

NOVEMBER 2011

Newsletter



DEAR SHAREHOLDER

Welcome to our second 2011 Shareholder Newsletter.

Over the past six months Quickstep has reached some very significant milestones which have further strengthened its position to become Australia's largest independent advanced composites manufacturing group along with its work to industrialise the Quickstep Process.

We recently received our first purchase order for the manufacture of composite parts for the F-35 Lightning II Joint Strike Fighter (JSF). The initial order covers one component of the contract and heralds the beginning of a supply agreement which will position Quickstep as a global leader in the composite manufacturing field.

Quickstep has also made significant progress towards industrialising its Resin Spray Technology which is focused on the solution provision to the automotive industry. We have demonstrated painted panels with the required A-Class finish pivotal to the automotive industry.

In this newsletter, we are also pleased to share with you some information released recently by the primary JSF contractor Lockheed Martin which demonstrates the excellent progress being achieved across the world with the F-35 Lightning II program.

Contrary to some of the negative press reporting on the JSF program, the testing program for this fifth generation multi-role fighter is proceeding well with over 1,260 System Development and Demonstration flights completed to date.

Following Quickstep's announcement in May regarding its plans to establish a new manufacturing facility at Bankstown Airport in New South Wales, I am pleased to report that the new premises are developing well and a full update is provided within this newsletter.

The facility was previously operated by US aerospace company Boeing, so the Company has been able to capitalise on existing infrastructure and personnel suited to large-scale aerospace manufacturing.

The move to Bankstown will not only enable us to deliver on our existing contractual obligations for the F-35 Joint Strike Fighter program, but also prepare us for future agreements such as becoming a recognised supplier in the Sikorsky Global Supply Chain.

I am also pleased to report on the ongoing development of the patented Quickstep Process, which has progressed significantly following the successful commissioning of an industrial Quickstep plant. The commercialisation of this unique technology provides another platform for Quickstep to position itself as a leader in composite manufacturing.

Quickstep has made great headway in the past six months and we have continued to deliver manufacturing results ahead of schedule. In the next six months we expect to see the completion of the Quickstep RST development program, further Quickstep plant sales and the opening of Quickstep's new Bankstown manufacturing facility.

I look forward to seeing you at our Annual General Meeting to be held on November 23rd and invite you to listen live to the address on Boardroom Radio if you cannot be with us: brr.com.au/event/87837.

Philippe Odouard, Managing Director

You can now follow Quickstep on Facebook!

Visit us at : www.facebook.com/quickstep.technologies and "Like" our page to receive regular newsfeed on the company.



Quickstep

Fully integrated suite of aerospace composite manufacturing solutions

BANSKSTOWN UPDATE

Quickstep is progressing well towards its eventual establishment at its new aerospace manufacturing facility at Bankstown Airport, in south-west Sydney, New South Wales.

The facility, which was operated by US aerospace company Boeing, will provide Quickstep with access to significant infrastructure to support future company expansion.

The new facility comprises two buildings – a 1,250m² office building and a 3,500m² main hangar, which has been 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.

Construction for the composite curing plant is complete, with permanent staff already operating at the Bankstown facility and office space established for permanent and rotational staff.

The precision machining and non destructive testing phase will run from November 2011 to the first Quarter of 2012.

Most of the equipment required for this phase is on site, with all remaining equipment on schedule and trade contractors appointed. Qualification of the facility will start in mid-October and continue until the end of 2012.



FIRST PURCHASE ORDER RECEIVED

Quickstep recently achieved a key milestone after receiving its first purchase order to manufacture F-35 Lightning II composite parts, heralding the beginning of a potential 20-year program for the Company.

The purchase order covers the production of Group 1 components for the F-35 contract over the next 12 months, as scheduled under the Long Term Agreement Quickstep signed with principal F-35 subcontractor, Northrop Grumman, in February 2011. The purchase order comes after Quickstep successfully demonstrated production readiness for the first group of manufactured parts.

This included the completion of all qualification requirements and the manufacture of a demonstration part using Quickstep operated facilities, tools, systems, staff and business processes.

