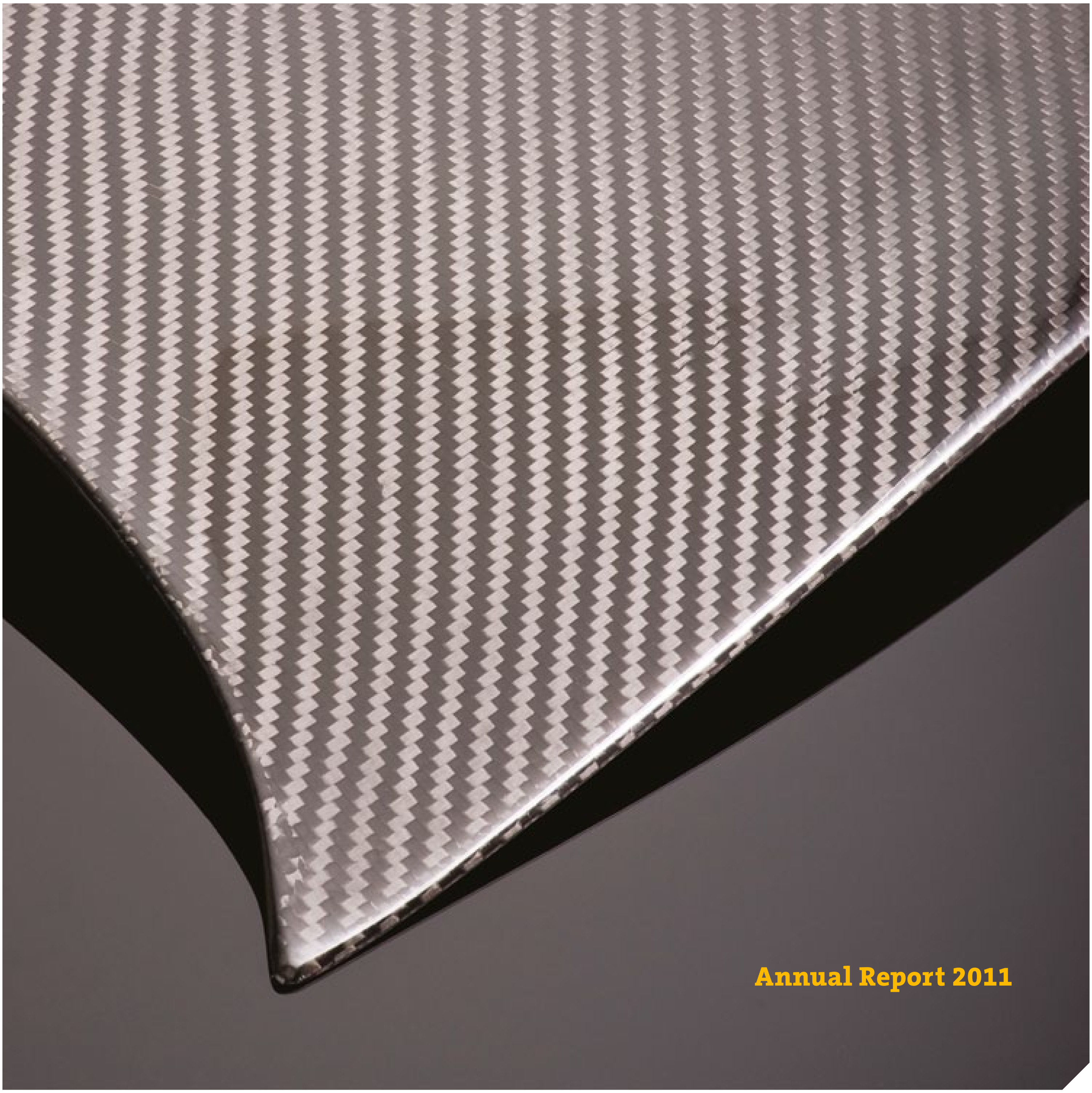
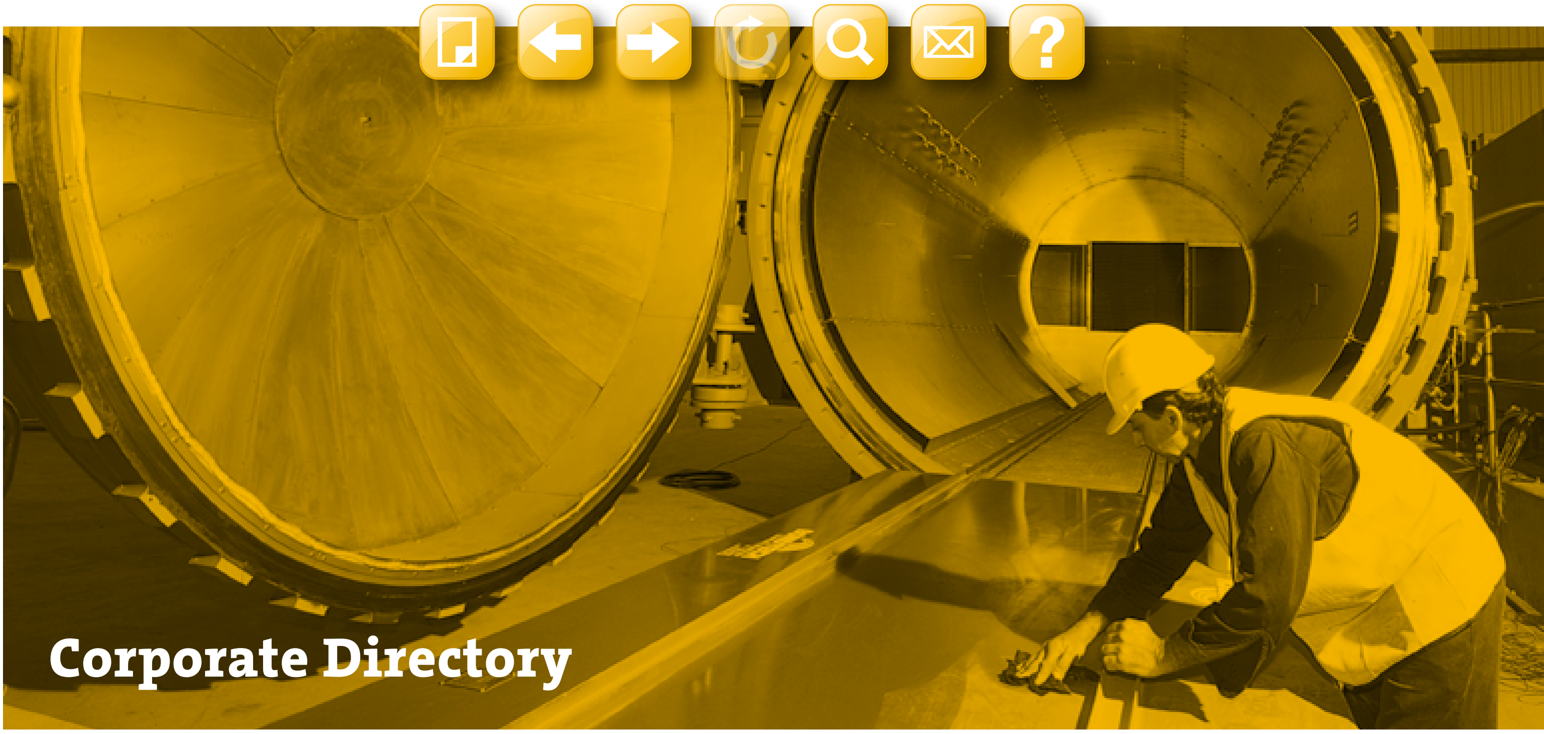
Why wait for the future.

