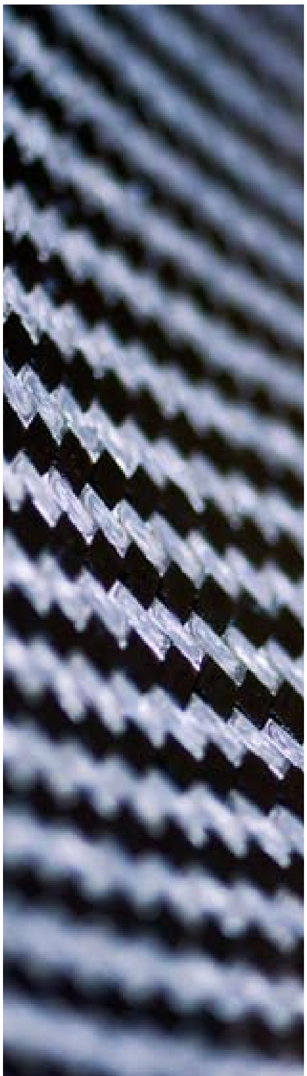
Quickstep

Quickstep Holdings Limited
ACN 096 268 156

Annual report 2009



Why wait for the future.

Corporate Directory

Directors

Mr Mark Bernard Jenkins
Chairman

Mr Philippe Marie Odouard
Managing Director

Mr Dale Edwin Brosius
Executive Director

Mr Deryck Fletcher Gow Graham
Executive Director

Mr Peter Chapman Cook
Non-executive Director

Company Secretary

Mr Peter John Williams

Principal Office

136 Cockburn Road
North Coogee
Western Australia 6163
Telephone: 61 8 9432 3200
Facsimile: 61 8 9432 3222
Internet: www.quickstep.com.au
Email: info@quickstep.com.au

Registered Office

136 Cockburn Road
North Coogee
Western Australia 6163

Auditors

KPMG Chartered Accountants
235 St George's Terrace Perth
Western Australia 6000

Solicitors

Cochrane Lishman London House
216 St George's Terrace Perth
Western Australia 6000

Patent Attorney

Watermark
21st Floor, 77 St George's Terrace
Perth Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153

Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

ASX Code: QHL

Quickstep Holdings Limited would like to thank the following affiliates who supplied imagery in this report:

– Lockheed Martin
– Boeing Integrated Defence Systems
– Thales Group Australia

Contents

Chairman's Report

Joint Strike Fighter F-35. Image courtesy of Lockheed Martin

Dear Shareholder,

The 2009 financial year was an important period for Quickstep during which our business model was refined and the foundations laid for the Company to make the transition from a Research & Development organisation to a fully-fledged manufacturing business.

As this strategy was deployed, it increasingly fed into our growing development and manufacturing capability in Western Australia – where we embarked upon a $10 million production plan based on the construction of a world-class, aerospace-grade manufacturing hub at North Coogee with capabilities in both conventional autoclave-based and out-of-autoclave production technologies. This facility is now open for business.

This investment has come at an opportune time for Quickstep. We now have the second largest aerospace grade composites manufacturing capability in Australia with full quality accreditation, at a time when a number of very exciting and globally significant contract opportunities in the Defence industry are coming to fruition.

We have worked hard during the year to establish and develop contacts with major suppliers in the aerospace and defence sectors. As a result, several exciting opportunities are currently being assessed and we are actively bidding on projects, some of which may come to fruition within the next six months.

We also continued to progress the other pillars of our business model, including the potential to license our out-of-autoclave composites production technology, the Quickstep Process, to Original Equipment Manufacturers (OEM's), through the establishment of strategic alliances and teaming/partnering arrangements. Several important achievements occurred in this area during the year, including the signing of an MOA with CTRM (Malaysia) to approve the Quickstep Process for use on Airbus aircraft.

On the corporate front, we secured $12.7 million in new funding for the Company during the year. This included a convertible loan from a major diversified conglomerate based in the United Arab Emirates, InvestOne, and a convertible note to some existing and new investors here in Australia.

In conclusion, Quickstep enters the new financial year with a clear business focus, an outstanding team of highly skilled individuals, and a unique competitive position underpinned by our world-class production facility at North Coogee. I would like to take this opportunity to acknowledge the hard work and dedication of our team, which continues to work tirelessly towards realising our vision.

I am looking forward to 2010 being a pivotal year for the Company.

Yours Sincerely,

Mark Jenkins
Chairman

Managing Director's Report

Dear Shareholder,

In the last year's Annual Report, we outlined our progress towards becoming a full-scale advanced composites component manufacturer.

I am pleased to report that we have completed these achievements during the 2009 financial year with the commissioning of the North Coogee facility and the accreditation to AS9100/ISO9001:2000 quality standards. With these achievements behind us we are now focused on obtaining manufacturing contracts and Quickstep Process technology transfers within the aerospace, defence and automotive industries.

The Company's business model has been refined to achieve these aims:

- Technology transfer through the provision of the proprietary Quickstep Process and production equipment with ongoing licence and support agreements or via joint venture arrangements;
- Manufacture of composite components, out of its Australian facility for aerospace, defence and automotive Original Equipment Manufacturers (OEM's) as Build to Print or Design and Build to Specification contracts; and
- Conducting paid or self-funded Research & Development on new composite structures and material focusing on the aerospace, defence and automotive sectors.

To allow for worldwide development, an integrated approach to the market across the company has been designed and implemented.

Composite Production – Facility Production Ready

- Quickstep's operating subsidiary, Quickstep Technologies Pty Ltd, achieved official accreditation to the international AS9100/ISO9001:2000 aerospace quality standard, opening the way to supply aerospace components to major global companies.
- A state-of-the-art composites manufacturing facility was commissioned at North Coogee, Western Australia, becoming the second largest aerospace-grade composites production facility in Australia.
- A world-class team of experts in the production of aircraft composite parts has been assembled at North Coogee, representing one of the most capable teams in the different disciplines required for composites production in Australia.
- A number of smaller contracts were successfully delivered during the year including the successful production of carbon fibre composite "pods" for a geospatial company.
- Quickstep's facility capabilities were evaluated by a number of OEM's, with a view to the Company bidding on long-run strategic defence manufacturing contracts.

"Quicksteps Technologies - Now accredited to AS9100 / ISO9001:2000 Aerospace Quality Standard"

Artist impression Boing 787 Dreamliner which will have substantial use of composites in airframe

Managing Director's Report

"A number of major OEM's and Tier 1 composite suppliers have either continued to develop the technology in cooperation with Quickstep or entered into agreements to develop and use the technology as it matures."

Quickstep Process – Commercialisation Underway

- Quickstep continued to industrialise its fluid-based composites production technology, with major progress achieved to reduce its cost, improve its reliability and simplify its operation.
- A number of major OEM's and Tier 1 composite suppliers have either continued to develop the technology in cooperation with Quickstep or entered into agreements to develop and use the technology as it matures.
- The Company's cooperation with Eurocopter in Germany progressed during the year, leading to parts being developed and qualified to be produced using the Quickstep Process, with some parts now ready to be licensed to suppliers of Eurocopter.
- Quickstep was awarded a Small Business Innovation Research (SBIR) contract by the US Department of Defence to support the Dayton-based composites fabricator, Vector Composites, to develop an Out-of-Autoclave processing cycle for high temperature resins used on the F-35 Joint Strike Fighter (JSF) Aircraft.
- The abovementioned Phase I SBIR effort has been successful and the Vector/Quickstep team was invited by the US Department of Defence to submit a Phase II proposal to develop a design database and produce certain components to approved JSF specifications. The US$4 million Phase II contract, if awarded and successfully completed, could lead to full approval of the Quickstep Process for production of these and eventually other components.
- Quickstep signed a MoU with Composites Technology Research Malaysia ("CTRM"), the fifth largest composites supplier to Airbus, to evaluate the Quickstep Process to enhance its composite manufacturing operations based in Malaka, Malaysia.
- A contract was signed with BAE Systems to develop and later produce satellite reflectors for the Australian Army satellite terminal.

Quickstep Process – Paid Development Now the Standard

- A $2.6 million grant was awarded under the Australian Federal Government's $75 million AusIndustry Climate Ready Program to develop Quickstep's Resin Spray Transfer (RST) technology for production of composite laminates. This technology would allow the Company to produce high quality finish, high strength parts in a robotic environment at comparable costs to steel for half the weight, paving the way for a quantum technological leap in Aerospace and Automotive industries. It would lead to a considerable reduction in Co2 emissions that are proportional to weight of the vehicle.
- Paid development continues out of both Quickstep facilities in Germany and the USA with companies including EADS, Eurocopter, Vector Composites, Lockheed Martin, Boeing and Sikorsky.

Managing Director's Report

Marketing & Alliances

- Now that Quickstep has attained AS9100 accreditation it is in active discussions with both defence and commercial aircraft OEM's and Tier One suppliers to pursue both short and long term manufacturing contracts out of its North Coogee facility. Some of those are very advanced and Quickstep is hopeful of securing the first of these contracts in the last quarter of 2009 or early 2010.
- A Teaming Agreement was signed with EDAG Australia Pty Ltd to jointly identify and target integrated design and manufacturing contracts, primarily in the aerospace and defence industry.
- Quickstep signed an Agency Agreement with Al Sahel Trading Agencies LLC, a subsidiary of Al Farida Investments Company, a diversified conglomerate based in Abu Dhabi, United Arab Emirates, to pursue growth opportunities for Quickstep in the rapidly growing aerospace and defence industries in the Middle East.

Corporate

- Quickstep secured $12.7 million in funding from two initiatives, one being a convertible note placement for $2.7 million with some existing and sophisticated shareholders in Australia, the other being a convertible loan facility for $10 million with InvestOne of the United Arab Emirates.
- This financing activity secures the future of Quickstep until it can reach an operation positive situation or secure major contracts.

Conclusion

Quickstep has successfully consolidated its position in its key target markets during the 2009 financial year, with all of the key ingredients now in place in terms of worldwide presence, financing, staff, equipment, procedures and contacts with potential clients to secure several very significant contracts.

The Company has strengthened its technical advance by gaining further acceptance of its Quickstep Process technology globally and obtaining finance for further ground-breaking technologies that may significantly change the landscape for passenger craft, both on air and land, for the future benefit of Quickstep shareholders.

In conclusion, I am confident that the Company has a very bright future with 2010 shaping up as a pivotal year for Quickstep on several fronts.

I would like to take this opportunity to thank our shareholders for their support during the past year, and I look forward to sharing in our future success with you as we continue our rapid expansion in the composite aerospace market worldwide.

Yours Sincerely,

Philippe Odouard
Managing Director

"Key ingredients now in place: worldwide presence, financing, staff, equipment, procedures and contacts with potential clients to secure several very significant contracts."

1 of 3 Bondtech Autoclaves at Quickstep's Facilities

Breton 5 Axis milling machine - One of a handful of large high accuracy machines in Australia

Financial Report

For the year ended 30th June 2009

Quickstep

DIRECTORS' REPORT

The Directors present their report together with the financial report of Quickstep Holdings Limited (the "Company") and of the Group, being the Company and its subsidiaries, for the financial year ended 30 June 2009 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Mr Mark Bernard Jenkins, B. Comm., Grad. Dip. Bus.
Independent Chairman - appointed as director on 14 July 2005; appointed as Chairman 13 March 2007

Mr Jenkins, aged 45, has over 20 years consulting, operational/financial management and business development experience in professional services firms (chartered accountants), investment banking, government agencies and public companies.

Initially qualifying as a chartered accountant in Australia, his career includes two extended periods in London and has involved successful and extensive investment, commercial, financial and government dealings in Australia, Asia, the United States and Europe. Mr Jenkins has also been involved as an advisor and investor in early stage technology companies, taking them through the initial funding and commercialisation stages.