Since then the first non flying part has been delivered one month ahead of schedule, making it the first invoiced part for the program. The first flying part should be delivered early in 2012 as agreed in the MOU signed more than 2 years before.

F-35



F-35C Lightning II during recent flight tests

F-35 JOINT STRIKE FIGHTER PROGRAM ON TRACK AND READY FOR TAKE-OFF

The F-35 Joint Strike Fighter is the only fifth generation multi-role fighter in the world. It is designed to be a prestigious long-range stealth fighter that can be used in a variety of air-to-surface and air-to-air missions. The unique capability of the F-35 Lightning II means that it can cover three variants: conventional 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 well received.

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 aircraft across its Navy, Air Force and Marine Corps. 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 (STVOL) 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 coordinate with the landing operations of the ship, so the successful passing of this milestone is a huge achievement for the whole program. This variant was under particular schedule pressure and this test demonstrated the successful progress of the test program for the STVOL.

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 Lightning 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.

Read more on the JSF program in an inside briefing interview with Quickstep Managing Director Philippe Odouard and Non-Executive Director Air Marshal Errol McCormack which is available to view on the Company website.

NEW ADDITIONS TO THE QUICKSTEP TEAM

Michael Schramko appointed as Operations Manager.

Mr Schramko has 20 years' experience in aeronautical engineering and composite manufacturing and previously worked as Operations Manager for Boeing Aerostructures Australia in Port Melbourne, Victoria. Mr Schramko will oversee current operations in North Coogee, as well as managing the transfer of manufacturing operations to Bankstown. Mr Schramko will relocate to NSW permanently when the transfer is complete.

FIRST INDUSTRIALISED PLANT COMMISSIONED

Quickstep took a significant step towards commercialisation of its patented 'Quickstep Process' in May this year, with the successful development of a production plant for composites manufacturing.

The new plant, called QS-E250, is Quickstep's first commercial production-ready machine, and has been designed with a number of key enhancements to provide customers with a standardised plant that offers a streamlined automated manufacturing solution.

The new plant has been designed to provide high reliability, ease of use and maintenance, as well as lower costs and faster cycle times.

Future sales of Quickstep production plants are expected to provide a considerable additional income stream for Quickstep. Positive discussions are currently underway with a number of potential customers. The new machine is cheaper, has a significantly simpler operating system and offers increased flexibility for different processing applications and cure cycles than earlier plants.

In addition to upfront income from the sale of the QS-E250, returns are intended to be generated from an ongoing licence fee over the operating life of the machine, and Quickstep is likely to receive income from the provision of specialised manufacturing materials, advice and support.

The new machine operates on the same technical principles and has the same basic features as past models, however key enhancements include more precise control over heating ramp rates and a faster response to part self heating along with the requirement to be safe, reliable and easy to operate and maintain.

This first industrial machine was developed with the support of a German-based company that has significant expertise in developing heating and cooling equipment for the moulding industry, and substantial experience in building custom-made manufacturing equipment.

The machine has been developed as part of Quickstep's work under the AusIndustry Climate Ready program.



QS-E250 Production Plant

Quickstep

Fully integrated suite of aerospace composite manufacturing solutions

PROGRESS ON RST AUTOMOTIVE PROCESS

As the automotive industry works towards the creation of lighter vehicles with reduced fuel consumption and emission of CO₂, the potential market for Quickstep's Resin Spray Transfer technology has grown significantly.

The market for carbon fibre sales for automotive manufacturing is anticipated to be between 120,000 to 400,000 tonnes in 2020-2023. Using its patented RST technology, Quickstep expects to be one of the only manufacturers able to achieve a low-cost A-Class finish in rapid production time.

Carbon fibre cars are now becoming a reality with the first Megacity from BMW - a medium size carbon car - to be launched in 2013. The Megacity will be the first carbon fibre car to be produced in more than 10,000 units per year.