Quickstep



Annual Report 2011



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

Air Marshal Errol John McCormack (Ret'd) AO
Non-executive Director

Mr David Patrick Alexander Singleton
Non-executive Director

Mr David Edward Wills
Non-executive Director

Company Secretary

Mr Phillip James MacLeod

Principal Office

136 Cockburn Road
North Coogee Western Australia 6163
T +61 8 9432 3200
F +61 8 9432 3222
E info@quickstep.com.au
www.quickstep.com.au

Registered Office

136 Cockburn Road
North Coogee Western Australia 6163

Auditors

KPMG Chartered Accountants
235 St Georges Terrace
Perth Western Australia 6000

Solicitors

Clifford Chance
London House, 216 St Georges Terrace
Perth Western Australia 6000

Patent Attorney

Watermark
21st Floor, 77 St Georges Terrace
Perth Western Australia 6000

Share Registry

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

Stock Exchange

Australian Securities Exchange Limited
Exchange Plaza, 2 The Esplanade
Perth Western Australia 6000

ASX Code: QHL

brr boardroom radio

To listen live to the Managing Director's Report during Quickstep's AGM and for replay thereafter copy and past into your browser the following address: **brr.com.au/event/87837**

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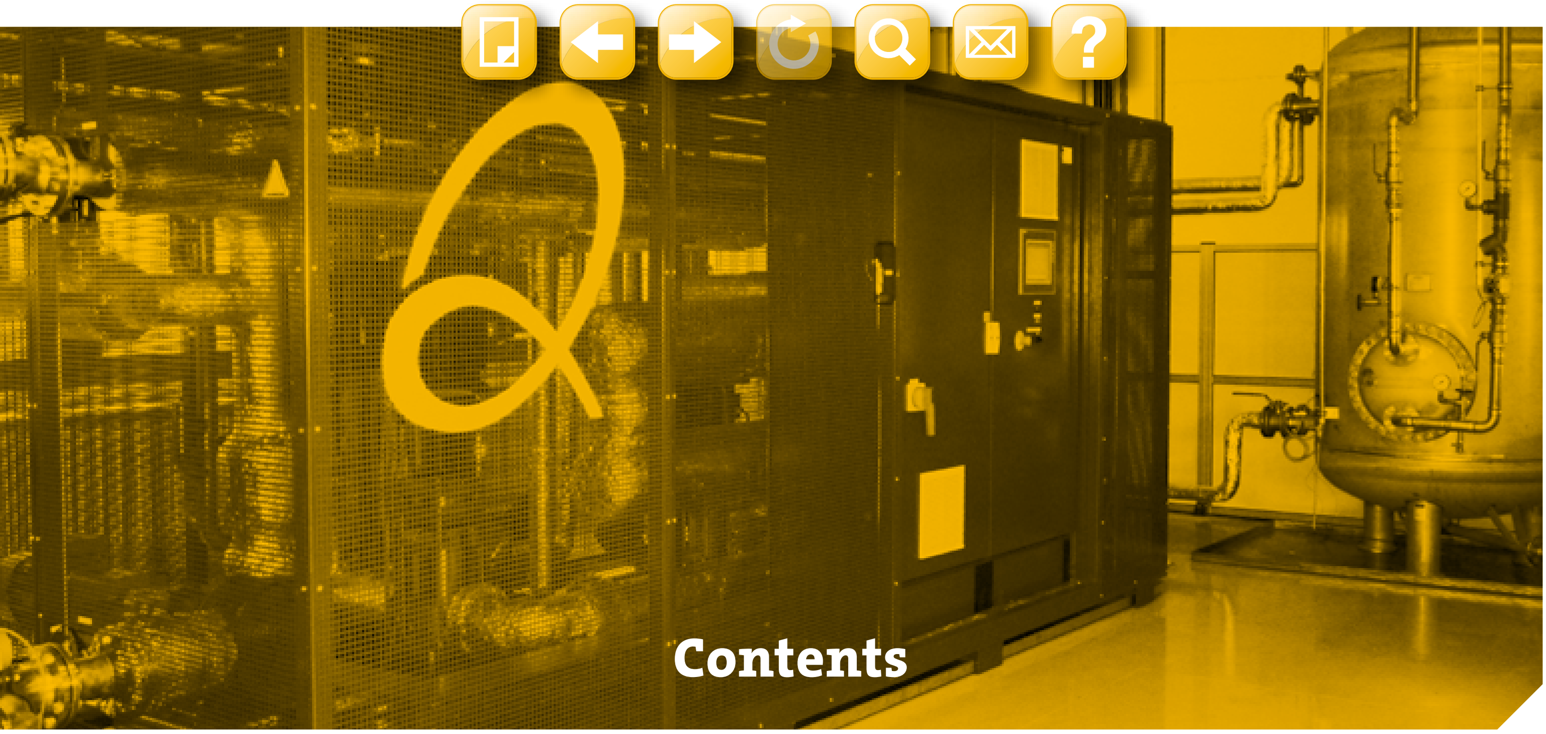

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Where the button appears in pale yellow the relevant action is not available for that specific page. See example below:

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Function available

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About Quickstep

Over the course of 2010-2011 Quickstep has consistently achieved significant milestones to position ourselves to become a leading independent advanced composite manufacturer.

October 2010

Vector Composites signs licensing agreement for the patented 'Quickstep Process', enabling it to develop and produce composite structural parts for the North American market.

November 2010

Vector Composites and Quickstep Composites enter into strategic teaming agreement to enable future collaboration on business opportunities in funded research and development, prototype development and aerospace production programs.

February 2011

Quickstep signs Long Term Agreement (LTA) with Northrop Grumman for the supply of group one parts for the F-35 Joint Strike Fighter. The LTA is the first of several agreements planned in the Memorandum of Understanding that Quickstep signed with F-35 OEM Lockheed Martin and prime contractor Northrop Grumman in November 2009.

