

QUARTERLY REPORT

TO 31 DECEMBER 2008

HIGHLIGHTS

- Delivery and installation of manufacturing equipment in North Coogee nearing completion, with aerospace-grade manufacturing capability expected to be achieved on schedule by late February.
- 3 autoclaves and a 5-axis CNC milling machine have been delivered to North Coogee, and are currently being installed and commissioned.
- Final stages of accreditation to AS9100 aerospace quality standard underway, with audit allowing production of sophisticated aerospace parts to be finalised by the end of March.
- Several tenders lodged for manufacturing contracts with major aerospace companies, with evaluation of the bids currently underway. If successful, these contracts would be undertaken at the Company's North Coogee manufacturing facility.
- Quotes provided for installation of Quickstep Process Plants under license.
- Cash reserves at the end of the December Quarter of \$4.6 million.

The December 2008 Quarter has seen continued steady progress towards Quickstep's objective of achieving commercial readiness for aerospace manufacturing at the Company's North Coogee headquarters by the end of February.

Preparation for aerospace-grade manufacturing



One of the new autoclaves being installed at North Coogee

During the Quarter, the Company took delivery of a number of key items of manufacturing equipment, including two 8 x 3 metre and one 5 x 2.5 metre autoclaves and a Breton 5 Axis CNC milling machine. The machinery is currently being installed at Quickstep's headquarters in North Coogee, and will play an integral role in the Company's aerospace manufacturing capability.

Preparations at the North Coogee site are continuing well, with the Company on track to achieve commercial readiness for aerospace manufacturing in late February followed by AS 9100 quality accreditation by the end of March.

A key focus continues to be on implementing processes to obtain AS9100 quality standards accreditation, which is an essential requirement to manufacture to aerospace standards. This process is progressing well, with an audit of the Company's facilities scheduled for mid March.

Targeting of initial manufacturing contracts

Over the course of the December Quarter, the Company continued to place significant emphasis on identifying and targeting manufacturing contracts to be completed at the North Coogee manufacturing facility.

Quickstep has been accepted as a tenderer for two major aerospace Original Equipment Manufacturers (OEM's), and has submitted a number of tenders for aerospace contracts.

Quickstep's bids for these manufacturing contracts are currently being evaluated by the OEM's, and the Company is hopeful of securing initial contracts for the North Coogee facility in the near future.

Quickstep is actively approaching OEM, Tier One and aerospace contractors and is in discussions with new aerospace groups regarding both Quickstep and autoclave / engineering solutions.

Once completed, Quickstep's manufacturing facility will be one of the most advanced composite aerospace manufacturing sites in the Southern Hemisphere and the second largest in Australia, providing the Company with an excellent competitive advantage to secure contracts.

Outlook

As the Company continues to prepare for the commencement of aerospace manufacturing capability during the March Quarter, emphasis will remain on sourcing and securing sales contracts with major aerospace and defence customers along with major engineering and manufacturing organisations based in Australia.

Quickstep's activities will focus on:

- Completing the upgrade to the North Coogee facility and achieving AS9100 standards accreditation.
- Promoting Quickstep's manufacturing capabilities to aerospace OEMs, Tier One suppliers and subcontractors, and reinforcing the fact that Quickstep can offer both Quickstep and autoclave manufacturing solutions along with development and engineering support.
- Continuing to target small-scale aerospace and high end non-aerospace contracts together with the current push to win large OEM tenders through the North Coogee manufacturing site.
- Working with existing customers to review completed contracts and progress towards securing larger-scale, longer term projects.
- Actively promoting the Quickstep Process within the aerospace and non-aerospace industries
- Continuing to expand paid development work with our prime aerospace partners while actively seeking further paid development alliances.
- Further enhancing the Quickstep team to provide additional aerospace and other manufacturing expertise.
- Continuing to validate the Quickstep Process with US based Vector LLC on the U.S. Air Force SIRB project for material use on the multi-national F-35 Joint Strike Fighter project. Initial feedback is that the Vector Quickstep proposal should see Phase 1 approval during Q1 2009.

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 DECEMBER 2008

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	78	160
1.2 Payments for		
(a) staff costs	(1,164)	(1,974)
(b) advertising and marketing	(215)	(355)
(c) research and development	(167)	(348)
(d) leased assets	(3)	(5)
(e) other working capital	(618)	(1,185)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	126	328
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes received/(paid) – R&D	-	420
1.7 Other (Export Market Development Grant)	-	-
Net operating cash flows	(1,964)	(2,960)

+ 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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,964)	(2,960)
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*	(2,496)	(3,155)
(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	(2,496)	(3,155)
1.14 Total operating and investing cash flows	(4,460)	(6,115)
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 (provide details if material)	(3)	(5)
Net financing cash flows	(3)	(5)
Net increase (decrease) in cash held	(4,463)	(6,120)
1.21 Cash at beginning of quarter/year to date	8,858	10,307
1.22 Effects of exchange rate changes on cash held in foreign currencies	252	460
1.23 Cash at end of quarter	4,647	4,647

+ 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	210
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)	174
- Research and development consultancy services (Item 1.24)	24
- Marketing and promotion expenses (Item 1.24)	12

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	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

+ See chapter 19 for defined terms.

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	218	935
4.2 Deposits at call	4,429	7,923
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	4,647	8,858

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: **30 January 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.