following options lapsed:

Expiry Date	Exercise Price	Number of Options	
		2010	2009
15 April 2010	\$0.25	655,870	-
16 June 2010	\$0.26	240,000	-

The options that lapsed on 15 April 2010 were subject to an underwriting agreement by State One Nominees Pty Ltd. In accordance with that agreement, 655,870 shares were issued raising \$163,968.



**Part 14 – Reserves**

	2010 (\$)	2009 (\$)
<b>Share-based Payments Reserve</b>		
Balance at the beginning of the year	369,084	167,762
Grant of rights to key management personnel	108,086	201,322
Grant of options to key management personnel	782,511	
Transfer of issued capital on vesting of rights	(128,000)	-
Non-vestment of rights to shares by key management personnel	(34,590)	-
Success fee payable on convertible note agreement	60,000	-
Balance at the end of the year	<u>1,157,091</u>	<u>369,084</u>
This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.		
<b>Foreign Currency Translation Reserve</b>		
Balance at the beginning of the year	31,388	(17,799)
Total recognised income and expense	<u>(127,995)</u>	<u>49,187</u>
Balance at the end of the year	<u>(96,607)</u>	<u>31,388</u>
The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.		
<b>Convertible Instruments Reserve</b>		
Balance at the beginning of the year	46,966	-
Issue of convertible instruments	724,898	50,285
Transaction costs	-	(3,319)
Transfer to issued capital on conversion of instruments	<u>(771,864)</u>	<u>-</u>
Balance at the end of the year	<u>-</u>	<u>46,966</u>
The convertible instruments reserve is used to record the equity component of the convertible instruments.		
<b>Total reserves</b>	<u>1,060,484</u>	<u>447,438</u>

**Part 15 – Subsequent Events**

Since the end of the financial period the Group has entered into purchase agreements for:

- a 5-axis precision milling machine for 1,761,261 euro for delivery in the last quarter of the 2011 financial year; and
- the supply of technical assistance and training from Northrop Grumman in order to achieve fundamental capability in relation to the Joint Strike Fighter (“JSF”) project to the value of US\$2,489,922.

Other than the matters referred to above or in the financial statements, there have been no events subsequent to balance date which would have a material effect on the Group’s financial statements as at 30 June 2010.

**Part 16 – Audit Status**

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

**If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:**

Not Applicable

**If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:**

Not Applicable

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## **MANAGING DIRECTOR'S REVIEW**

Dear Shareholder,

2010 has been a pivotal year for Quickstep, with the Company making significant progress towards achieving its goal of targeting contracts within the international aerospace and defence industries.

Of greatest significance was the signing of two landmark Memorandum of Understanding (MoU) with global aerospace corporations, Lockheed Martin, Northrop Grumman and BAE Systems, intended to secure approximately \$700 million worth of potential contracts to manufacture components for the multi-nation F-35 Joint Strike Fighter (JSF) program.

These MoU's represents a genuine quantum leap for Quickstep, and the bulk of our efforts have since been focused on preparing our North Coogee manufacturing facility for JSF manufacturing according to the timetable agreed with Lockheed Martin and Northrop Grumman.

These preparations are proceeding extremely well, and Quickstep remains on-track to sign a Long Term Agreement in relation to the JSF contracts in the near future and start production and revenue generation on this contract in early 2012.

Also cash inflows from contracts and grants and interest income exceeded \$2 million for the 2010 financial year - nearly double the figure for the previous year, showing Quickstep's successful growth in selling its technology. It is a testament that the Quickstep Process is gaining momentum and a number of successes have been achieved during the past financial year.

Quickstep has a three-pronged approach to gaining new business:

1. Targeting manufacturing contracts utilising a range of manufacturing solutions including traditional manufacturing technologies such as autoclaves and 'next generation' technologies such as our patented "Quickstep Process".
2. Licensing our "Quickstep Process" technology to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines and support services.
3. Conducting Research and Development on Quickstep and associated technologies where possible on a paid basis on behalf of customers to validate its suitability for their needs and/or develop the technology to meet their specific requirements.