Quickstep signs heads of agreement for 10 year lease on 4000+ sqm facility in Bankstown, NSW along with deed outlining NSW government financial support.

March 2011

Quickstep and Sikorsky sign Memorandum of Understanding (MOU) on defence contracts and Quickstep Process development. Under the terms of the MOU, the two companies plan to work together to enable Quickstep to become a recognised supplier to Sikorsky's supply chain and to conduct joint development work aimed at preparing the 'Quickstep Process' for use in the supply chain.

March 2011

Quickstep produces first proof-of-concept painted carbon fibre flat panel with A grade finish for the automotive industry. By using the patented Resin Spray Transfer (RST) process, Quickstep plans to overcome the cost and time normally incurred in automotive part manufacturing of this standard.

April 2011

Quickstep secures $17.3 million funding through an agreement with USA-based financier La Jolla Cove Investors Inc. along with funds raised through share placements and share purchase plan.

May 2011

Quickstep wins two awards – Manufacturer of the Year and the Global Integration Award at the 2011 Manufacturers' Monthly Endeavour Awards.

May 2011

Quickstep commissions first industrialised plant that will be available to customers as a 'turn-key' off-the-shelf product that simplifies and streamlines the manufacturing process for end users.

June 2011

Sikorsky wins Australian Government Air 9000 Phase 8 naval helicopter contract, allowing for Quickstep to progress negotiations on its MOU with Sikorsky.

Chairman's Report

Our focus is on the aerospace and automotive industries as they are truly global sectors where many billions of dollars are being invested to improve fuel economy by reducing overall weight

Dear Shareholder,

Even in these days of globalisation, building a business with a truly worldwide footprint does not happen overnight. To become a globally recognised company takes vision, sustained hard work and a strong belief in the products and services being delivered.

Quickstep has continued to grow over the past year and has steadfastly maintained its focus on aerospace and defence manufacturing including the F-35 contract and the commercialisation of its patented Quickstep Technologies for automotive and aerospace use.

This has been supported by:

1. Investment in our own manufacturing facilities, which means that Quickstep is now poised to become Australia's largest independent producer of advanced composite materials for the aerospace and defence sector; and
2. Continued development of the patented Quickstep fluid-based curing process and associated technologies, which have demonstrated significant reductions in production costs and time when compared to a conventional autoclave approach.

This two-pronged approach to building sustainable revenues is starting to be reflected in both top and bottom lines. While the Company continued to report a loss in FY2011, revenue streams have improved and are projected to continue growing with the start of manufacturing for the Joint Strike Fighter Project in early 2012. Similarly, we are seeing strong interest for our patented Quickstep Process from both the aerospace and automotive industries.

As these revenue streams develop, the Board and management are confident of the potential for Quickstep to create shareholder value in the coming years.

Market Overview

Globally, the advanced composite sector is still in its infancy, with many industries still researching ways to use the inherent qualities of these exciting new materials. Our focus is on the aerospace and automotive industries, as they are truly global sectors where many billions of dollars are being invested to improve fuel economy by reducing overall weight.

While advanced composites have been around for a number of years, it is only in recent times that fuel economy has been a major driver, and that production processes have created a competitive tension between the traditional use of metals and the use of modern, innovative, lightweight, advanced composite materials. With a growing emphasis on fuel economy, and European and American markets mandating new car fuel consumption parameters, Quickstep is well positioned to become a leading player in its chosen sectors.

Quickstep expects to license technologies to not only manufacture advanced composites to standards that were previously considered only possible for the aerospace sector, but also within the stringent economic demands of the automotive sector.

The defence sector is by its very nature a difficult market to break into. This is not surprising when there is so much at stake in the production of fighter planes and helicopters. The fact that Quickstep has achieved qualified manufacturing status in such a short time is a credit to the drive, determination and vision of all the Company's staff. The defence and aerospace sectors are tough routes to market for any company. However, with Quickstep achieving acceptance as a manufacturer to US majors Northrop Grumman and Lockheed Martin, we have met a standard that opens doors into many other aerospace and defence opportunities.

We acknowledge the intense pressure that the strong Australian dollar and high employment costs are having on industry competitiveness in this country. We believe, however, that the application of world class technology and innovation to the aerospace and automotive industries can make Quickstep competitive. Our model includes licensing our technology to OEM's and key industry suppliers which will further strengthen our position. The support of the Australian Government in providing innovation grants and industry funding packages has been an important element of our ability to reach our current position.

Management and Staff

Quickstep is the sum of its people. Advanced composite technologies don't just happen, manufacturing facilities do not just appear and nor do contracts just sign themselves – they are the result of collaboration, innovation and vision by many people. What we have achieved over the past year, in particular, could not have been done without the strong and positive leadership and the vision of our Managing Director, Philippe Odouard, and his senior management team.

Despite all of the challenges we face as a growing company, the Board is particularly proud of the depth of talent the Company has been able to attract and retain at all levels of staff and executive. It is certainly another indicator of Quickstep's positive future that we have been able to build such a strong team with a deep knowledge of manufacturing and production in the aerospace sector. The result is a highly talented team focused on maximising the global opportunities available to Quickstep.

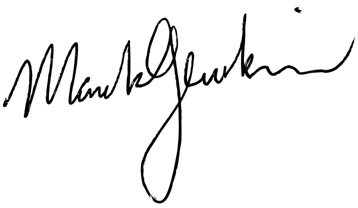
The Board

As the Company achieved its stated milestones and gained recognition within the aerospace industry, we were able to attract strong candidates at the Board level and have welcomed three additional Directors in past financial year: Air Marshall Eric McCormack AO, a former Chief of the Royal Australian Air Force; David Singleton, former senior executive with BAE Systems; and David Wills, a former managing partner of PriceWaterhouseCoopers Sydney.

We now have a Board of highly experienced and skilled Directors who bring to the table a diverse range of talents, knowledge and experience. Their extensive industry experience and knowledge have already contributed much to the success of this past year. The Board has been successful in one of its most important tasks this year—providing Philippe Odouard and his team with a highly experienced multifaceted support as he grows and shapes Quickstep.

My confidence in Quickstep is based on the belief that we have the people, technologies, infrastructure and facilities in place to ensure the coming financial year is a strong and positive year for Quickstep.