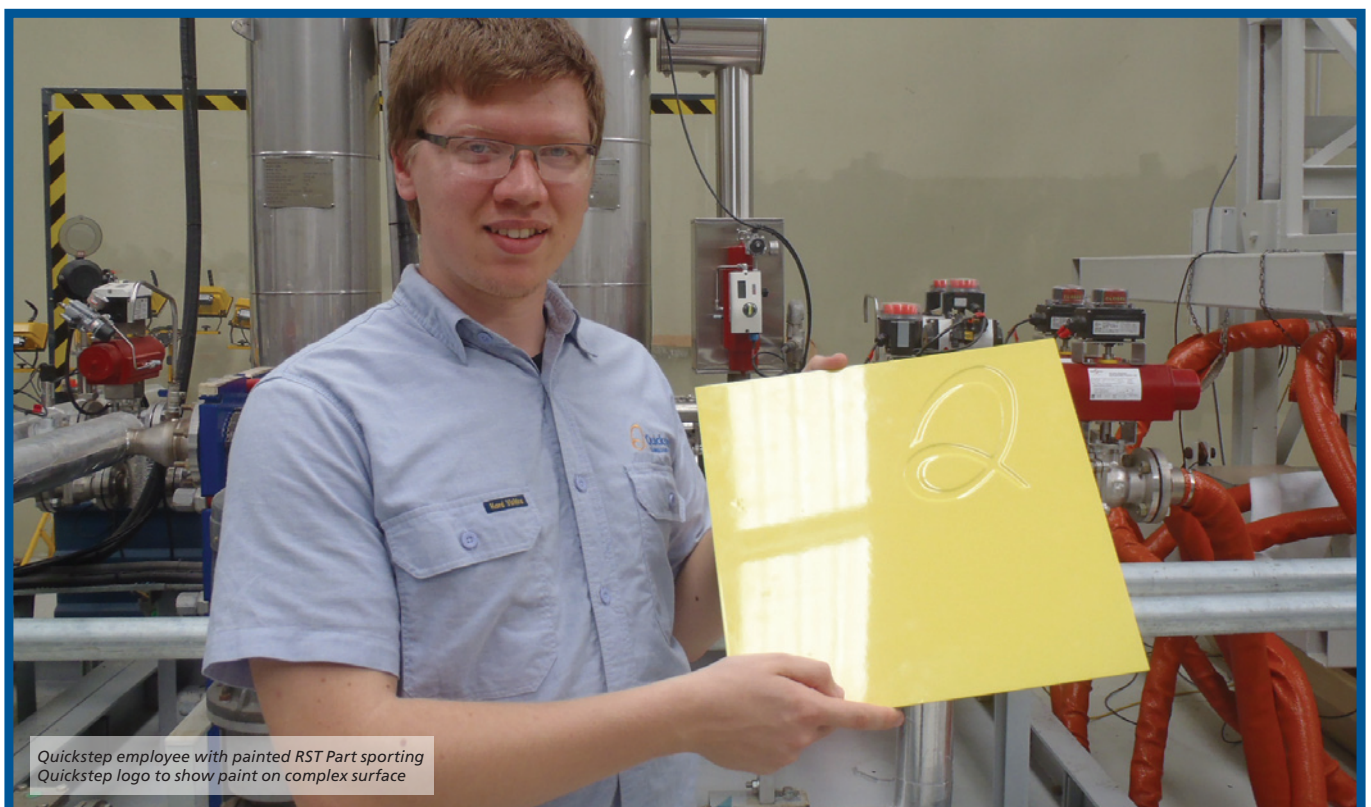
In parallel, Volkswagen has presented its first all carbon car, the XL1 with a fuel consumption below 1l per 100km and a CO₂ emission level of 20g/km of CO₂ (average new car today is 160g/km).

Dr Armin Plath from the Research Group at Volkswagen AG has recently told the market that conventional

drive technologies will not be enough to set the global warming target of 2°C by 2050, making the development of lightweight construction using fibre-reinforced materials vital for industry growth.

This was similarly explained by Quickstep's Managing Director, Philippe Odouard, during his presentation to composite industry specialists in Singapore last month. Mr Odouard noted that current processes required to produce a lightweight product are ten times the cost of steel, and that those processes competing in resin manufacturing do not currently produce the A-class finish required for painted automotive panels, without the need for post mould polishing.