Mr Jenkins holds a Bachelor Degree in Commerce from the University of WA and a Graduate Diploma in Business from Curtin University. He has also been involved in numerous professional development programs, including Cranfield University in England.

Mr Philippe Marie Odouard
Managing Director - appointed 23 October 2009
Mr Odouard, aged 54, has significant management experience within the global aerospace and defence sectors – both of which are primary target markets for Quickstep's technology. Before joining Quickstep and since 2005, Mr Odouard has held a dual role with Thiess Pty Ltd – one of Australia's largest infrastructure and services contractors – as Senior Manager of Strategy and Business development: Defence, and Project Director for the A$3 billion Melbourne desalination plant.

Prior to joining Thiess, Mr Odouard held a number of senior manager positions within Thomson-CSF (now Thales group) - a world leader in platforms and systems for the aerospace, defence and security markets. During his time with Thomson, which included roles in both Australia and Europe, Mr Odouard negotiated and managed long term contracts with major global aerospace and defence groups including major developments and technology transfers. Significantly, Mr Odouard managed the Minehunter project, which at the time was the largest user of composites in Australia. In addition, Mr Odouard negotiated and managed significant contracts with Eurocopter when they sold the all-composite Tiger helicopter to the Australian Defence forces.

In 1977 Mr Odouard graduated with a Masters of Science in Business from École des Hautes Études Commerciales de Paris.

Mr Dale Edwin Brosius, B. Sc. (Chem. Eng.), MBA
Executive Director and Chief Operating Officer for the Americas and Europe - appointed 13 August 2004

Mr Brosius, aged 51, as the Chief Operating Officer is responsible for the commercial development of the Company's technology in Europe and the Americas. He brings extensive practical experience in the composites field, having led composites-oriented businesses in the US and Europe, with a strong emphasis on materials. He is based near Detroit, Michigan.

Mr Brosius spent eight years with Dow Chemical, in manufacturing and commercial development roles, with a focus on automotive composites. He then spent twelve years in various commercial and general management roles at Fiberite and Cytec Fiberite, gaining considerable exposure to advanced composites processes and applications in aerospace, sporting goods, and industrial markets.

In 1999 Mr Brosius created a successful consulting business serving manufacturers of composite materials, equipment and parts manufacturers worldwide. During this time he obtained a thorough understanding of the global market and developed numerous relationships at the original equipment manufacturer (OEM) and supplier levels.

Mr Brosius is active in leadership levels in key composites professional associations and is the author of over forty published articles in the field.

DIRECTORS' REPORT (cont'd)

Mr Deryck Fletcher Gow Graham, Dip. Co. Dir.
Executive Director *(not classified as Independent)* - appointed 16 June 2001

Mr Graham, aged 48, has over 20 years' experience in senior management, administration and marketing positions.

His experience includes five years as Managing Director of an ASX listed company that designed, developed, manufactured and distributed hardware and software products for the broadcasting and entertainment industries. He has been a director of Eagle Aircraft Australia Limited, where he held the role of Marketing Director. Since 1986, Mr Graham has been involved in the composites and aerospace industries.

Mr Graham is also a founder and adviser to emerging technology companies in the mining, civil engineering and software development industries.

Mr Graham holds the executive position of Business Development Manager - Australia

Mr Peter Chapman Cook, M. Pharm., FRMIT, PhC., MPS, MRACI, C.Chem., MAICD.
Independent Non-Executive Director - appointed 14 July 2005

Mr Cook, aged 62, has extensive business experience, both within Australia and overseas.

Prior to his current appointments as Managing Director and Chief Executive Officer of Biota Holdings Limited, Mr Cook has held the positions of Managing Director and Chief Executive Officer of Orbital Corporation Limited, Chief Executive Officer of Faulding Hospital Pharmaceuticals, President of Ansell's Protective Products Division, Deputy Managing Director of Invetech and Director of Research and Development for Nicholas Kiwi. He has had extensive experience in the commercialisation of innovation, both in new and established markets. He also has extensive experience in mergers and acquisitions, particularly with technology-based companies and has a strong manufacturing background.

Mr Cook has over ten years of international commercial experience in Europe, USA and Asia, where he has both lived and worked. He holds a Masters Degree in Pharmacy and post graduate qualifications in Management from RMIT University.

Mr Nicholas (Nick) Michael Noble, B.Sc. (Mech. Eng.) C.Eng, M.I. Mech. E.
Former Managing Director - appointed 20 March 2001 and retired 30 September 2008

Mr Noble, aged 50, was responsible for the management of the Quickstep development program, interfacing with market participants and strategic planning to enable market entry of the Technology into Europe, North America and Asia Pacific.

Mr Noble was the Chief Executive Officer and then Managing Director since the Company was founded in 2001 and had an intimate knowledge of not only the Quickstep Process and its abilities, but also the markets and the drivers for those markets.

Mr Noble has a mechanical engineering degree and is a Chartered Engineer. In recent years he was the Chief Executive Officer of a hydraulics and plant equipment supply and contract company. He has also spent five years in the composites field, in the aerospace industry working for Westland Helicopters (now Finmeccanica). He possesses a useful combination of mechanical and composites engineering skills, and senior management and marketing experience.

2. Company Secretary

Mr Peter John Williams, B.Bus., FCPA, MAICD.

Mr Williams, aged 52, was appointed to the position of company secretary in January 2009. Mr Williams is a senior finance professional with over 30 years commercial experience gained both domestically and internationally. He joined Quickstep after two years with ASX listed biodiesel producer, Mission NewEnergy Limited where he was Finance Director and Company Secretary.

Mr Kimberley Arnold Hogg, B.Com.
Former Company Secretary - appointed October 2005 and resigned December 2008

Mr Hogg, aged 50, has worked in the private sector for the past 17 years as a principal of a public practice providing specialist services to clients seeking to raise capital and list on the ASX. Mr Hogg completed a Bachelor of Commerce degree in 1984 at the University of Western Australia. He is currently the company secretary of several ASX-listed entities.

DIRECTORS' REPORT (cont'd)

3. Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr M B Jenkins	9	9	3	3	2	2	1	1
Mr P M Odouard [1]	7	7	-	-	1	1	1	1
Mr D E Brosius	9	8	-	-	2	2	1	1
Mr D F G Graham	9	9	-	-	2	2	1	1
Mr P C Cook	9	9	3	3	2	2	1	1
Mr N M Noble [2]	2	2	-	-	1	1	-	-

A - number of meetings held during the time the Director held office during the year
B - number of meetings attended

[1] Mr Odouard was appointed 23 October 2008.
[2] Mr Noble resigned 30 September 2008.

4. Principal Activities

During the financial year, the principal activities of the Group consisted of:

- working closely with potential customers through the international network of Quickstep 'Centres of Excellence' to qualify the Quickstep Process as a viable and effective alternative to traditional autoclave-based composite manufacturing techniques;
- development work and securing initial small-scale prototype contracts to accelerate entry to the global aerospace sector;
- further expansion of the Company's existing portfolio of international research and development alliances and partnerships with major aerospace, industrial and automotive groups and their Tier One suppliers;
- coordination of a cohesive strategic plan for the Company's global Research & Development initiatives; and
- expansion of the global management team to ensure that the Company is positioned to take full advantage of new business opportunities as they arise.

5. Results

The Group incurred a loss after tax of $8,620,973 for the year ended 30 June 2009 (2008: loss of $6,305,069).

6. Operating Review

A review of operations and activities for the financial year is set out in the Managing Director's Review.

7. Dividends

No dividend has been declared or paid by the Company to the date of this report.

8. Environmental Regulation

The Company's activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth or a State or Territory. The Directors are not aware of any material breach of environmental regulations as they relate to the Company.

DIRECTORS' REPORT (cont'd)

9. Events Subsequent to Reporting Date

On 15 July 2009 the Company received the first $2 million tranche of funding from InvestOne Financial Advisory Est. This funding related to the $10 million Convertible Loan facility that was established with InvestOne Financial Advisory Est. ("InvestOne"), a subsidiary of Al Farida Investments Company LLC, a diversified conglomerate headquartered in Abu Dhabi. On 23 September 2009, at a General Meeting of shareholders, the shareholders approved the Convertible Loan Agreement that the Company had entered into with InvestOne.

On 7 August 2009 the Company issued 720,808 fully paid ordinary shares as payment to advisors and contractors for services rendered.

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 2009.

10. Likely Developments

The Group's key areas of focus for the 2009/2010 financial year will include:

- securing contracts in the aerospace and defence industries using both traditional autoclave and new technology Quickstep processing;
- maintaining a strategic global marketing campaign to potential customers through our international showcase sites and pilot production facilities;
- conducting paid or self-funded commercially focussed research & development on new composite structures and materials for the aerospace and defence sectors; and
- working to secure early cash-flow generating contracts.

11. Directors' Interests

The relevant interest of each Director in the shares and options issued by the Company at the date of this report is as follows:

Director	Shares	Options
Mr M B Jenkins	-	-
Mr P M Odouard	-	-
Mr D E Brosius	800,000	-
Mr D F G Graham (1)	38,651,529	-
Mr P C Cook (2)	344,300	-

1. The registered holder of the shares is Decta Holdings Pty Ltd. Decta Holdings Pty Ltd is trustee for a discretionary trust. Mr Graham is a potential beneficiary of that trust.
2. The registered holder of the shares is Sandra Cook, Mr Cook's wife and Lloyds Wharf Super Fund of which Mr Cook is a trustee.

DIRECTORS' REPORT (cont'd)

12. Share Options

No options were issued during or since the end of the financial year to Directors and executives as part of their remuneration.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options
15 April 2010	$0.250	6,391,489
16 June 2010	$0.260	440,000

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

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

13. Indemnification and Insurance of Officers

Indemnification

The Company has indemnified the Directors (as named above) and all executive officers of the Company and of any related body corporate against any liability incurred as a Director, secretary or executive officer to the maximum extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as an officer.

Insurance Premiums

The Company has paid a premium in respect of a directors and officers liability insurance policy, insuring the directors of the Company, the company secretary and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

14. Non-audit Services

During the financial year, KPMG, the Company's auditor, has not performed any additional services to their statutory duties.

15. Lead auditor's Independence Declaration

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001, which forms part of this Directors' Report for the financial year ended 30 June 2009, is set out on page 52.

16. Remuneration Report - Audited

The remuneration report is set out under the following main headings:

A: Principles used to determine the nature and amount of remuneration
B: Service agreements
C: Details of remuneration
D: Share-based compensation
E: Other benefits

Remuneration is referred to as compensation throughout this report.

DIRECTORS' REPORT (cont'd)

16. Remuneration Report – Audited (cont'd)

A. Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and executives for the Company and the Group. The Board has established a remuneration committee which assists the Board in formulating policies on and in determining:

- the remuneration packages of executive directors, non-executive directors and senior executives; and
- cash bonuses and equity based incentive plans, including appropriate performance hurdles and total payments proposed.

If necessary, the committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. The Corporate Governance Statement provides further information on the role of this committee.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, short term incentives and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The Group does not have any scheme relating to retirement benefits for its key management personnel.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual and overall performance of the Group. Compensation is also reviewed in the event of promotion.

Short-term incentives

Certain key management personnel receive short-term incentives ("STI") in the form of cash. Each year, the remuneration committee considers the appropriate targets and key performance indicators ("KPIs"). The committee is also responsible for assessing whether the KPIs are met. The remuneration committee recommends the cash incentive to be paid to the individuals for approval by the Board.

Other than as disclosed in this report, there have been no performance-linked payments made by the Group.

Equity-based compensation (long-term incentives)

Equity-based long-term incentives may be provided to key management personnel via the Quickstep Holdings Limited Employee Share Option Scheme ("Scheme") (refer to note 30 to the financial statements). The incentives are provided as options over ordinary shares of the Company and are provided to key management personnel based on their position within the Group. Such incentives are considered to promote continuity of employment.