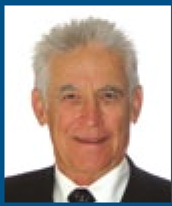
Yours sincerely,



Mark Jenkins

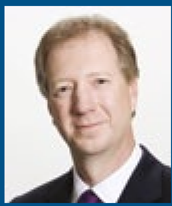
Chairman

New Board members



Air Marshall Errol McCormack AO

Retired former Chief of the Royal Australian Air Force



David Singleton

Former senior executive with BAE Systems

David Wills

Former managing partner of PriceWaterhouse Coopers Sydney

Managing Director's Report

The major highlight of the year was the signing of a Long Term Agreement to manufacture parts for the international F-35 Joint Strike Fighter

Dear Shareholder,

The 2011 financial year has seen the achievement of some critical milestones by Quickstep in our progress towards becoming a prominent supplier of advanced composite products to the global aerospace industry and manufacturing technology solutions in the automotive industry.

During this year the Company secured substantial grant support from Federal and State governments and increased its revenues demonstrating its ability to access funding above and beyond shareholder funding.

We have continued to develop the strategy presented to our shareholders in the last few years. The three components of that strategy are:

01 Winning manufacturing contracts using traditional manufacturing technologies, such as autoclaves, and "next generation" technologies, such as our patented Quickstep Process.

02 Licensing the Quickstep Process to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines, technology transfer and support services.

03 Conducting Research & Development on Quickstep and associated technologies, where possible on a paid basis on behalf of customers, to validate its suitability for their specific needs.

Manufacturing

The major highlight of the year was the signing of a Long Term Agreement (LTA) to manufacture parts for the international F-35 Joint Strike Fighter (JSF) program which should continue for the next 20 years. Since year end the first of an annual series of planned orders has been received and the first Destruct Test Article delivered in October 2011. The first flying parts will be delivered in early 2012. The achievement of these milestones on or ahead of the original schedule committed to 24 months ago has demonstrated Quickstep's capability to the JSF community and the wider Aerospace industry.

This production order represents a major breakthrough for the Company following years of dedicated effort and hard work, particularly considering that the international defence industry has perhaps one of the highest barriers to entry of any industry in the world. For companies that are successful in overcoming these barriers to entry, the contracts are generally large scale and long-term as exemplified to the 20 year potential of the JSF contract.

The international recognition flowing from the signing of this LTA has already resulted in discussions and proposals being submitted on a number of substantial Aerospace and Defence programs – such as the Sikorsky naval helicopter – which, if concluded could deliver solid long-term business opportunities in conventional composite manufacturing as well as utilising the patented Quickstep Process.

In parallel with the signing of the LTA, the Company announced plans to establish a major new aerospace manufacturing facility at Bankstown Airport in south-west Sydney, New South Wales - a facility previously used by the US aerospace giant Boeing - which will secure our long-term manufacturing capabilities.

Quickstep Process Commercialisation

We have:

- commissioned the first production-ready manufacturing plant capable of curing composites based on the Quickstep Process;
- progressed the qualification of our process in co-operation with Lockheed Martin through the US Government-funded Small Business Innovation Research program; and
- successfully delivered against our milestones in the European market through our German subsidiary.

Research and Development – Automotive

This is probably one of the major highlights of the year for Quickstep. Following our strategy to develop one of our patents for the automotive industry, we have progressed considerably in validating its major potential in that market.

Parts manufactured to date using the Quickstep Process and our patented resin spray transfer (RST) technology exhibit superior surface finish straight out of the mould. With carefully specified resin formulation and process control, the parts display an A-grade automotive finish a critical feature for the automotive industry and currently a significant barrier to carbon fibre commercialisation. In addition to our demonstrated and superior fast production cycles, this should dramatically reduce part costs – making advanced composites a competitive replacement for traditional steel automotive bodies for the first time in history.

Quickstep patented RST combines the three attributes of high quality finish, speed of production and low cost together in a unique way that should provide broad market acceptance when introduced into production.

We have secured cooperation with leading automotive manufacturers, validated resins, demonstrated outstanding results in terms of finish quality, proven most of the steps leading to a robust manufacturing solution and designed business solutions to generate substantial revenues for our shareholders. This has been financially supported by the Climate Ready Grant awarded to Quickstep by the Australian Department of Innovation.

Corporate

- In February, Quickstep signed a major grant with the Government of New South Wales to set up a manufacturing facility in NSW.
- In April, Quickstep secured up to US$15 million in funding through a Convertible Note Facility. The Company also undertook a share placement and Share Purchase Plan and raised A$4.5 million.
- In recognition of Quickstep's success in entering the F-35 Joint Strike Fighter global supply chain, the Company was awarded both the "Manufacturer of Year" and "Global Integration" Awards at the 2011 Manufacturers' Monthly Endeavour Awards held in Melbourne in May. The Global Integration Award recognises manufacturers who have successfully engaged in international supply chains. The Manufacturer of the Year was chosen from all nominees across all award categories, and represents a very positive endorsement of the Company's success in securing contracts within the international JSF program.
- The Quickstep team was significantly boosted by the appointment of Mike Schramko, the former operations manager of Boeing Aerostructures Australia, as Operations Manager; Sebastien Godbille, the former CEO of Daher – Australian Aerospace, as the new General Manager of Quickstep Process Systems; and International Business Development Manager Ari Vihersaari, former Senior Business Development Manager of Patria Aerostructures Ltd Finland, a major supplier to Airbus, Boeing and Bombardier.

Outlook

In recent years Quickstep has gone through substantial growth and change. We will continue to evolve, develop and build our portfolio of patents, our manufacturing skills and our revenue base. In the coming year we aim to achieve three major milestones:

- The delivery of our first parts for the Joint Strike Fighter Project;
- The commissioning of our Bankstown manufacturing facility;
- Finalising the research on RST and completing its industrialisation for the automotive industry to provide a quantum leap in terms of composite technology for this market.

Achieving these three milestones will provide the Company with a solid base from which we can continue to expand.

We expect to start ramping up production from this base and to continue bidding for new programs. The aerospace and defence sectors offer so much scope for growth that our focus is on ensuring that Quickstep is well positioned to capitalise on opportunities as they present themselves.

Concurrently, our efforts to commercialise Quickstep's technology are starting to bear fruit. This is presenting itself with solid enquiries to licence our technology and to purchase Quickstep machines (and the associated support services), as well as form partnerships with us in specific programs for the aerospace and automotive sectors.

Philippe Odouard

Chief Executive Officer

Aerospace Manufacturing Contracts

» On 2 February 2011, Quickstep signed a landmark Long Term Agreement (LTA) with Northrop Grumman Corporation to manufacture Group One parts for the international F-35 Joint Strike Fighter (JSF) program. Under the LTA, first JSF parts and first cash flow will be delivered in early 2012, as envisaged in the MOU.

Quickstep signed a landmark Long Term Agreement with Northrop Grumman Corporation to manufacture Group One parts for the international F-35 JSF

» The LTA is the first of several agreements which will implement the Memorandum of Understanding (MOU) that was signed in November 2009 with F-35 Original Equipment Manufacturer Lockheed Martin and Prime contractor Northrop Grumman.