The Company is proceeding well on all three fronts, with a number of significant achievements over the year.

### **TARGETING OF AEROSPACE MANUFACTURING CONTRACTS**

- Memorandum of Understanding signed with Lockheed Martin Corporation and Northrop Grumman Systems Corporation in November 2009 intended to secure approximately \$700 million worth of potential contracts to manufacture components for the new multi-nation Joint Strike Fighter (JSF) program over 22 years.
- MoU paves the way for the execution of a Long Term Agreement (LTA) between the companies for Quickstep to supply 19,325 composite doors and access panels. The LTA is on-track to be signed in the near future.
- Quickstep may supply up to 21 different JSF components, including lower side skins, maintenance access panels, F2 fuel tank cover, lower skin and in-board weapons bay doors.

These parts will all be exported to the United States for incorporation into the Joint Strike Fighters globally.

- First JSF part delivery is scheduled for early 2012 and we have achieved all the milestones to start generating revenue as planned by then.
- These contracts could generate annual turnover of \$50 million by 2015.
- A second MoU was signed with Melbourne-based Marand Precision Engineering in November 2009 that could lead to a contract worth up to \$50 million to supply composite Vertical Tail (VT) skins for the JSF. Marand would be the supplier of fully assembled VT to BAE Systems in the UK.
- To assist with targeting aerospace and defence contracts in the United States, Quickstep has incorporated a new subsidiary company based in Dayton, Ohio, called 'Quickstep Composites LLC'. The new company will operate from Quickstep's existing North American development site in Dayton, with Quickstep's US Manager Dale Brosius appointed President. It follows the completion of an initial 3-year collaboration agreement with the National Composite Center (NCC) in Dayton, which enabled Quickstep to evaluate the prospective market. Following the completion of this initial three year term, we now have ample confidence in the potential of the US market to establish a formal subsidiary and deal directly with the various tiers of the composites industry.

#### **PREPARATIONS OF NORTH COOGEE FACILITY FOR JSF MANUFACTURING**

- A major upgrade to Quickstep's North Coogee manufacturing facility is now underway to prepare for aerospace-grade manufacturing.
- Numerous items of new manufacturing equipment have been installed and commissioned, and Quickstep has completed the necessary steps to be compliant with International Traffic in Arms Regulations (ITAR), an essential prerequisite to work with US defence technology.
- Quickstep was set a deadline to be ready to manufacture demonstration and qualification panels for JSF by October 2010 to enable Northrop Grumman to test our capability. The first skill development panels have now been produced – according to the required deadline – using all Quickstep company equipment and procedures.
- Northrop Grumman representatives have visited Quickstep's North Coogee manufacturing facility during planned management, technical and executive reviews and are holding twice-weekly phone conferences with Quickstep to discuss and review progress.
- Northrop Grumman has requested that a group of Quickstep employees visit their American manufacturing headquarters to receive training on the methods, tools and processes for the manufacture of JSF parts, which is expected to occur before the end of the 2010 calendar year.
- As a signatory to the international JSF program, Australia has a requirement to provide Industry Participation to the Australian industry, and Quickstep is now positioned as one of the only Australian-based suppliers of aerospace-grade composites with the manufacturing capacity and technical know-how to meet the requirements of the JSF program.

#### **QUICKSTEP PROCESS ACTIVITIES**

- The U.S Air Force has committed to a Phase II R&D program aimed at qualifying the use of our patented Quickstep Process to manufacture composite materials used in the JSF program. The project is being funded by the US Air Force and supported by lead JSF contractor, Lockheed Martin, due to the potential ability of the Quickstep Process to reduce JSF manufacturing costs. For Quickstep, it is a step towards licensing the Company's proprietary technology to the largest and one of the most visible aircraft programs in the world. The Phase II research has been deemed critical by the Air Force and has therefore been awarded one of the highest levels of funding available under the U.S Department of Defence

Small Business Innovation Research (SBIR) program, with a US\$2.6 million base contract and potential US\$1.4 million follow-on option (US\$4 million total program authorisation).