No grants of options were made under the Scheme during the current or prior financial year.

Non-executive directors' fees

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2005 Annual General Meeting, is not to exceed $300,000 per annum. Fees are set with reference to fees paid to non-executive directors of comparable companies. Currently, the Company's Chairman, Mr Jenkins, is entitled to receive $120,000 per annum and the other non-executive director, Mr Cook, receives $59,500 per annum.

Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees.

DIRECTORS' REPORT (cont'd)

16. Remuneration Report (cont'd)

B. Service agreements

The Group has entered into service agreements with 5 key management personnel. The employment contracts outline the components of compensation paid to the key management personnel and are reviewed on an annual basis.

Mr Philippe Odouard, Managing Director, entered into an executive services agreement with the Group effective from 13 October 2008. The agreement specified the duties and obligations to be fulfilled by Mr Odouard in his role as Managing Director and Chief Executive Officer of the Group. The remuneration paid to Mr Odouard under the agreement for the financial year ended 30 June 2009 was $217,250 (2008 - $Nil), with the ability to qualify for cash and share-based bonuses to be determined annually by the remuneration committee, subject to the Group achieving planned targets. A cash bonus of $30,000 has been accrued in respect of the year ended 30 June 2009 (2008 - $Nil). Mr Odouard has the ability to earn a loyalty bonus based on years of service for the Company which will be paid with shares in the Company. His total entitlement is 882,353 shares, with one third vesting on 22 November 2010 and two thirds vesting on 26 November 2011. There is no entitlement to termination payment in the event of removal for misconduct.

Mr Nick Noble, former Managing Director, entered into an executive services agreement with the Group effective from 1 September 2005. The agreement specified the duties and obligations to be fulfilled by Mr Noble in his role as Managing Director and Chief Executive Officer of the Group. The remuneration paid to Mr Noble under the agreement for the financial year ended 30 June 2009 was $90,000. Mr Noble was not entitled to any share-based bonus for the 2009 year. There was no entitlement to termination payment.

Mr Dale Brosius, Executive Director and Chief Operating Officer for the Americas and Europe, has entered into an executive services agreement with the Group effective from 1 September 2005. The agreement specifies the duties and obligations to be fulfilled by Mr Brosius in his role as Chief Operating Officer for the Americas and Europe. The remuneration payable to Mr Brosius under the agreement is US$188,100 per annum, with the ability to qualify for a cash bonus subject to the Group achieving planned targets. A cash bonus of A$14,000 has been accrued in respect of the year ended 30 June 2009 (2008: A$72,000). In previous years, Mr Brosius received 400,000 fully paid ordinary shares in the Company as a sign-on retention bonus having completed a year of service from the anniversary date of the Company's listing on the ASX. In addition, he also received a further 400,000 fully paid shares, having completed two years of service from the date of the executive services agreement. The agreement continues until terminated in accordance with the terms contained therein. There is no entitlement to termination payment in the event of removal for misconduct.

With respect to the cash bonus elements of these service contracts, the planned targets include the achievement of specified Group objectives which include:

- achieving contracts to offer process and prototype development services to interested Original Equipment Manufacturers ("OEM") and Tier One suppliers, seen as a precursor to OEM or Tier One adoption of Quickstep as a production process;
- identifying low technical risk products for initial contract manufacture by Quickstep;
- the supply, where appropriate, of Quickstep machinery for product and process development applications; and
- entering into licence agreements, joint ventures and royalty arrangements with manufacturers.

Mr Andrew (Drew) Myers, Head of Engineering and Chief Operating Officer, Australia, has entered into a contract of employment which specifies the duties and responsibilities to be fulfilled in his role. The remuneration payable to Mr Myers under the agreement is $180,324 per annum, with the ability to earn performance-based bonuses to be determined annually by senior management. The agreement continues until terminated in accordance with the terms contained therein. A cash bonus of $13,000 has been accrued in respect of the year ended 30 June 2009 (2008 - $39,000). Mr Myers is entitled to receive 800,000 shares, which vested on formally signing his contract of employment which took place on 9 December 2008. There is no entitlement to a termination payment in the event of removal for misconduct.

Dr Jens Schlimbach, Joint CEO, Quickstep GmbH, provides services to the Group in accordance with an agreement effective 1 January 2009. The monthly charge for Dr Schlimbach is approximately $14,862, and the present agreement is effective until 31 December 2009. A cash bonus of $14,000 has been accrued in respect of the year ended 30 June 2009 (2008: $Nil).

DIRECTORS' REPORT (cont'd)

16. Remuneration Report – Audited (cont'd)

B. Service agreements (Cont'd)

Mr Peter Williams, Chief Financial Officer and Company Secretary has entered into a contract of employment with effect from 8 September 2008 which specifies the duties and responsibilities to be fulfilled in his role. The remuneration paid to Mr Williams under the agreement for the financial year ended 30 June 2009 was $163,334 (2008 - $Nil), with the ability to earn performance-based bonuses to be determined annually by senior management. The agreement continues until terminated in accordance with the terms contained therein. A cash bonus of $14,000 has been accrued in respect of the year ended 30 June 2009. Mr Williams has the ability to earn a loyalty bonus based on years of service for the Company which will be paid with shares in the Company. His total entitlement is 411,765 shares, with one third vesting on 22 November 2010 and two thirds vesting on 26 November 2011. There is no entitlement to a termination payment in the event of removal for misconduct.

The overall level of key management personnel's compensation takes into account the progress of the Group towards the attainment of its business plan, including its progress towards commercialised operations.

C. Details of remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named executives and relevant Group executives and other key management personnel of the Company and Group for the year are:

		Short Term		Post Employment	Share-based Payments			
	Year	Salary / fees $	STI $	Superannuation Benefits $	Shares $	Total $	Proportion of remuneration performance related %	Value of shares as proportion of remuneration %
Directors								
Executive								
Mr P M Odouard *(appointed 13 October 2008)*	2009	199,390	30,000	17,860	38,732	285,982	10.5%	13.5%
Mr D E Brosius	2009	264,033	14,000	-	-	278,033	5.0%	-
	2008	201,748	72,000	-	9,000	282,748	25.5%	3.2%
Mr D F G Graham	2009	79,000	-	-	-	79,000	-	-
	2008	-	-	-	-	-	-	-
Mr N M Noble	2009	90,000	-	-	-	90,000	-	-
(resigned 30 September 2008)	2008	260,000	140,500	-	7,000	407,500	34.5%	1.7%
Non-executive								
Mr M B Jenkins	2009	131,458*	-	-	-	131,458	-	-
	2008	114,500	-	-	-	114,500	-	-
Mr P E Cook	2009	59,500	-	-	-	59,500	-	-
	2008	61,939	-	-	-	61,939	-	-
Executives								
Mr A M Myers	2009	163,020	13,000	17,304	128,000	321,324	4.0%	39.8%
	2008	142,000	39,000	16,290	-	197,290	19.8%	-
Dr J Schlimbach	2009	178,343	14,000	-	-	192,343	7.3%	-
	2008	150,570	-	-	-	150,570	-	-
Mr P J Williams *(appointed 8 September 2008)*	2009	149,848	14,000	13,486	34,590	211,924	6.6%	16.3%

Notes in relation to the table of remuneration:

* During the year Mr. Jenkins was paid amounts relating to prior periods that he was entitled to but had not claimed.

DIRECTORS' REPORT (cont'd)

16. Remuneration Report – Audited (cont'd)

(1) In accordance with the terms of Mr Odouard's employment contract, he is entitled to receive 882,353 fully paid shares with one third vesting on 22 November 2010 and two thirds vesting on 26 November 2011.

A fair value of $38,732 has been recorded as an expense in the financial statements for the portion attributable to the current financial year. A fair value of 13 cents per share was used for the purposes of this valuation, being the ASX quoted price of the shares at their grant date.

(2) In accordance with the terms of Mr Brosius' service agreement, he received 400,000 fully paid ordinary shares in the Company as a sign-on retention bonus having completed a year of service from the anniversary date of the Company's listing on the ASX. In addition, he previously also received a further 400,000 fully paid shares, having completed two years of service from the date of the service agreement. A fair value of $9,000 was recorded as an expense in the financial statements attributable to the 2008 financial year.

A value of 21 cents per share was used for the purposes of this valuation, being the estimated fair value of the shares at the date of the service agreement. These shares fully vested during the 2008 year.

(3) In accordance with the terms of Mr Noble's service agreement, he received in previous financial years 400,000 fully paid shares, having completed two years of service from 1 September 2005. A fair value of $7,000 was recorded as an expense in the financial statements attributable to the 2008 financial year.

A value of 21 cents per share was used for the purposes of this valuation, being the estimated fair value of the shares at the date of the service agreement. These shares fully vested during the 2008 year.

(4) In accordance with the terms of Mr Myers' employment contract, he was entitled to receive 800,000 fully paid ordinary shares in the Company on the date he formally signed his employment contract. A fair value of $128,000 has been recorded as an expense in the financial statements attributable to the current financial year. A fair value of 16 cents per share was used for the purposes of this valuation, being the ASX quoted price of the shares at their grant date (the date of signing the employment contract). These shares fully vested during the year.

(5) In accordance with the terms of Mr Williams' employment contract, he is entitled to receive 411,765 fully paid shares with one third vesting following the November 2010 Annual General Meeting of shareholders and two thirds vesting following the November 2011 Annual General Meeting of shareholders.

A fair value of $34,590 has been recorded as an expense in the financial statements for the portion attributable to the current financial year. A fair value of 29 cents per share was used for the purposes of this valuation, being the ASX quoted price of the shares at their grant date.

(6) The Short Term Incentive ("STI") payments in 2009 comprised a cash bonus which fully vested in 2009

D. Share based compensation

No options were granted to key management personnel during or since the end of the financial year (2008: Nil).

Exercise of options granted as compensation

During the reporting period no shares were issued on the exercise of options previously granted as compensation nor did any options lapse.

Messrs Odouard, Brosius, Noble, Myers and Williams received rights to certain shares offered through their executive services agreements. Refer to the table below for further details.

	Number of shares granted during 2009	Grant date	Fair value per share at grant date ($)	Vested during the year
Directors				
Mr P Odouard	882,353	13/10/08	$0.13	-
Executives				
Mr A Myers	800,000	9/12/08	$0.16	800,000
Mr P Williams	411,765	8/09/08	$0.29	-

DIRECTORS' REPORT (cont'd)

16. Remuneration Report – Audited (cont'd)

D. Share based payments (cont'd)

Details of vesting profile of the shares granted as remuneration to each key management person of the Group and each of the Company executives and Group executives are detailed below.

	Number of shares granted during 2009	Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vest
Directors					
Mr P Odouard	882,353	13/10/08	-	-	2010 & 2011
Executives					
Mr A Myers	800,000	9/12/08	100	-	-
Mr P Williams	411,765	8/09/08	-	-	2010 & 2011

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to performance criteria not being achieved.

E. Other benefits

During the 2008 financial year, Mr Brosius received an unsecured loan of $100,000 from the Company. The loan was initially for a period of 6 months at a commercial rate of interest. During the financial year $54,000 was repaid. As per the terms of the agreement the loan has subsequently been extended until 30 September 2009.

Dated at Perth, Western Australia this 30th day of September 2009.

Signed in accordance with a resolution of the Directors:

P M Odouard

Managing Director

Quickstep

CORPORATE GOVERNANCE STATEMENT

This statement summarises the corporate governance practices adopted by the Board. Quickstep's intention is to continue to adopt appropriate policies and procedures outlined in the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the ASX Corporate Governance Council in March 2003, to the extent that they are appropriate for a company of Quickstep's size.