» In June, the Company successfully passed the key "Toll Gate" review set by Northrop Grumman which allows Quickstep to start production of actual production parts. This was achieved on the date that was committed to in the MOU signed 24 months ago.

» Quickstep received its first Purchase Order covering Group 1 of the components required for the F-35 contract for delivery up to July 2012. It is anticipated that two more LTA's will follow for Group 2 and 3 respectively, under which ongoing Purchase Orders are placed for each buying period. Quickstep is expected to supply up to 16 different JSF components, including lower side skins, maintenance access panels, fuel tank covers and lower skins – projected to amount to over 36,000 parts over the life of the program.

» The Company secured a further opportunity for aerospace/defence manufacturing work in Australia following the signing of the MOU with Sikorsky International Operations Inc., which has secured a contract to manufacture and support 24 MH-60R Multi Mission helicopters under the Australian Department of Defence's Air 9000 Phase 8 program with team Lockheed Martin/Sikorsky valued at around AUD$2 billion.

» Under the MOU, Quickstep is well placed to become a recognised supplier to Sikorsky's global supply chain, enabling the Company to be a participant in Sikorsky's Australian Industry Participation Program and seek opportunities to review the application of the Quickstep Process.

» The Company is either in active discussions or engaged in the Request for Quote process with other large US-based and European organisations for further aerospace and defence contracts. These opportunities are significant and, if won by Quickstep, will result in the commencement of these contracts before peak production occurs on the JSF program.

Relocation to Bankstown Manufacturing Facility

» In order to maintain its contractual obligations relating to the international F-35 Joint Strike Fighter (JSF) program, Quickstep has secured a long-term, large scale manufacturing facility in Bankstown, New South Wales. The new facility was previously used by US aerospace giant Boeing, meaning significant infrastructure is in place to support Quickstep's future manufacturing requirements. The facility comprises two buildings – a 1,250m^2 office building and a 3,500m^2 main hangar, which is being extended to 4,000m^2.

» The new location will enable the Company to access a sophisticated base of aerospace contractors and industry, as well as highly skilled workforce residing in New South Wales and previously employed by Boeing. The Company's relocation will be handled to minimise schedule risk and ensure that the timeframe for the JSF component delivery is met.

» Construction of the facility is on schedule for completion in early 2012 with production commencement expected in the first half of 2012. The Company has placed its initial permanent staff at the Bankstown facility and office space has been established.

Quickstep has secured a long-term, large scale manufacturing facility in Bankstown, New South Wales

Quickstep Process Activities

- During the year, the Company signed a formal agreement with the Ohio-based company Vector Composites, Inc. to jointly promote the patented Quickstep Process to the North American aerospace and defense industries. Under the agreement, Vector and Quickstep will collaborate to create business opportunities in funded research and development, prototype development and demonstration of advanced composite structural components, as well as aerospace production programs. The agreement resulted from Vector and Quickstep's success in winning a major United States Air Force Small Business Innovation Research Phase II program.
- The Company commissioned its first production-ready manufacturing plant at its German facility, which will simplify and streamline the manufacturing process for end users. The plant has the ability to cure composite components based on the standardised Quickstep Process. Discussions with potential customers for the plant are already underway.

Research & Development

- Quickstep's patented Resin Spray Transmission (RST) has met numerous milestones in the development program to manufacture A Class finish automotive panels. The program is utilising funding from the $2.6 million AusIndustry Climate Ready Grant to ultimately enable fully robotic production of carbon automotive parts at a comparable cost to metal parts. The development program is due for completion in 2012.

The agreement resulted from Vector and Quickstep's success in winning a major United States Air Force Small Business Innovation Research Phase II program

Financial Report

For the year ended 30th June 2011

The Directors present their report together with the financial statements of the Group, being Quickstep Holdings Limited (the "Company") and its subsidiaries, for the financial year ended 30 June 2011 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 47, 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 of America 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 Western Australia 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, M.Sc (Bus.)
Managing Director and Chief Executive Officer - appointed 23 October 2009

Mr Odouard, aged 56, 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 President Quickstep Composite LLC - appointed 13 August 2004

Mr Brosius, aged 53, as the Chief Operating Officer is responsible for the commercial development of the Company's technology in Europe and the Americas, and serves as president of Quickstep Composites LLC, the Company's USA subsidiary in Dayton, Ohio. He brings extensive practical experience in the composites field, having led composites-oriented businesses in the USA and Europe, with a strong emphasis on materials. He is based near Indianapolis, Indiana.

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.

1. Directors (cont'd)

In 1979 Mr Brosius graduated with a Bachelor of Science in Chemical Engineering from Texas A&M University, and in 1990 earned his MBA from the University of Phoenix.

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

Mr Graham, aged 50, 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 Graham holds a Diploma of Company Directors from the Australian Institute of Company Directors.

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

Mr Cook, aged 64, 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. Mr Cook has had extensive experience in the commercialisation of innovation, both in new and established markets. Mr Cook 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.

Air Marshal Errol John McCormack (Ret'd), AO
Independent Non-Executive Director - appointed 11 August 2010

Air Marshal McCormack, aged 70, has extensive experience as a Senior Commander in the Royal Australian Air Force.

Errol McCormack served in the Royal Australian Air Force for 39 years, retiring in 2001 as Chief of Air Force with the rank of Air Marshal. During his period of service he commanded at unit, wing and command level, held staff positions in capability development, operations and educational posts and attended both RAAF and Joint Services Staff Colleges. His overseas postings included flying tours in Vietnam, Thailand, Malaysia and Singapore, an exchange tour with the US Air Force flying the RF4C, Air Attaché Washington and Commander Integrated Air Defence System in the Five Power Defence Agreement between Malaysia, Singapore, UK, New Zealand and Australia.

Since his retirement from the RAAF he has established a company providing consultancy services for multi-national companies working with the Australian Department of Defence.

He is also Non-Executive Chairman of Chemring Australia Pty Ltd, a countermeasures and pyrotechnic manufacturing company based in Victoria, and consults for Chemring Group PLC and General Electric Military Engines.

His pro-bono work includes Chairman of the Board of the Sir Richard Williams Foundation, an independent think-tank supporting development of Australian military aviation policy. He is a member of the Royal Aeronautical Society and the Australian Institute of Company Directors.