By 2017, the United States of America will enforce regulations requiring all new cars to operate on a 36 miles per gallon, or 6.5L/100km, functionality. In light of these future requirements, the capacity for Quickstep to achieve a product that is half the weight of steel, with shorter cure time and smaller production runs will substantially boost its standing in the modern automotive industry.



Quickstep employee with painted RST Part sporting Quickstep logo to show paint on complex surface



VARIATION TO FINANCE AGREEMENT

Quickstep and international financiers La Jolla Cove Investors Inc have reached an agreement to vary the terms of the US\$15 million Convertible Note Facility. This has provided Quickstep with further flexibility amidst the current volatility in both Australian and international markets.

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 Quickstep's access to draw-down under the Convertible Note Facility to better match against actual cash flow requirements.



Lockheed Martin C-130J



FURTHER AEROSPACE CONTRACTS ON TRACK

Following the signing of an MOU with global helicopter company Sikorsky International Operations Inc in March, Quickstep is moving closer towards becoming a participant in Sikorsky's Australian Industry Participation program. In June, the Australian Government awarded the Air 9000 Phase 8 naval helicopter contract to team Lockheed Martin/Sikorsky, which was a key pre-condition for the MOU to proceed.

Under the terms of the MOU, the two companies would work together to enable Quickstep to become a recognised supplier to Sikorsky's Global Supply Chain, as well as conducting joint development work aimed at preparing Quickstep's patented manufacturing technology – the Quickstep Process – for use in Sikorsky supply chain where the process demonstrates competitive advantage. Quickstep is progressing discussions with Sikorsky.

MANUFACTURER OF THE YEAR AWARD 2011

Quickstep received a double accolade at the Manufacturers' Monthly Endeavour Awards in Melbourne this year, after being awarded both the "Manufacturer of the Year" and the "Global Integration" Awards.

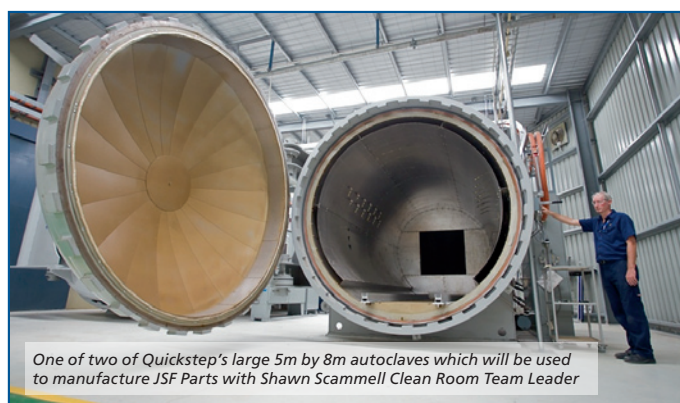
The awards were presented in recognition of Quickstep's successful entry into the F-35 Joint Strike Fighter (JSF) supply chain through the recent signing of a Long Term Agreement (LTA) for JSF parts manufacturing.

Commenting on the awards, the Minister for Innovation, Senator Kim Carr, said:

"Manufacturing is at the centre of a modern economy and these awards recognise leaders in different fields. They show the importance of innovation and what manufacturing can achieve."

The LTA, which was signed earlier this year, represents the first of several agreements to implement the Memorandum of Understanding (MOU) signed in November 2009 with F-35 prime contractor Lockheed Martin and Northrop Grumman, one of its principal F-35 subcontractors.

The total value of the contract is expected to be several hundred millions over the period of more than 20 years, with first parts scheduled for delivery in 2012.



QUICKSTEP LAUNCHES NEW WEBSITE

As Quickstep begins to make its transition to the global manufacturing stage, we have launched a new website to provide our shareholders and customers with the latest information on the company. The website includes a new and improved Investors & Media section featuring more ways to interact and keep-up-to-date with latest news,

a comprehensive archive of all announcements and a full overview of Quickstep's manufacturing capabilities and processes. Visit www.quickstep.com.au for your one stop source on everything Quickstep - and while you're there, join our mailing list to receive our email newsletters!

Stay up-to-date on the latest developments at Quickstep –

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