In addition to the information contained in this statement, the Group's website (www.quickstep.com.au) contains details of its corporate governance procedures and practices.

The Board's Charter identifies its key objectives as:

- increasing Shareholder value;
- safeguarding Shareholders' rights and interests; and
- ensuring the Company is properly managed.

BOARD COMPOSITION AND MEMBERSHIP

At the date of this Report, the Board comprises two non-executive Directors, one of whom is the Chairperson, and three executive Directors.

The Company's Constitution provides that the number of Directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

The Board, through its Nominations Committee, is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating Directors. Board membership is regularly reviewed to ensure the Board has an appropriate mix of qualifications, skills and experience. Directors appointed by the Board hold office only until the next Annual General Meeting and are then eligible for re-appointment.

Directors, (other than the Managing Director) are eligible for reappointment by Shareholders, no later than the third anniversary following their last appointment. Subject to the requirements of the Corporations Act, there is no maximum period of service as a Director.

The Managing Director may be appointed for any period and on any terms the Directors, through its Nomination's and Remuneration's Committees, identify as appropriate, although they shall be guided by current market practices and rates.

The Board has established three Committees; Audit, Remuneration and Nominations, to assist with effective governance.

AUDIT COMMITTEE

The Audit Committee comprises the independent non-executive Directors. The Audit Committee meets at least twice per year and its key roles are to:

- monitor the integrity of the financial statements of the Group;
- review significant financial reporting judgements; and
- recommend to the Board the appointment of external Auditors.

The Audit Committee is chaired by Mr MB Jenkins, who has both relevant financial qualifications and business experience required for this role.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of the full Board. The Chairperson must be one of the non-executive Directors. The Committee meets at least twice per year.

The function of the Committee is to assist the Board in formulating policies on and in determining:

- the remuneration packages of executive directors, non-executive directors and senior executives; and
- cash bonuses and equity based incentive plans, including appropriate performance hurdles and total payments proposed.

The Remuneration Committee is chaired by Mr P Cook.

CORPORATE GOVERNANCE STATEMENT (cont'd)

NOMINATIONS COMMMITTEE

The Nominations Committee is comprised of the full Board. The Chairperson of the Committee is also Chairman of the Board. The Committee meets on an as needed basis and at least once per year.

The role of the Committee, within the limits required by the Company's Constitution, is to:

- determine the size and composition of the Board;
- select new directors and senior executives; and
- establish the evaluation methods used in determining the performance of Directors and senior Executives.

ETHICAL STANDARDS

Quickstep is aware of its Corporate Governance responsibilities and seeks to operate to the highest ethical standards. Quickstep has established the following policies and codes to ensure that ethical standards are understood by all of its associates and are followed at all times:

- Code of Conduct;
- Trading in Company Securities;
- Board Charter; and
- Director's Disclosure Obligations.

INDEPENDENT PROFESSIONAL ADVICE

Individual Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to a Director's rights and duties, the engagement of outside advisors is subject to prior approval of the Chairman, which will not be unreasonably withheld.

IDENTIFYING AND MANAGING RISK

The Board regularly monitors the operational and financial performance of the Group against budget and other key performance measures. The Board also reviews and receives advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate any identified risks to the business.

ASX GUIDELINES ON CORPORATE GOVERNANCE

Pursuant to ASX Listing Rule 4.10.3, the Company advises that it has followed the best practice recommendations set by the ASX Corporate Governance Council except as identified below:

Principle of Good Corporate Governance and Best Practice Recommendations	**Reasons if not adopted**
2.1 A majority of the board should be independent directors:	The Company notes that the Board consists of 5 directors, 3 of whom are executives and 2 who are non-executives who are considered to be independent. The structure is considered appropriate at this stage of the Company's development but is continually under review.
4.2 The audit committee should be structured so that it: ▪ consists only non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair who is not chair of the board ▪ has at least three members.	The chair of the Audit Committee is the chair of the Board. This utilises the appropriate skills of the directors and is considered sufficient and appropriate for the Company's present size and level of activity. Two members are considered sufficient and appropriate for the Company's present size and level of activity.

Quickstep

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Revenue	5	314,667	179,236	-	-
				-	
Cost of sales		(129,515)	(178,512)	-	-
Gross profit		185,152	724	-	-
Other revenue	5	201,033	29,533	-	-
Administration and corporate expenses		(2,687,264)	(1,664,424)	(1,034,129)	(842,069)
Marketing expenses		(977,652)	(1,049,259)	-	-
Operational expenses		(3,443,005)	(2,933,611)	-	-
Research and development expenses		(793,677)	(914,294)	-	-
Other expenses	6	(2,002,562)	(827,339)	(7,579,523)	(5,992,199)
Loss from operating activities		(9,517,975)	(7,358,670)	(8,613,652)	(6,834,268)
Financial income		689,477	678,322	160,675	502,238
Financial expense		(120,995)	(65,703)	(91,847)	-
Net financing income	8	568,482	612,619	68,828	502,238
Loss before income tax		(8,949,493)	(6,746,051)	(8,544,824)	(6,332,030)
Income tax benefit	9	328,520	440,982	-	-
Loss for the period	24	(8,620,973)	(6,305,069)	(8,544,824)	(6,332,030)
Basic and diluted loss per share					
Ordinary shares (cents)	11	(5.31)	(4.13)		

The income statements are to be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
CURRENT ASSETS					
Cash and cash equivalents	12	2,815,876	10,307,615	4,465	5,344,218
Trade and other receivables	13	650,655	1,142,024	22,739	51,648
Inventories	14	115,475	118,466	-	-
Other assets	15	294,178	404,759	67,810	113,062
TOTAL CURRENT ASSETS		3,876,184	11,972,864	95,014	5,508,928
NON-CURRENT ASSETS					
Trade and other receivables	13	-	-	9,203,689	9,626,308
Property, plant and equipment	16	7,026,016	4,279,893	-	-
Intangible assets	17	171,322	742,545	-	-
TOTAL NON-CURRENT ASSETS		7,197,338	5,022,438	9,203,689	9,626,308
TOTAL ASSETS		11,073,522	16,995,302	9,298,703	15,135,236
CURRENT LIABILITIES					
Trade and other payables	19	964,188	962,455	170,951	200,940
Loans and borrowings	20	9,890	4,945	-	-
Employee benefits	21	63,626	35,890	-	-
TOTAL CURRENT LIABILITIES		1,037,704	1,003,290	170,951	200,940
NON-CURRENT LIABILITIES					
Trade and other payables	19	889,934	997,787	-	-
Loans and borrowings	20	2,508,124	32,967	2,489,992	-
TOTAL NON-CURRENT LIABILITIES		3,398,058	1,030,754	2,489,992	-
TOTAL LIABILITIES		4,435,762	2,034,044	2,660,943	200,940
NET ASSETS		6,637,760	14,961,258	6,637,760	14,934,296
EQUITY					
Issued capital	22	30,146,119	30,146,119	30,146,119	30,146,119
Reserves	23	447,438	149,963	416,050	167,762
Accumulated losses	24	(23,955,797)	(15,334,824)	(23,924,409)	(15,379,585)
TOTAL EQUITY		6,637,760	14,961,258	6,637,760	14,934,296

The balance sheets are to be read in conjunction with the accompanying notes.

Quickstep

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Note	Share capital	Translation reserve	Share based payments reserve	Convertible note reserve	Retained earnings	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2007		13,775,983	(13,406)	403,762	-	(9,029,755)	5,136,584
Foreign currency translation differences	23	-	(4,393)	-	-	-	(4,393)
Total income and expense recognised directly in equity	23	-	(4,393)	-	-	-	(4,393)
Loss for the period	24	-	-	-	-	(6,305,069)	(6,305,069)
Total recognised income and expense		-	(4,393)	-	-	(6,305,069)	(6,309,462)
Issue of ordinary shares	22	17,243,240	-	-	-	-	17,243,240
Share issue costs	22	(1,125,104)	-	-	-	-	(1,125,104)
Transfer from share based payments reserve on vesting of shares	22	252,000	-	(252,000)	-	-	-
Share based payments	23	-	-	16,000	-	-	16,000
Balance at 30 June 2008		**30,146,119**	**(17,799)**	**167,762**	**-**	**(15,334,824)**	**14,961,258**
Foreign currency translation differences	23	-	49,187	-	-	-	49,187
Total income and expense recognised directly in equity	23	-	49,187	-	-	-	49,187
Loss for the period	24	-	-	-	-	(8,620,973)	(8,620,973)
Total recognised income and expense		-	49,187	-	-	(8,620,973)	(8,571,786)
Issue of convertible notes (net of transaction costs)	23	-	-	-	46,966	-	46,966
Share based payments	23	-	-	201,322	-	-	201,322
Balance at 30 June 2009		**30,146,119**	**31,388**	**369,084**	**46,966**	**(23,955,797)**	**6,637,760**

The statements of changes in equity are to be read in conjunction with the accompanying notes

Quickstep

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED 30 JUNE 2009

Company	Note	Share capital	Translation reserve	Share based payments reserve	Convertible note reserve	Retained earnings	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2007		13,775,983	-	403,762	-	(9,047,555)	5,132,190
Loss for the period	24	-	-	-	-	(6,332,030)	(6,332,030)
Total recognised income and expense		-	-	-	-	(6,332,030)	(6,332,030)
Issue of ordinary shares	22	17,243,240	-	-	-	-	17,243,240
Share issue costs	22	(1,125,104)	-	-	-	-	(1,125,104)
Transfer from share based payments reserve on vesting of shares	22	252,000	-	(252,000)	-	-	-
Share based payments	23	-	-	16,000	-	-	16,000
Balance at 30 June 2008		**30,146,119**	**-**	**167,762**	**-**	**(15,379,585)**	**14,934,296**
Loss for the period	24	-	-	-	-	(8,544,824)	(8,544,824)
Total recognised income and expense		-	-	-	-	(8,544,824)	(8,544,824)
Issue of convertible notes (net of transaction costs)	23	-	-	-	46,966	-	46,966
Share based payments	23	-	-	201,322	-	-	201,322
Balance at 30 June 2009		**30,146,119**	**-**	**369,084**	**46,966**	**(23,924,409)**	**6,637,760**

The statements of changes in equity are to be read in conjunction with the accompanying notes.

Quickstep

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Cash receipts in the course of operations		237,809	187,370	-	-
Interest received		409,711	627,497	203,534	462,279
Interest paid		(2,832)	(2,777)	(18)	-
Research and development tax offset rebate and EMDG claim		1,042,952	532,127	-	-
Cash paid to suppliers and employees		(7,440,240)	(6,595,653)	(962,166)	(771,230)
Net cash used in operating activities	27	(5,752,600)	(5,251,436)	(758,650)	(308,951)
Cash flows from investing activities					
Acquisition of plant and equipment		(4,690,732)	(2,808,357)	-	-
Development expenditure		-	(37,450)	-	-
Employee loan repaid / (provided)		54,000	(100,000)	54,000	-
Employee relocation loan repaid		-	150,000	-	-
Proceeds from sale of fixed assets		-	499	-	-
Payments for business combinations		-	(175,000)	-	-
Loans to controlled entities		-	-	(7,156,903)	(12,029,119)
Net cash used in investing activities		(4,636,732)	(2,970,308)	(7,102,903)	(12,029,119)
Cash flows from financing activities					
Proceeds from issues of shares		-	17,218,240	-	17,218,240
Payment of transaction costs		-	(1,125,104)	-	(1,125,104)
Proceeds from convertible notes		2,700,000	-	2,700,000	-
Convertible note issue costs		(178,200)	-	(178,200)	-
Finance lease payments		(9,890)	(9,890)	-	-
Net cash from financing activities		2,511,910	16,083,246	2,521,800	16,093,136
Net (decrease) / increase in cash and cash equivalents		(7,877,422)	7,861,502	(5,339,753)	3,755,066
Effects of exchange rate changes on cash held in foreign currencies		385,683	-	-	-
Cash and cash equivalents at 1 July		10,307,615	2,446,113	5,344,218	1,589,152
Cash and cash equivalents at 30 June	12	**2,815,876**	**10,307,615**	**4,465**	**5,344,218**

The statements of cash flows are to be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. Significant accounting policies

(a) Reporting entity

Quickstep Holdings Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is primarily involved in the manufacture of composite components for the aerospace industry, and continuing research and development in composite manufacturing processes.