1. **Directors (cont'd)**

Mr David Singleton, BSc (Hons)
Independent Non-Executive Director - appointed 11 October 2010

Mr Singleton, aged 51, worked for 19 years for BAE Systems (formerly British Aerospace) in a variety of roles. He was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London. Prior to that, Mr Singleton spent three years as the Chief Executive Officer of Alenia Marconi Systems (a BAE Systems European Joint Venture) and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. Mr Singleton became the Chief Executive Officer and Managing Director of Poseidon Nickel in July 2007. He was the Chief Executive Officer and Managing Director of Clough Limited between August 2003 and January 2007. He is a non-executive Director of Triton Gold which was one of the few successful resource IPO's on the ASX in 2009. Mr Singleton has over 20 years international business experience in senior executive roles, primarily in Europe, USA and Australia.

Mr. Singleton has a degree in Mechanical Engineering from University College London.

Mr David Edward Wills, B Comm., FCA
Independent Non-Executive Director - appointed 26 November 2010

Mr Wills, aged 63, is a Chartered Accountant having been a Partner in PriceWaterhouseCoopers (and its predecessor firm Coopers & Lybrand) for 25 years. He was Deputy Chairman of the firm from 2000 to 2004, Managing partner of the Sydney office from 1997 until 2003 and Chairman of the firm's manufacturing practice from 1995 - 1997. Mr Wills' major area of practice throughout all of his career was as an audit partner and his client base included many large manufacturing companies, both publicly listed in Australia and subsidiaries of US based companies. In addition to audit, Mr Wills was experienced in mergers and acquisitions and special investigations of companies.

Mr Wills is now (or has been) a director of the following publicly listed companies:

- Washington H Soul Pattinson Limited (since 2006);
- Clover Corporation Limited (since 2004);
- Souls Private Equity Limited (since 2005); and
- Dyno Nobel Limited (2006 – 2008).

In addition, Mr Wills is Chairman of Sir David Martin Foundation, a charity that raises funds to support youth programs undertaken by Mission Australia.

Mr Wills graduated from the University of New South Wales with a Bachelor of Commerce in 1970 and qualified as a Chartered Accountant in 1972.

2. **Company Secretary**

Mr Phillip James MacLeod, B. Bus., ASA. MAICD

Mr MacLeod, aged 46, was appointed to the position of Company Secretary on 13 November 2009. Mr MacLeod has over 20 years commercial experience and has held the position of Secretary with listed companies since 1995. Mr MacLeod has provided corporate, management and accounting services to domestic and international public companies involved in the technology, resources, healthcare and property industries.

Mr MacLeod holds a Bachelor Degree in Business from Edith Cowan University and is an associate member of CPA Australia having qualified as a CPA and a member of Australian Institute of Company Directors.

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:

Director	Board Meetings A	Board Meetings B	Audit, Risk and Compliance Committee Meetings A	Audit, Risk and Compliance Committee Meetings B	Remuneration, Nominations and Diversity Committee Meetings A	Remuneration, Nominations and Diversity Committee Meetings B
Mr M B Jenkins	13	13	2	2	-	-
Mr P M Odouard	13	12	-	-	-	-
Mr D E Brosius	13	8	-	-	-	-
Mr D F G Graham	13	13	-	-	-	-
Mr P C Cook	13	11	2	2	2	2
Mr E J McCormack	13	13	2	2	-	-
Mr D Singleton	9	9	2	2	2	2
Mr D E Wills	7	5	2	2	2	2

A – Number of meetings held during the time the Director held office during the year

B – Number of Meetings attended

4. Principal Activities

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

- building the capability and capacity of the organisation to achieve accredited supplier status with Northrop Grumman in relation to the Joint Strike Fighter (JSF) project;
- 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 Group'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 Group's global Research & Development initiatives; and
- expansion of the global management team to ensure that the Group is positioned to take full advantage of new business opportunities as they arise.

5. Results

The Group incurred a loss after tax of $13,734,713 for the year ended 30 June 2011 (2010: loss of $10,970,613).

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. Events Subsequent to Reporting Date

Since the end of the financial year the Group:

- Has received its first purchase order to manufacture parts for the JSF program. The purchase order covers production of Group 1 parts over the next 12 months; and
- Is in advanced stages of negotiation of a 10 year loan facility of $10,000,000 plus capitalised interest.

Other than the matters referred to above or in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely Developments

The Group's key areas of focus for the 2011/2012 financial year will include:

- Commence production of JSF group 1 parts for Northrop Grumman;
- Obtain further contracts for JSF production in accordance with the initial MOU signed in 2009;
- Commence process qualification for additional process to support JSF production; Complete the installation of production equipment in the Bankstown facility and qualify the facility to AS9100 quality standard to support JSF production ;

Capital commitments of the Group pertaining to the above are set out in Note 28 in the financial statements. Note 1(d) in the financial statements also sets out the updated future operating cash flow requirements on the Group's financial position.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10. Directors' Interests

The relevant interest of each Director in the shares, rights and options at the date of this report is as follows:

Director	Shares	Options	Rights
Mr M B Jenkins	-	-	-
Mr P M Odouard	1,545,970	1,868,961	588,235
Mr D E Brosius	600,000	-	-
Mr D F G Graham (1)	26,039,341	-	-
Mr P C Cook (2)	145,758	-	-
Mr E McCormack(3)	76,350	-	-
Mr D Singleton	-	-	-
Mr D E Wills(4)	210,106	-	-

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 Bond Street Custodians Limited as custodian for the Lloyds Wharf Super Fund of which Mr Cook is a trustee.
3. The registered holder of the shares is Aviops Pty Ltd for which Mr McCormack is a director.
4. The registered holder of the shares is Jammit Pty Ltd for which Mr Wills is a director.

11. Share Options and Rights

Options and Rights granted to directors and executives of the Company

Share Options

During the financial year, 471,337 options were granted or vested under the Quickstep Employee Incentive Plan (EIP) (2010: 3,249,476) to the CEO, Mr Philippe Odouard, as part of his remuneration with vesting based on future conditions. 1,851,852 options granted in prior years were exercised on 23 September 2010. No other options have been granted during or since the end of the financial year.

Rights

During or since the end of the financial year, the Company granted 989,303 rights for no consideration over unissued ordinary shares in the Company to the five most highly remunerated officers, including key management personnel of the Company as part of their remuneration. 294,118 of the granted rights held at the beginning of the financial year have vested during the financial year. 468,750 rights have lapsed since the end of the financial year.