- Quickstep has identified and validated a major new opportunity for the Quickstep Process with the development of Binder Activation – a new processing technique with important applications in the aerospace industry. The Quickstep Process has been fully validated for Binder Activation and has been found to provide major cost efficiencies compared to its competitors. Because Binder Activation is classified as a non critical operation by aerospace companies, it does not need the lengthy and expensive qualification process that a new curing technology requires. It can therefore be used for commercial applications immediately and Quickstep is ready to licence its technology and supply its equipment to commence manufacturing.
- Quickstep's European subsidiary company, Quickstep GmbH in Germany, has secured paid Development contracts with a total value of over \$500,000 including further collaborative work with a large European aerospace company. The projects include paid development work on the manufacture of integrated parts in one cure cycle, as well as composite repair solutions.
- Quickstep GmbH is also undertaking confidential projects on behalf of Airbus UK and CTRM Malaysia; development of ballistic panels using the Quickstep Process; and development work for infusion technologies and Quickstep Process curing.
- Good progress has been achieved throughout the year to design and test our new generation Quickstep machine that will provide a reliable, maintainable industrial machine that can be introduced in the manufacturing lines of our clients.
- Our Research on Resin Spray Transfer supported by the \$2.6M Climate Ready Grant has also progressed satisfactorily with specific resins formulated, equipment to spray identified, tested and ordered and contacts having been progressed with the automotive industry which is showing a growing interest in the technology. Design of a fully automatic production line has also progressed showing great promise for the automotive market.
- Cash inflows from R&D contracts and grants and interest income exceeded \$2 million for the 2010 financial year - nearly double the figure for the previous year, showing Quickstep's successful growth in selling its technology.

## **CORPORATE**

- In December 2009 and January 2010 Quickstep completed a two-phase capital raising to fund development activities in preparation for JSF manufacturing work. The raising comprised a placement of 22.1 million shares at a price of 52 cents per share to raise \$11.492 million (before transaction costs), as well as a Share Purchase Plan to the Company's existing shareholders. This SPP closed over-subscribed and successfully raised approximately \$12.8 million. The placement and SPP were managed by State One Stockbroking Ltd.
- At the time of the Quickstep's Initial Public Offering in 2005, the Company issued 7,500,000 unlisted options to shareholders with an expiry date of 15<sup>th</sup> April 2010 and an exercise price of 25 cents. While a small number of options had earlier been exercised, most of the outstanding options were exercised between January and April 2010, increasing share capital by around \$1.4 million.
- At 30 June 2010 the consolidated group cash balance was \$22,226,000, an increase of \$19,541,000 over the previous year.
- A substantial investment has been made in development of the Quickstep team. Staff numbers have increased substantially to meet the requirements of these activities with about 20 people joining the company during the financial year. This includes Mr John Johnson, our new CFO who brings a lot of expertise in the Aerospace and Composite arena, Mr Ari Vihersaari, VP Global Business Development who comes from the Composite industry in Finland and Mr Sebastien Godbille, GM Quickstep Systems who established the composite facility of Australian Aerospace in Brisbane recently and Mr Gary Beaton, Quality Manager coming from an Aerospace background in Sydney. The team is now ready to deliver JSF as

well as to address other opportunities in manufacturing and Quickstep Process industrialisation

In conclusion, the 2009/10 financial year has been a landmark period for Quickstep, with the Company taking major steps forward in each of our three business growth strategies.

Quickstep is now well-recognised as having one of the most advanced aerospace manufacturing facilities in Australia, and our proprietary Quickstep Process is increasingly recognised throughout the industry as being at the forefront of 'next generation' advanced composites manufacturing.

Next year will see continued investment in capital equipment and staff as Quickstep focuses on consolidation of the JSF program and gets closer to deliveries and cash flow generation. Quickstep will also progress potential orders for the Quickstep Process as it matures with a number of our partners like CTRM, EDAG, Eurocopter, Airbus and the US DoD.

With these credentials, and with the Company expecting to sign the Long Term Agreement in relation to the JSF contracts in the near future, I am confident we are exceptionally well positioned to deliver further exciting developments for our shareholders well into the future.

Philippe Odouard  
Chief Executive Officer

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