(b) Basis of preparation

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the Australian Accounting Standards ("AASBs") (including Australian interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company complies with the International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 30th September 2009.

Basis of measurement

The financial report is prepared on the historical cost basis. The methods used to measure fair values are disclosed further in Note 2.

Use of estimates and judgements

The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 1(c) – Financial position
- Note 16 – Recoverable amount of property, plant and equipment
- Note 19 – Royalties payable
- Note 30 – Share-based payments

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group.

(c) Financial position

The Group and Company incurred a loss after tax for the year of $8,620,973 and $8,544,824, respectively. The Group has a surplus in working capital at 30 June 2009 of $2,838,480 whilst the Company has a deficiency in working capital of $75,937. During the year, the Group and Company has had a net decrease in cash of $7,877,422 and $5,339,753, respectively. The accounts have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- Over the last 18 months the Group has invested significant funds in the development of internal systems and processes, the employment of experienced and skilled staff in the composites industry and the acquisition of plant and equipment, with the objective to manufacture advanced composite materials on a commercial scale, primarily for aerospace applications. The Group has continued to incur cash outflows from operations since balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

- Whilst the Group continues to actively seek commercial opportunities for its processes and products, it has not yet reached commercial production and has not secured any significant customer contracts. Given the investment in its production facility and expertise, the Group has reasonable expectations that such contracts will be secured. Revenues to-date have been generated mainly through non-recurring, test-basis projects.
- The Group has undertaken an analysis of its cash flow requirements for the coming 12 month period and does not anticipate significant cash in-flows from customer contracts during this period. Accordingly, the Group will remain dependent on external funding, either in the form of debt or equity raisings, to meet its cash flow requirements for at least the next 12 months.
- On 16 May 2009, the Company entered into a Convertible Loan Agreement ("Agreement") with InvestOne Financial Advisory Est., a related company of Al Farida Investments Company LLC, headquartered in Abu Dhabi, United Arab Emirates. Pursuant to the Agreement, the Company may borrow up to $10 million (interest free) in tranches of up to $2 million at intervals of at least 90 days, at the Company's discretion. On 15 July 2009, the Company drew down on the first tranche of these borrowings. At a general meeting of members of the Company on 23 September 2009 the shareholder approvals required pursuant to the terms of the Agreement were obtained.
- The Group is dependent on the funding available under the Agreement to meet its cash flow requirements for at least the next 12 months. Directors expect that the funds will be available to the Group in accordance with the terms of the Agreement and will be sufficient to meet its requirements.

At 30 June 2009, the Group holds property, plant and equipment with a carrying value of $7,026,016. The carrying value of these assets is expected to be ultimately recovered through the establishment of profitable operations.

The Group has raised funds (refer note 20) and expects to raise further funds through the issue of convertible note instruments. Should the instrument holders not elect to convert these to equity instruments at their maturity dates, the ability of the Group to repay amounts borrowed is dependent on it establishing sufficiently profitable operations and/or the Group being able to raise funds from alternative sources to extinguish its obligations.

For the reasons discussed above, the Directors are confident that the Group will be able to continue its operations into the foreseeable future. Should the Group be unable to draw on the funding available pursuant to the Agreement or obtain funding from other sources and/or be unsuccessful in establishing sufficiently profitable operations, there is material uncertainty which may cast significant doubt as to whether the Company and Group will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Quickstep Holdings Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Quickstep Holdings Limited and its subsidiaries together are referred to in the financial report as the consolidated entity or the Group.

A subsidiary is any entity controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and de-consolidated from the date that control ceases.

Intragroup balances and any recognised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

There are presently no outside interests in the Company's subsidiaries.

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the Company's financial statements, investments in associates and jointly controlled entities are carried at cost.

(e) Functional and presentational currency

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

(f) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Quickstep Holdings Limited and its subsidiary have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(g) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically feasible, the Group has sufficient resources to complete development and the Group is able to demonstrate how the product or process will generate future economic benefits.

Expenditure which may be capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (h)).

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. It is stated at cost less any accumulated impairment losses. Impairment is tested for annually (see accounting policy (h)).

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Licences, patents and rights to technology 10 years
- Royalty buy-back 10 years
- Capitalised development costs 5 – 10 years

(h) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation (see below) and any impairment in value (see accounting policy (h)). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

Depreciation

Depreciation is charged to the income statement on a reducing balance basis over the estimated useful life of the asset. The depreciation rates used for each class of depreciable asset for the current and prior years are:

Class of Fixed Asset	*Depreciation Rate*
Plant and factory equipment	10% to 37.5%
Office equipment	7.5% to 40.0 %

(i) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

An impairment write down to goodwill may not be reversed in future years. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(k) Financial instruments

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of both the holder and issuer, provided certain pre-existing conditions are met. The number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

(n) Royalties payable

Royalties payable are royalties due under contracts and are on initial recognition recorded at fair value utilising discounted cash flows and then subsequently recorded at amortised cost (refer note 19).

(o) Employee entitlements

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and other entitlements represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months (such as long service leave) are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

Share-based payment transactions

An expense is recognised for all equity-based remuneration and other transactions, including shares and options issued to employees and directors. The fair value of securities granted is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The amount recognised is adjusted to reflect the actual number of shares and options that vest, except for those that fail to vest due to market conditions not being met. The fair value of options granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of shares issued is measured based on relevant market prices at the measurement date.

(p) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to income statement.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(q) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash consists of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(r) Revenue recognition

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the rendering of a service is recognised in the income statement in proportion to the stage of completion of the transaction at balance sheet date. The stage of completion is assessed by reference to analysis of work performed.

To the extent to which amounts are received in advance of the provision of the related services, the amounts are recorded as unearned income and credited to the income statement as earned.

Licence fee revenue is recognised on an accruals basis when the Group has the right to receive payment under the relevant agreement and has performed its obligations.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Government grants are recognised initially as deferred income where there is a reasonable assurance that the grant will be received and all grant conditions will be met.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

(s) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, transaction costs, unwinding discounting of provisions and foreign exchange gains and losses. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(t) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(w) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and convertible notes on issue.

(x) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

1. Significant accounting policies (cont'd)

(y) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

(i) Revised AASB 3 *Business Combinations* (2008) changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has determined that this revised standard will have no material impact on the Group's financial report.

(ii) Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

(iii) Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.

(iv) Revised AASB 127 *Consolidated and Separate Financial Statements (2008)* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has determined that this revised standard will have no material impact on the Group's financial report.

(v) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations change the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

(vi) AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (refer note 4). The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

2. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

3. Financial risk management

(a) Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and formally documented procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash balances. For the Company it arises from receivables due from subsidiaries and cash balances.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically, other than in Australia for amounts due from the Australian Taxation Office, there is no concentration of credit risk. Goods are generally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

Cash investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's. Given these high credit ratings, management has assessed the risk that counterparties fail to meet their obligations as low.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group holds cash reserves raised from convertible note placements during the year ending 30 June 2009. Refer to note 1(c) for further detail.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

3. Financial risk management (cont'd)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group does not enter into derivatives in order to manage market risks.

Interest rate risk

The Group is exposed to interest rate risk predominantly on cash investments and convertible notes. Given the short investment horizon for cash investments and the fact that the interest rate payable on the convertible notes is fixed, management has not found it necessary to establish a policy on managing interest rate risk.

Currency risk

The Group is exposed to currency risk on sales, purchases and cash holdings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar ("AUD") and the Euro ("EUR"). The currencies in which these transactions primarily are denominated are AUD, EUR, British Pound ("GBP") and US Dollar ("USD").

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its German subsidiary is not hedged as the currency position is considered to be long-term in nature.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future development in accordance with the business strategy. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund commercialisation of technology. During 2009, the Group has raised funding from sources other than equity issues.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Quickstep

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

4. Segment reporting

Segment information is presented in the consolidated financial statements in respect of the Group's geographical segments, which are the primary basis of segment reporting. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non income-earning assets, borrowings and expenses, and corporate assets and expenses.

Geographical segments
The manufacturing segments are managed on a worldwide basis, but operate in two principal geographical areas, Australia and Germany. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Business segments
The Group comprises one business segment which is the manufacture of composite components for the aerospace industry, and continuing research and development in composite manufacturing processes.

	Germany		Australia		Other		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Segment assets	550,317	1,057,955	10,298,128	10,117,010	130,063	251,409	95,014	5,508,928	11,073,522	16,995,302
Segment liabilities	103,088	121,070	1,842,682	1,712,035	-	-	2,489,992	200,939	4,435,762	2,034,044
Capital expenditure	32,638	843,995	4,637,628	1,940,140	381	134,144	-	-	4,670,747	2,918,279
Impairment	469,902	-	1,086,241	379,098	82,501	-	-	-	1,638,644	379,098
Depreciation	141,729	93,286	358,604	316,508	69,829	51,883	-	-	570,162	461,677
Amortisation	-	-	307,026	399,116	-	-	-	-	307,026	399,116
Total segment revenue	248,333	114,373	267,367	94,396	-	-	-	-	515,700	208,769
Segment result	(852,559)	(673,890)	(6,604,992)	(5,252,102)	(1,026,298)	(590,609)	(1,034,126)	(842,069)	(9,517,975)	(7,358,670)
Net finance income									568,482	612,619
Income tax benefit									328,520	440,982
									(8,620,973)	(6,305,069)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

5. Revenue and income

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Sales	310,795	175,008	-	-
Recoveries/reimbursements	3,872	4,228	-	-
Total revenue from operating activities	314,667	179,236	-	-
Other revenue				
Income from government grants	201,033	29,533	-	-

6. Other expenses

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Provision for impairment in investments	-	-	-	39,613
Provision for impairment of intercompany loans (refer note 13)	-	-	7,579,523	5,952,586
Impairment of property, plant & equipment (refer note 16)	1,374,447	-	-	-
Impairment of intangible assets (refer note 17)	264,197	379,098	-	-
Other	363,918	448,241	-	-
	2,002,562	827,339	7,579,523	5,992,199

7. Personnel expenses

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Wages and salaries	2,871,202	1,728,762	-	-
Other associated personnel expenses	331,869	202,856	11,150	8,014
Increase in liability for annual leave	27,737	7,487	-	-
Expense of share based payments (refer note 30)	201,322	16,000	201,322	16,000
	3,432,130	1,955,105	212,472	24,014

8. Finance income and expense

Recognised in profit or loss

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Interest income	352,986	678,322	160,675	502,238
Net foreign exchange gain	336,491	-	-	-
Finance income	689,477	678,322	160,675	502,238
Finance lease interest paid	(2,832)	(2,757)	-	-
Convertible note interest	(76,671)	-	(76,671)	-
Amortisation of convertible note costs	(15,158)	-	(15,158)	-
Net foreign exchange loss	-	(56,981)	-	-
Interest expense on liabilities measured at amortised cost	(26,334)	(5,965)	(18)	-
Finance expense	(120,995)	(65,703)	(91,847)	-
Net finance income	568,482	612,619	68,828	502,238