Executives	Expiry Date	Exercise Price	Number of Rights Held
Mr P Odouard	13/10/11	$0.00	588,235
Mr S Godbille	12/07/2013	$0.00	267,605
Mr J Johnson	01/07/2013	$0.00	471,698
Mr A Vihersaari	01/07/2103	$0.00	250,000
Ms M Withers	01/10/2102	$0.00	276,000

Unissued shares under option and rights

At the date of this report, unissued ordinary shares of the Company under options and rights are:

Executive	Exercise Price	Expiry date	Number of Shares
Mr P Odouard	$0.00	30/03/2017	1,397,624
Mr P Odouard	$0.00	25/11/2017	471,337

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

Executives	Expiry Date	Exercise Price	Number of Rights Held
Mr P Odouard	13/10/2011	$0.00	588,235
Mr S Godbille	12/07/2013	$0.00	267,605
Mr J Johnson	01/07/2013	$0.00	471,698
Mr A Vihersaari	01/07/2013	$0.00	250,000
Ms M Withers	01/10/2012	$0.00	276,000

11 Share options and rights (cont'd)

These options and rights 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 and rights

During or since the end of financial year, the Company issued ordinary shares as a result of the exercise of options and rights as follows (there were no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each Share
1,851,852	$0.00
294,118	$0.00

12. Indemnification and Insurance of Officers

Indemnification

The Group has indemnified the Directors (as named above) and all executive officers of the Group 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 Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the Group or of any related body corporate against a liability incurred as an officer.

Insurance Premiums

The Group 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 and Group 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.

13. Non-audit Services

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

14. 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 2011, is set out on page 71

15. Remuneration Report - Audited

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

- A: Principles of compensation
- B: Service agreements
- C: Details of remuneration
- D: Share-based compensation
- E: Analysis of bonuses in remuneration

Remuneration is referred to as compensation throughout this report.

15. **Remuneration Report (cont'd)**

A. Principles of compensation.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company. Key management personnel comprise the directors of the

Company and executives for the Group including the five most highly remunerated Company and Group executives.

The report includes details relating to:

Non Executive directors

Mr M Jenkins	Chair of Board
Mr P Cook	Chair of Remuneration, Nomination and Diversity Committee
Air Marshal E McCormack (Ret'd)	
Mr D Singleton	
Mr D Wills	Chair of Audit Risk and Compliance Committee

Executive Directors

Mr P Odouard	Managing Director and Chief Executive Officer
Mr D Graham (Jnr)	Business Development Manager - Australia
Mr D Brosius	President Quickstep Composite LLC

Executives and Officers

Mr J Johnson	Chief Financial Officer
Dr J Schlimbach	Joint CEO, Quickstep GmbH
Ms M Withers	Human Resources Manager
Mr W. Beckles	Operations Manager (resigned 5/8/2011)
Mr S Godbille	General Manager of Quickstep Process Systems
Mr A Vihersaari	Vice President of Global Business Development
Mr G Beaton	Quality Manager (10/6/2011)

The Board has established a Remuneration, Nomination and Diversity 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, total payments proposed and plan eligibility criteria.

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.

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.

15. Remuneration Report (cont'd)

***A. Principles of compensation.* (cont'd)**

Compensation levels are reviewed annually through a process that considers individual achievement of objectives and overall performance of the Group. Compensation is also reviewed in the event of promotion or significant change in responsibilities.

Performance based compensation

Performance based incentives, including short term and long term incentives, are provided to certain key management personnel to align their remuneration with the Company's performance. Incentives are based on achievement of Key Performance Indicators (KPI's) which are set by the Remuneration, Nomination and Diversity Committee at the time the incentive is offered,

KPI's for short term incentives may include a mixture of individual, business unit and Company targets and may include financial targets such as revenue and expenditure targets, capital expenditure, Net Profit and Loss and available cash balances measured against planned performance. The targets are set and assessed for each individual manager and may include performance related to specific portions of the business or may be related to the Group performance. Both financial and non financial targets are related to the Group's business plans and objectives.

KPI's for long term incentives include Total Shareholders Return, measured against projected share price performance.

The committee is responsible for assessing whether the KPIs are met and recommends the total incentive to be paid to the individuals for approval by the Board.

In considering the Groups performance and the benefits to shareholder wealth, the committee has regard to the achievement by key management personnel of progress towards the execution of the Group's business plan. During the current and previous 4 years the plan has been directed towards developmental and commercialisation activities. Over that time the earnings and shares prices history is as follows:

	2011	2010	2009	2008	2007
Earnings	($13,734,713)	($10,978,608)	($8,620,973	($6,305,069)	(3,823,120)
Share price 30 June	$0.260	$0.235	$0.170	$0.350	$0.970

The group does not have a policy that prevents those that are granted share based payments from entering into other arrangements that limit their exposure to losses that would arise if share price decrease.

Short-term incentives

Certain key management personnel receive short-term incentives (STI) in cash and/or shares based on achievement of KPIs' which relate to the annual business plan including the company's earnings.

Equity-based compensation (long-term incentives)

Long-term incentives may be provided to key management personnel via the Quickstep Employee Incentive Plan (EIP) (refer to note 32 to the financial statements). The incentives are provided as options over ordinary shares of the Company and the plan is open to eligible employees of the Group. The incentives include performance targets related to Total Shareholders Return and are measured against projected share price performance over a period of 3 years. The incentives are considered to promote continuity of employment and encourage superior performance.

Other long term incentives may be provided to key management personnel as rights over ordinary shares of the Company. These rights have been provided to attract and retain key management personnel and as an incentive for achievement of the Company's relocation objectives.

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

15. Remuneration Report (cont'd)

Non-executive directors' fees

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2010 Annual General Meeting, is not to exceed $600,000 per annum. Fees are set with reference to fees paid to non-executive directors of comparable companies. Directors are entitled to receive a fee which covers all main board activities and membership of committees. Fees include an amount of $5,000 for Chairmanship of each committee. The table below indicates the maximum annual fees payable. Non-executive directors do not receive performance related compensation.

	2011		2010	
Non Executive Directors	**Directors Fees**	**Committee Chairmanship**	**Directors Fees**	**Committee Chairmanship**
Mr M Jenkins	$127,600	N/A	$120,000	N/A
Mr P Cook	$60,000	$5,000	$59,500	N/A
Mr E McCormack	$84,000	N/A	$60,000	N/A
Mr D Singleton	$60,000	N/A	N/A	N/A
Mr D Wills	$50,000	$5,000	N/A	N/A

B. Service agreements

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

Key Management Personnel	Agreement Date	Duration	Notice Period	Termination Benefits	STI (1) % of salary	LTI (2) % of salary	Other Benefits (4)
Mr P M Odouard	13 October 2008		6 months	• 12 months annual salary; and Pro-rated annual bonus (at board's discretion).	25	50(3)	588,235 rights
Mr G S Beaton	3 February 2010		1 Month	• 1 month of annual salary package; and Pro rated annual bonus (at board's discretion).	12.5	12.5	-
Mr W Beckles	1 September 2009		3 Months	• 6 months of annual salary package; and Pro rated annual bonus (at board's discretion).	12.5	12.5	468,750 rights
Mr D E Brosius	1 September 2005		3 Months	• 6 months annual remuneration package; • Any cash bonus due but not paid; and • Pro rated current year cash bonus (in accordance with contract).	33.3(5)	-	-
Mr S Godbille	10 June 2010		3 Months	• 3 months of annual salary package; and • Pro rated annual bonus (at board's discretion).	12.5	12.5	267,605 rights
Mr D F G Graham	5 January 2009	12 Months	1 Month	n/a	25	-	-
Mr J Johnson	1 April 2011		3 Months	• 6 months of annual salary package; and • Pro rated annual bonus (at board's discretion).	20	20	471,698 rights
Dr J Schlimbach	1 January 2009	24 Months	3 Months	n/a	12.5	12.5	-
Mr A J Vihersaari	1 July 2010	12 Months	1 Month	n/a	12.5	12.5	250,000 rights
Ms M A Withers	1 October 2009		3 Months	• 6 months of annual salary package; and • Pro rated annual bonus (at board's discretion).	12.5	12.5	276,000 rights