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

9. Income tax

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Income tax benefit				
The major components of income tax benefit are:				
Current income tax benefit	(328,520)	(371,660)	-	-
Adjustments in respect of current income tax of previous years	-	(69,322)	-	-
Income tax benefit reported in the consolidated income statement	(328,520)	(440,982)	-	-
(b) Numerical reconciliation between tax benefit and pre-tax net loss				
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting loss before tax from continuing operations	(8,949,493)	(6,746,051)	(8,544,824)	(6,332,030)
At the statutory income tax rate of 30%	(2,684,848)	(2,023,815)	(2,563,447)	(1,899,609)
Expenditure not allowable for income tax purposes	94,565	238,140	2,340,319	1,803,014
R&D concession uplift	(52,685)	(94,694)	-	-
Increase in prior year R&D offset rebates	-	(69,322)	-	-
Deferred tax asset not brought to account	2,314,448	1,508,709	223,128	96,595
Income tax benefit	(328,520)	(440,982)	-	-
(c) Tax losses not brought to account				
Unused tax losses for which no deferred tax asset has been recognised: Potential at 30% (2008: 30%)	4,693,482	3,104,981	782,476	435,301
(d) Temporary differences not brought to account				
Deferred tax assets/(liabilities):				
Accrued income	(2,670)	(17,018)	(2,670)	(12,858)
Prepayments	(20,089)	(17,815)	-	-
Other provision	96,009	75,888	4,148	54,000
Borrowing costs	24,288	11,420	16,748	-
Deductible capital raising costs and blackhole expenditure	328,731	431,041	326,552	418,783
Property, plant and equipment	518,105	24,946	-	-
Deferred tax assets not recognised	(944,374)	(508,462)	(344,777)	(459,925)
	-	-	-	-

(e) Tax consolidation legislation

Quickstep Holdings Limited and its 100% owned Australian resident subsidiaries have not formed a tax consolidated group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

10. Auditor's remuneration

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Amounts received or due and receivable by the auditor for:				
Audit services				
KPMG	50,797	45,701	50,797	45,701

11. Loss per share

The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $8,620,973 (2008: $6,305,069) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2009 of 162,446,305 (2008: 152,613,735) calculated as follows:

		2009		2008	
	Note	Actual No.	W.A.N.	Actual No.	W.A.N.
Issued ordinary shares 1 July	22	162,446,305	162,446,305	132,054,425	132,054,425
Effect of shares issued		-	-	29,585,000	20,060,669
Effect of share options exercised		-	-	806,880	498,641
Issued ordinary shares at 30 June	22	162,446,305	162,446,305	162,446,305	152,613,735

The dilutive effect of potential ordinary shares is not considered material.

12. Cash and cash equivalents

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and on hand	2,815,876	1,264,519	4,465	44,218
Short-term bank deposits	-	9,043,096	-	5,300,000
	2,815,876	10,307,615	4,465	5,344,218

13. Trade and other receivables

Current

Trade receivables	72,986	-	-	-
Other receivables				
- R&D tax offset rebate and government grants receivable	368,520	881,919	-	-
- GST and VAT receivable	209,149	203,380	22,739	8,789
- accrued interest	-	56,725	-	42,859
	650,655	1,142,024	22,739	51,648

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

13. Trade and other receivables (cont'd)

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Non-current				
Unsecured loans to controlled entities	-	-	26,871,681	19,714,778
Less: provision for impairment	-	-	(17,667,992)	(10,088,470)
	-	-	9,203,689	9,626,308

The loans to the controlled entities are unsecured, interest free and at call. They are provided as working capital to fund operational expenditure by the controlled entities. Accordingly, the ultimate recoupment of the loans is dependent upon successful development and operation of the controlled entities. The company does not expect to call these loans in the next 12 months. The provision for impairment has been increased in 2009 by $7,579,523 (2008: $5,952,586) reflecting mainly utilisation by its subsidiaries of the funds advanced by the Company during the period.

14. Inventories

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Raw materials and consumables	115,475	118,466	-	-

15. Other current assets

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Prepaid expenses	235,569	288,746	9,201	9,354
Loan to related party (refer note 28)	58,609	116,013	58,609	103,708
	294,178	404,759	67,810	113,062

16. Property, plant & equipment

	Consolidated			
	Plant & Equipment $	Assets Under Construction $	Office Furniture & Equipment $	Total $
Costs				
Balance at 1 July 2007	1,406,974	731,178	249,868	2,388,020
Additions	1,031,123	1,482,163	404,993	2,918,279
Transfer to Plant & Equipment	560,462	(560,462)	-	-
Disposals	(146,085)	-	(129,070)	(275,155)
Balance at 30 June 2008	**2,852,474**	**1,652,879**	**525,791**	**5,031,144**
Balance at 1 July 2008	2,852,474	1,652,879	525,791	5,031,144
Additions	2,543,627	2,079,422	47,598	4,670,647
Transfer to Plant & Equipment	244,955	(244,955)	-	-
Effect of movements in exchange rates	17,045	-	7,384	24,429
Balance at 30 June 2009	**5,658,101**	**3,487,346**	**580,773**	**9,726,220**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

16. Property, plant & equipment (cont'd)

	Consolidated			
	Plant & Equipment $	Assets Under Construction $	Office Furniture & Equipment $	Total $
Depreciation and impairment losses				
Balance at 1 July 2007	387,236	-	70,618	457,854
Depreciation for the year	311,261	-	150,416	461,677
Disposals	(73,286)	-	(94,994)	(168,280)
Balance at 30 June 2008	**625,211**	**-**	**126,040**	**751,251**
Balance at 1 July 2008	625,211	-	126,040	751,251
Depreciation for the year	432,631	-	137,531	570,162
Impairment losses (i)	1,106,719	235,802	31,926	1,374,447
Effect of movements in exchange rates	4,299	-	45	4,344
Balance at 30 June 2009	**2,168,860**	**235,802**	**295,542**	**2,700,204**
Carrying Amounts				
At 1 July 2007	1,019,738	731,178	179,250	1,930,166
At 30 June 2008	2,227,263	1,652,879	399,751	4,279,893
At 1 July 2008	2,227,263	1,652,879	399,751	4,279,893
At 30 June 2009	3,489,241	3,251,544	285,231	7,026,016

(i) An impairment loss of $1,374,447 (2008: nil) has been recognised in the other expenses in the income statement for the year ended 30 June 2009. The impairment loss was recognised on certain Quickstep machines held by the Group, and minor property, plant and equipment and office furniture and fittings that are not expected to be recoverable. The impairment loss has arisen as a consequence of the intention to modify the design of the Quickstep machines such that existing machines are unlikely to recover their carrying value from future cash flows.

The recoverable amount of these assets has been determined with reference to their fair value less costs to sell, which has been deemed to be nil.

The Company does not hold any property, plant and equipment.

17. Intangibles

	Consolidated				
	Patents & Rights $	Royalty Buy-Back $	Technology $	Goodwill $	Total $
Costs					
Balance at 1 July 2007	612,716	94,419	1,320,970	175,000	2,203,105
Additions	36,311	-	-	-	36,311
Balance at 30 June 2008	**649,027**	**94,419**	**1,320,970**	**175,000**	**2,239,416**
Balance at 1 July 2008	649,027	94,419	1,320,970	175,000	2,239,416
Balance at 30 June 2009	**649,027**	**94,419**	**1,320,970**	**175,000**	**2,239,416**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

17. Intangibles (cont'd)

	Consolidated				
	Patents & Rights $	Royalty Buy-Back $	Technology $	Goodwill $	Total $
Amortisation and impairment losses					
Balance at 1 July 2007	152,507	37,765	528,385	-	718,657
Amortisation for the year	125,473	9,449	264,194	-	399,116
Impairment losses (i)	204,098	-	-	175,000	379,098
Balance at 30 June 2008	**482,078**	**47,214**	**792,579**	**175,000**	**1,496,871**
Balance at 1 July 2008	482,078	47,214	792,579	175,000	1,496,871
Amortisation for the year	33,390	9,442	264,194	-	307,026
Impairment losses (ii)	-	-	264,197	-	264,197
Balance at 30 June 2009	**515,468**	**56,656**	**1,320,970**	**175,000**	**2,068,094**
Carrying amounts					
At 1 July 2007	460,209	56,654	792,585	175,000	1,484,448
At 30 June 2008	166,949	47,205	528,391	-	742,545
At 1 July 2008	166,949	47,205	528,391	-	742,545
At 30 June 2009	133,559	37,763	-	-	171,322

(i) In accordance with the accounting policy for measuring intangible assets, management previously assessed the carrying value for patents and goodwill relating to Quickboats Pty Ltd. Given the competing demands for resources and productive capacity at the Group's Fremantle facility, management elected to indefinitely defer the production of Flat Out Boats. A licensing arrangement or outright sale of the business has been determined as the best strategy for utilising the full potential of the investment. As no such agreement has been entered into, the goodwill and patents are considered to provide no material future economic benefit at this time, and therefore these assets have been recorded at nil value.

(ii) An impairment loss of $264,197 (2008: nil) has been recognised in the other expenses in the income statement for the year ended 30 June 2009 in respect to the Technology intangible asset. The forecast future cash flows of the Group are expected to arise through the design and production of composite parts using the recently acquired plant and machinery, rather than the existing technology which was being amortised over a five-year period.

The recoverable amount of the asset has been determined with reference to the fair value less costs to sell, which is deemed to be nil.

The Company does not hold any intangibles.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

18. Group entities

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Investments in controlled entities				
Shares in Quickstep Technologies Pty Ltd - at cost	-	-	4,193,052	4,193,052
Less: provision for diminution in value	-	-	(4,193,052)	(4,193,052)
	-	-	-	-
Shares in Quickstep GmbH - at cost	-	-	39,613	39,613
Less: provision for diminution in value	-	-	(39,613)	(39,613)
	-	-	-	-

	Country of Incorporation	Entity interest 2009	Entity interest 2008
Parent entity			
Quickstep Holdings Limited	Australia		
Controlled entities			
Quickstep Technologies Pty Ltd	Australia	100%	100%
Quickboats Pty Ltd	Australia	100%	100%
Quickstep GmbH	Germany	100%	100%

19. Trade and other payables

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Current				
Unsecured trade payables	188,740	246,000	29,302	17,440
Sundry payables and accrued expenses	569,497	638,921	141,649	183,500
Royalties payable (i)	205,951	77,534	-	-
	964,188	962,455	170,951	200,940
Non-current				
Royalties payable (i)	889,934	997,787	-	-

(i) On 21 July 2005, a Heads of Agreement was executed between Quickstep Holdings Limited ("QHL"), Quickstep Technologies Pty Ltd ("QTPL") and VCAMM Limited which agreed the value of services provided by VCAMM to the Group during the period 1 July 2003 to 30 June 2005 and which formalised arrangements that existed before 30 June 2005 between the parties. The agreed consideration for services provided was $1,790,000, which was satisfied by the grant of 2,160,000 ordinary fully paid shares in QHL (issued at $0.25 per share), with the balance of $1,250,000 to be paid to VCAMM on a quarterly basis from total cash revenues received by QTPL on a percentage basis (varying from 4% to 7% of QTPL's cash revenues for the period), subject to a maximum annual repayment of $650,000. The discount rate that has been used to calculate the royalties payable is 8.46%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

20. Loans and borrowings

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current				
Finance lease liabilities	9,890	4,945	-	-
Non-current				
Finance lease liabilities	18,132	32,967	-	-
Convertible loan (net of transaction costs)	2,489,992	-	2,489,992	-
	2,508,124	32,967	2,489,992	-

13,500,000 convertible notes were issued during the year at $0.20 per note. The notes have a 11% coupon rate and are convertible into ordinary shares on 27 March 2012 on the basis of 1 share for 1 convertible note. A Noteholder may, at any time prior to the maturity of the Convertible Notes, elect to convert the convertible notes into shares. The Company may also elect to redeem all the outstanding convertible notes if the 5-day volume weighted average price of shares remains above $0.30 for a continuous period of more than 3 months at any time before the maturity date for the convertible notes. In accordance with AASB 139 *Financial Instruments* the amount of convertible notes classified as equity is $46,966 (net of attributable transaction costs of $3,319).

21. Employee benefits

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current				
Liability for annual leave	63,626	35,890	-	-

22. Issued capital

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Issued capital				
162,446,305 (2008: 162,446,305) fully paid ordinary shares	30,146,119	30,146,119	30,146,119	30,146,119

The following movements in issued capital occurred during the year:

	2009 No. of shares	2009 $	2008 No. of shares	2008 $
Balance at the beginning of the year	162,446,305	30,146,119	132,054,425	13,775,983
Shares issued for cash	-	-	20,000,000	12,000,000
Shares issued on exercise of options	-	-	806,880	217,240
Shares issued to consultants (i)	-	-	50,000	25,000
Transfer from share based payment reserve on vesting of shares	-	-	1,200,000	252,000
Shares issued via share purchase plan	-	-	8,335,000	5,001,000
Share issue and capital raising costs	-	-	-	(1,125,104)
Balance at the end of the year	162,446,305	30,146,119	162,446,305	30,146,119

(i) In recognition of assistance with the acquisition and development of Flat Out Boats, Novae Pty Ltd was issued with an allotment of shares on 8 February 2008 for nil consideration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

22. Issued capital (cont'd)

Options

Options granted during the year
No options to subscribe for ordinary fully paid shares of the Company were granted during the financial year.

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

Expiry Date	Exercise Price	Number of Options	
		2009	2008
15 April 2010	$0.25	6,391,489	6,391,489
16 June 2010	$0.26	440,000	440,000

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, no options were exercised therefore the Company did not issue any ordinary shares as a result of the exercise of options (2008: 806,880 ordinary shares were issued as a consequence of the exercise of options).

Lapse of options
During the current financial year and previous financial year no options lapsed.

23. Reserves

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Share-based payments reserve				
Balance at the beginning of the year	167,762	403,762	167,762	403,762
Grant of rights to shares to key management personnel	201,322	16,000	201,322	16,000
Transfer to issued capital on vesting of shares	-	(252,000)	-	(252,000)
Balance at the end of the year	369,084	167,762	369,084	167,762
This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.				
Foreign currency translation reserve				
Balance at the beginning of the year	(17,799)	(13,406)	-	-
Foreign currency translation differences	49,187	(4,393)	-	-
Balance at the end of the year	31,388	(17,799)	-	-
The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.				
Convertible notes reserve				
Balance at the beginning of the year	-	-	-	-
Issue of convertible notes	50,285	-	50,285	-
Transaction costs	(3,319)	-	(3,319)	-
Balance at the end of the year	46,966	-	46,966	-
The convertible notes reserve is used to record the equity component of the convertible notes.				
Total reserves	447,438	149,963	416,050	167,762

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

24. Accumulated losses

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Accumulated losses at the beginning of the year	(15,334,824)	(9,029,755)	(15,379,585)	(9,047,555)
Loss for the year	(8,620,973)	(6,305,069)	(8,544,824)	(6,332,030)
Accumulated losses at the end of the year	(23,955,797)	(15,334,824)	(23,924,409)	(15,379,585)

25. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Cash and equivalents	2,815,876	10,307,615	4,465	5,344,218
Loan to related parties (i)	58,609	109,815	58,609	109,815
R&D tax offset rebate and government grants receivable	368,520	881,919	-	-
GST / VAT receivable	209,149	203,380	22,739	-
Trade receivables	72,986	-	-	-
	3,525,140	10,502,729	85,813	5,454,033

(i) The related party loan is with Mr Dale Brosius and is unsecured.

As at 30 June 2009, no financial asset was considered past due (2008: nil).

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Consolidated							
30 June 2009							
VCAMM royalties payable	1,095,885	(1,143,404)	(102,976)	(102,976)	(650,000)	(287,453)	-
Trade and other payables	758,237	(758,237)	(758,237)	-	-	-	-
Finance lease liabilities	28,022	(38,156)	(6,733)	(6,733)	(24,689)	-	-
Convertible note	2,489,992	(2,700,000)	(148,500)	(148,500)	(297,000)	(2,106,000)	-
	4,372,136	(4,639,797)	(1,016,446)	(258,209)	(971,689)	(2,393,453)	-
30 June 2008							
VCAMM royalties payable	1,075,320	(1,151,464)	(38,767)	(38,767)	(933,142)	(140,788)	-
Trade and other payables	884,922	(884,922)	(884,922)	-	-	-	-
Finance lease liabilities	37,912	(51,623)	(6,733)	(6,733)	(26,934)	(11,222)	-
	1,998,154	(2,088,009)	(930,422)	(45,500)	(960,076)	(152,010)	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

25. Financial instruments (cont'd)

Liquidity risk (Cont'd)

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Company							
30 June 2009							
Trade and other payables	170,951	(170,951)	(170,951)	-	-	-	-
Convertible note	2,489,992	(2,700,000)	(148,500)	(148,500)	(297,000)	(2,106,000)	-
	2,660,943	(2,870,951)	(319,451)	(148,500)	(297,000)	(2,106,000)	-
30 June 2008							
Trade and other payables	200,939	(200,939)	(200,939)	-	-	-	-
	200,939	(200,939)	(200,939)	-	-	-	-

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

2009	**USD**	**EUR**	**GBP**
Cash	-	25,634	-
Trade payables	-	(103,088)	-
Receivables	-	120,301	-
Balance sheet exposure	-	42,847	-

2008	**USD**	**EUR**	**GBP**
Cash	1,115,495	-	-
Trade payables	-	-	(67,302)
Balance sheet exposure	1,115,495	-	(67,302)

The Company was not exposed to any currency risk in 2009 or 2008.

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2009	**2008**	**2009**	**2008**
USD	0.7477	0.8968	0.8114	0.9626
EUR	0.5420	0.6102	0.5751	0.6096
GBP	0.4621	0.4478	0.4872	0.4829

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

25. Financial instruments (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10 percent movement of the Australian dollar against the following currencies at 30 June would have increased (decreased) profit or loss on balances denominated in foreign currencies by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009		2008	
	Profit / Loss		Profit / Loss	
	+10% $	-10% $	+10% $	-10% $
USD	-	-	(101,409)	123,944
GBP	-	-	6,118	(7,478)
EUR	(3,895)	4,761	-	-
	(3,895)	4,761	(95,291)	116,466

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Fixed rate instruments				
Loans to related parties	58,608	109,815	58,608	109,815
Convertible notes	(2,700,000)	-	(2,700,000)	-
Finance lease liabilities	(28,022)	(37,912)	-	-
	(2,669,414)	71,903	(2,641,392)	109,815
Variable rate instruments				
Cash and equivalents	2,815,876	10,307,615	4,465	5,344,218

Cash includes funds held in term deposits and cheque accounts during the year, which earned a weighted average interest rate of 5.35% (2008: 6.55%).

The interest rates applicable to the Group's finance leases are 9.55% (2008: 9.55%) and convertible notes are 11.00% (2008: N/A).

Loans to related parties, excluding subsidiaries, are set at 14.85% (2008: 15.04%).

All other material financial assets and liabilities are non-interest bearing.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

25. Financial instruments (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in AUD	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2009				
Variable rate instruments	28,159	(28,159)	45	(45)
Cash flow sensitivity (net)	28,159	(28,159)	45	(45)
30 June 2008				
Variable rate instruments	103,076	(103,076)	53,442	(53,442)
Cash flow sensitivity (net)	103,076	(103,076)	53,442	(53,442)

Fair values

The carrying amounts of financial assets and liabilities approximate fair value.

26. Capital and other commitments

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Operating lease commitments				
Non-cancellable operating lease contracted for but not capitalised in the financial statements.				
Payable				
- less than 1 year	237,087	226,893	237,087	226,893
- between 1 and 5 years	267,940	502,645	267,940	502,645
	505,027	729,538	505,027	729,538

The property lease is a non-cancellable lease with a 5-year term, with rent payable quarterly in advance. The lease contains provisions for rent reviews on an annual basis, and a 5-year renewable option.

Capital commitments

The Company's and Group's commitments in respect of plant and equipment contracted for but not provided for are set out below:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Payable				
- less than 1 year	379,785	2,776,933	-	-
- between 1 and 5 years	-	10,000	-	-
	379,785	2,786,933	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

27. Cash flow information

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Reconciliation of cash flows from operating activities to loss after income tax:				
Loss for the year	(8,620,973)	(6,305,069)	(8,544,824)	(6,332,030)
Adjustments for:				
• Amortisation	307,026	399,116	-	-
• Depreciation	570,162	461,677	-	-
• Impairment of intangibles	264,197	379,098	-	-
• Impairment of property, plant & equipment	1,374,447	-	-	-
• Loss from asset writedowns	-	106,875	-	-
• Amortisation of convertible loan costs	15,158	-	15,158	-
• Share based payment expense	201,322	16,000	201,322	16,000
• Convertible note accrued interest	76,671	-	76,671	-
• Foreign exchange gain	(336,491)	-	-	-
• Finance costs	20,565	65,703	-	-
• Gain from recognition of re-acquired asset	-	(499)	-	-
• Provision for diminution in investments	-	-	-	39,613
• Provision for non recovery of intercompany loans	-	-	7,579,522	5,952,585
Operating loss before changes in working capital	(6,127,916)	(4,877,099)	(672,151)	(323,832)
(Increase)/decrease in trade & other receivables	491,366	(31,631)	28,909	(43,035)
(Increase) in inventories	2,991	(54,699)	-	-
(Increase)/decrease in other current assets	56,581	14,323	(8,748)	(39,635)
(Decrease)/increase in trade and other payables	(203,358)	(309,817)	(106,660)	97,551
Increase in employee benefits	27,736	7,487	-	-
Net cash used in operating activities	(5,752,600)	(5,251,436)	(758,650)	(308,951)

28. Related parties

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" in note 7 is as follows:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Short-term employee benefits	1,399,592	1,182,257	190,958	176,439
Post-employment benefits	48,650	16,290	-	-
Share based payments	201,322	16,000	201,322	16,000
	1,649,564	1,214,547	392,280	192,439

Individual directors and executives compensation (key management personnel remuneration) disclosures

Information regarding individual directors' and executives' remuneration and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in the Remuneration Report and below, no director has entered into a material contract with the Company or the Group since the end of the previous financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

28. Related parties (cont'd)

Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2008 $	Balance 30 June 2009 $	Interest paid and payable in the reporting period $	Highest balance In period $
Director				
Dale Brosius	103,708	58,608	8,900	107,499

During the 2008 financial year Mr Dale Brosius received the above loan from the Company. The loan was for $100,000 with interest payable on commercial terms and a term of 6 months with option to extend by either party. During the year the loan principal has been reduced by $54,000 (2008: nil) through the offsetting of certain employee entitlement amounts.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director	Transaction	Note	Consolidated 2009 $	Consolidated 2008 $		Company 2009 $	Company 2008 $
Mr N Noble	Accommodation and consulting services	(i)	-	1,800		-	-
Mr D Graham	Consulting services	(ii)	50,537	40,000		-	-
Mr D Graham	Consulting services	(iii)	-	48,440		-	-

(i) A company associated with Mr Noble, Dolphin Dreams, provided accommodation services during 2008 to the Group. Terms for such services were based on market rates, and amounts were payable on a monthly basis.

(ii) A company associated with Mr Graham, Decta Holdings Pty Ltd, provided prototype design services, patent portfolio management and development program coordination. Terms for such services were based on market rates and amounts were payable on a monthly basis.

(iii) A company associated with Mr Graham, Golden Rivers Mining Pty Ltd, provided management consulting services. Terms for such services were based on market rates, and amounts were payable on a monthly basis. During the year Mr Graham was appointed an executive of the company.

Assets and liabilities at 30 June arising from the above transactions	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current liabilities				
Other creditors and accruals	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

28. Related Parties (cont'd)

Equity holdings

Options and rights over shares

The movement during the reporting period in the number of options over ordinary shares in Quickstep Holdings Limited held, directly, indirectly or beneficially by each key management persons, including their personally-related entities at 30 June 2009, are as follows:

	Exercise price	Expiry date	Held at 1 July	Held at date of appointment	Expiry of options	Exercised	Held at 30 June
2008 **Directors**							
Mr P C Cook	$0.25	15 April 2010	168,000	N/A	-	(168,000)	-

There were no options over ordinary shares in Quickstep Holdings Limited held by key management personnel during the 2009 year.

No options were granted to key management personnel during the reporting period as compensation. Options held by key management personnel are vested and exercisable.

The movement during the reporting period in the number of rights over ordinary shares in Quickstep Holdings Limited held, directly, indirectly or beneficially by each key management persons, including their personally-related entities at 30 June 2009, are as follows:

	Held at 1 July	Granted as compensation	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2009 **Directors**					
Mr P Odouard	-	882,353	882,353	-	-
Executives					
Mr A Myers	-	800,000	800,000	800,000	800,000
Mr P Williams	-	411,765	411,765	-	-

Shares

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July	Purchases	Disposals	Received on exercise of options	Issued as compensation	Held at 30 June
2009 **Directors**						
Mr P M Odouard	-	-	-	-	-	-
Mr D E Brosius	800,000	-	-	-	-	800,000
Mr M B Jenkins	-	-	-	-	-	-
Mr D F G Graham	41,335,730	-	(2,684,201) (3)	-	-	38,651,529
Mr P C Cook	344,300	-	-	-	-	344,300
Mr N M Noble *(resigned 30/9/2008)*	4,270,350	1,210,972	(556,416)	-	-	n/a (4)
Executives						
Mr A M Myers	-	-	-	-	-	-
Dr J Schlimbach	-	-	-	-	-	-
Mr P J Williams	-	-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

28. Related Parties (cont'd)

Equity holdings (Cont'd)

Shares (Cont'd)

	Held at 1 July	Purchases	Disposals	Received on exercise of options	Issued as compensation	Held at 30 June
2008						
Directors						
Mr D E Brosius	-	-	-	-	800,000 (1)	800,000
Mr M B Jenkins	-	-	-	-	-	-
Mr D F G Graham	41,330,730	5,000	-	-	-	41,335,730
Mr P C Cook	168,000	8,300	-	168,000	-	344,300
Mr N M Noble	3,784,000	86,350	-	-	400,000 (2)	4,270,350
Executives						
Mr A M Myers	-	-	-	-	-	-
Dr J Schlimbach	-	-	-	-	-	-

(1) On 6 December 2007, 800,000 ordinary fully paid shares were issued to Mr D Brosius in accordance with the terms of the Executive Service Agreement between the Company and Mr Brosius. The issue of shares was approved by shareholders at the Company's Annual General Meeting held in November 2007.

(2) On 6 December 2007, 400,000 ordinary fully paid shares were issued to Mr N Noble in accordance with the terms of the Executive Service Agreement between the Company and Mr Noble. The issue of shares was approved by shareholders at the Company's Annual General Meeting held in November 2007.

(3) On 14 August 2008 a related party of Mr D Graham (Decta Holdings Pty Ltd) disposed of 1,684,201 shares via an on market trade and transferred an additional 1,000,000 shares in an off market transaction to Mr N Noble.

(4) Mr N Noble ceased to be a key management person on 30 September 2008.

Non-key management personnel disclosures

Wholly owned group

Non-director related parties are the Company's controlled entities. Details of the Company's interest in controlled entities are set out in note 18. Details of dealings with these entities are set out below.

Transactions

The loans to controlled entities are unsecured, interest-free and at call. The loans are provided primarily for capital purchases and working capital purposes.

Receivables

Aggregate amounts receivable from non-key management personnel (note 13):

	Company 2009 $	Company 2008 $
Non-current		
Unsecured loans to controlled entities	26,871,681	19,714,778
Less: provision for non-recovery	(17,667,992)	(10,088,470)
	9,203,689	9,626,308

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

29. Equity accounted investees

On 1 May 2008 the Group acquired a 20 percent investment in QuickPipes Pty Ltd for the amount of $2. This investee was established as an incorporated joint venture in conjunction with Vortex Pipes Ltd to research and develop a composite pipe for industrial applications. At reporting date, the investee held no assets or liabilities and had not entered into any transactions.

30. Share based payments

The Company has established the Quickstep Holdings Limited Employee Share Option Scheme ("Scheme") to provide a means by which employees of the Group, including directors, upon whom the responsibilities for the successful growth of the Group rest, can share in such growth, thereby strengthening their commitment to the Group. Pursuant to the Scheme, and subject to any approvals required by the Corporations Act 2001 and the ASX Listing Rules, the directors may, from time to time, resolve to grant such numbers of options, at such exercise price to such employees of the Group as determined by the directors.

To date, only two option issues have been made pursuant to the Scheme. These were made to the retiring directors in June 2005, Messrs Land and Smalley. Mr Land was issued 480,000 options and Mr Smalley 240,000 options. The options vested one month from the date of grant and were exercisable by 16 June 2010.

During the year ended 30 June 2009 there were no options exercised (2008: nil).

There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The number and weighted average exercise prices ("WAEP") of options are as follows:

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at the end of the year	440,000	$0.26	440,000	$0.26
Exercisable at the end of the year	440,000	$0.26	440,000	$0.26

Performance shares / rights issued during 2009 were as follows:

	2009 Number	Vesting conditions
Performance shares / rights on issue July 1	-	
Performance shares / rights granted	800,000	Vest immediately on date of signing contract
Performance shares / rights granted	1,294,118	Vest in two tranches as long as employee remains with the Group. 1/3 vest after the 2010 AGM, 2/3 vest after the 2011 AGM
Total performance shares / rights on issue 30 June	2,094,118	

There were no performance shares / rights issued or on issue in 2008.

	Consolidated		Company	
	2009	2008	2009	2008
Employee expenses	$	$	$	$
Performance shares / rights granted	201,322	16,000	-	-

Other

The Company has entered into executive service agreements with its executive directors. Those agreements include the issue of shares to the directors in prescribed circumstances. Refer to the Remuneration Report for further details. During the year $201,322 (2008: $16,000) was expensed in the income statement with regard to share based payments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

31. Subsequent Events

On 15 July 2009 the Company received the first $2 million tranche of funding from InvestOne Financial Advisory Est. This funding related to the $10 million Convertible Loan facility that was established with InvestOne Financial Advisory Est. ("InvestOne"), a subsidiary of Al Farida Investments Company LLC, a diversified conglomerate headquartered in Abu Dhabi. On 23 September 2009, at a General Meeting of shareholders, the shareholders approved the Convertible Loan Agreement that the Company had entered into with InvestOne.

On 7 August 2009 the Company issued 720,808 fully paid ordinary shares as payment to advisors and contractors for services rendered.

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 2009.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009

In the opinion of the directors of Quickstep Holdings Limited:

1. (a) the financial statements and notes and Remuneration Report in the Directors' Report, set out on pages 16 to 50 and pages 8 to 13 respectively, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and their performance, for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report complies with International Financial Reporting Standards as described in Note 1 (b);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Dated at Perth, Western Australia this 30th day of September 2009.

Signed in accordance with a resolution of the directors:

P M Odouard
Director

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Quickstep Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

M Beevers
Partner

Perth

30 September 2009

Quickstep

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUICKSTEP HOLDINGS LIMITED

KPMG

Independent auditor's report to the members of Quickstep Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Quickstep Holdings Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUICKSTEP HOLDINGS LIMITED (cont'd)

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Quickstep Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to note 1(c) in the financial statements.

As discussed in note 1(c), should the Group be unable to draw on the funding available pursuant to its Convertible Note Agreement or obtain funding from other sources and/or be unsuccessful in establishing sufficiently profitable operations, there is material uncertainty which may cast significant doubt as to whether the Company and Group will continue as a going concern and therefore realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QUICKSTEP HOLDINGS LIMITED (cont'd)

KPMG

Auditor's opinion

In our opinion, the remuneration report of Quickstep Holdings Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M Beevers
Partner

Perth

30 September 2009

Quickstep

DETAILS OF SHARES AND OPTIONS AS AT 2 OCTOBER 2009:

Voting rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

Substantial shareholders

The names of substantial shareholders in the company and the number of shares to which each substantial shareholder and their associates have a relevant interest are set out below:

Substantial Shareholder	Number of Shares
Decta Holdings Pty ltd	38,651,529

On-Market buy back

There is no current on-market buy back.

Distribution schedules

Distribution of each class of security as at 2 October 2009:

Ordinary fully paid shares

Range			Holders	Units	%
1	–	1,000	305	135,084	0.08
1,001	–	5,000	604	1,937,726	1.19
5,001	–	10,000	669	5,726,984	3.51
10,001	–	100,000	1,323	41,768,075	25.59
100,001	–	Over	157	113,632,575	69.63
Total			3,058	163,200,444	100.00

Options exercisable at $0.25 on or before 15 April 2010 (unlisted)

Range			Holders	Units	%
1	–	1,000	–	–	–
1,001	–	5,000	–	–	–
5,001	–	10,000	1	9,600	0.15
10,001	–	100,000	35	1,418,698	22.31
100,001	–	Over	19	4,929,860	77.54
Total			55	6,358,158	100.00

DETAILS OF SHARES AND OPTIONS AS AT 2 OCTOBER 2009 (cont'd):

Distribution schedules (cont'd)

Options exercisable at $0.26 on or before 16 June 2010 (unlisted)

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	2	480,000	100.00
Total	2	480,000	100.00

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,562 shares at $0.32 per share as at 2 October 2009):

Holders	Units
380	237,580

Top holders

The 20 largest registered holders of each class of quoted security as at 2 October 2009 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Decta Holdings Pty Ltd	38,651,529	23.68
2.	WSF Pty Ltd <Alan D Hill S/F A/C>	4,915,418	3.01
3.	Washington H Soul Pattinson and Company Limited	4,567,000	2.80
4.	Nicholas Michael Noble	3,900,000	2.39
5.	State One Stockbroking Ltd	3,810,449	2.33
6.	Mr Julius Solomons and Mrs Dianne Solomons <The Sols Super Fund A/C>	2,740,440	1.68
7.	Romadak Pty Ltd <Romadak Super Fund A/C>	2,602,300	1.59
8.	HSBC Custody Nominees (Australia) Limited	2,432,595	1.49
9.	Boldbow Pty Ltd	2,083,235	1.28
10.	Prunelle Holdings Pty Ltd	2,077,692	1.27
11.	Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	1,862,923	1.14
12.	Equity Trustees Limited <SGH Micro Cap Trust A/C>	1,800,000	1.10
13.	Aileendonan Investments Pty Ltd	1,705,500	1.05
14.	Davmin Pty Ltd	1,500,000	0.92
15.	Mr David Creighton Gellatly & Mrs Evelyn May Gellatly	1,250,000	0.77
16.	Mr Paul Baster & Ms Catherine Bellemore	1,150,000	0.70
17.	State One Stockbroking Ltd <AHH A/C>	1,112,618	0.68
18.	Washington H Soul Pattinson and Company Limited	1,000,000	0.61
19.	Best Holdings Pty Ltd	1,000,000	0.61
20.	Mr William Robert Hawkes (Hawkes Family A/C)	1,000,000	0.61
		81,161,699	49.71

Quickstep

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