15. Remuneration Report (cont'd)

(1) STI (Short Term Incentive) is determined on performance against key performance indicators (KPI's) set and reviewed by the Remuneration, Nomination and Diversity committee, or the Board as appropriate. Percent (%) of salary refers to the maximum amount payable (as per service agreement). The KPIs include Company financial objectives, such as order intake, profit and cash flow, and personal objectives including control of responsibility centre expenditure and functional outcomes aligned to the annual strategic plan.

(2) LTI (Long Term Incentive) is determined on performance against key performance indicators (KPI's) set and reviewed by the Remuneration, Nomination and Diversity committee, or the board as appropriate.

(3) LTI determined on performance against total shareholder's return.

(4) Other benefits include the long term loyalty bonus based on years of services, payable in shares.

(5) Maximum US$30,000

15. Remuneration Report – (cont'd)

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 Company executives and relevant Group executives who received the highest remuneration and other key management personnel of the Group for the year are:

		Short Term				Post Employment	Other Long-Term		Share-based Payments				
	Year	Salary / fees $	STI cash bonus (3) $	Non-Monetary benefits $	Total	Super-annuation benefits $	$	Termination Benefits $	Shares $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options and rights as proportion of remuneration %
Directors *Executive*													
Mr P M Odouard (1&2)	2011	283,174	52,999	-	336,173	30,130	105,998	-	-	303,745	776,046	59.6	39.1
	2010	275,229	66,875	-	342,104	28,427	-	-	-	816,776	1,187,307	74.4	68.8
Mr D E Brosius	2011	181,814	23,118	7,029	211,961	17,077	-	-	-	-	229,039	10.1	-
	2010	210,295	22,275	1,798	234,368	1,980	-	-	-	-	236,348	9.4	-
Mr D F G Graham	2011	120,000	22,500	-	142,500	-		-	-	-	142,500	15.8	-
	2010	120,000	24,240	-	144,240	-	-	-	-	-	144,240	16.8	-
Non-executive													
Mr P C Cook	2011	57,479	-	-	57,479	3,278	-	-	-	-	60,758	-	-
	2010	59,500	-	-	59,500	-	-	-	-	-	59,500	-	-
Mr M B Jenkins	2011	127,200	-	-	127,200	-	-	-	-	-	127,200	-	-
	2010	119,542	-	-	119,542	-	-	-	-	-	119,542	-	-
Air Marshal E J McCormack AO	2011	58,265	-	-	58,265	5,244	-	-	-	-	63,508	-	-
(appointed 11 August 2010)													-
Mr D Singleton	2011	35,144	-	-	35,144	3,163	-	-	-	-	38,307	-	-
(appointed 11 October 2010)													-
Mr D E Wills	2011	27,346	-	-	27,346	2,461	-	-	-	-	29,807	-	-
(appointed 26 November 2010)													-

15. Remuneration Report – (cont'd)

C. *Details of remuneration (cont'd)*

		Short Term				Post Employment	Other Long-Term		Share-based Payments				
	Year	Salary / fees $	STI cash bonus (3) $	Non-Monetary benefits $	Total	Super-annuation benefits $	$	Termination Benefits $	Shares $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options and rights as proportion of remuneration %
Executives													
Mr G S Beaton	2011	135,670	-	-	135,670	12,210	-	-	-	-	147,880	-	-
(appointed 3 February 2010, resigned 10 June 2011)	2010	41,449	-	-	41,449	3,730		-	-	-	45,179	-	-
Mr W Beckles	2011	155,094	14,484	-	169,578	16,574	-	-	-	(48,240)	186,152	7.8	25.9
(appointed 1 Sept 2009, resigned 13 May 2011)	2010	150,000	14,531	-	164,531	15,188	14,531	-	-	48,240	242,490	31.9	19.9
Mr S Godbille (2)	2011	179,253	15,768	-	195,021	16,133	15,768	-	-	26,139	253,061	22.8	10.3
(appointed 1 July 2010)													
Mr J F Johnson (2)	2011	270,344	33,027	-	303,371	5,705	33,027	-	-	48,424	390,528	29.3	12.4
(appointed 10 December 2009)	2010	138,101	-	-	138,101	-	-	-	-	-	138,101	-	-
Dr J Schlimbach	2011	156,214	8,439	-	164,653	-	8,439	-	-	-	173,092	9.8	-
	2010	153,663	8,230	-	161,893	-	12,605	-	-	-	174,498	11.9	-
Mr A Vihersaari (2)	2011	166,181	13,750	-	179,931	-	13,750	-	-	26,149	219,830	24.4	11.9
(appointed 1 July 2010)													-
Ms M A Withers (2)	2011	138,581	13,040	-	151,622	14,514	13,040	-	-	34,329	213,505	28.3	16.1
	2010	89,078	11,344	-	100,422	6,482	11,344	-	-	25,582	143,830	33.6	17.8

15. Remuneration Report – (cont'd)

C. Details of remuneration (cont'd)

Notes in relation to the table of remuneration

(1) Mr Odouard accepted offers of 3,249,476 and 471,337 options from the Quickstep Employee Incentive Plan (EIP) in accordance with the resolutions passed at the 2009 and 2010 Annual General Meeting. The number of options granted was calculated partly with reference to the volume weighted average of the ASX quoted price for QHL shares on the date of Mr Odouard's appointment (16.2 cents) and partly with reference to the volume weighted average of the ASX quoted price for QHL shares at 31 July 2009 (31.8 cents) and 31 July 2010 (32.62 cents). Some or all of the options will vest if certain performance hurdles relating to an increase in share value are achieved at the prescribed testing dates. The fair value of the options, (determined using Monte Carlo simulations), as calculated under the accounting standards, takes into account a range of assumptions including the likelihood of the options vesting and the projected share price at the time of vesting (see below). The value disclosed is the portion of the fair value of the options recognised in this accounting period. The fair value of the options granted is $1,235,946 (2010: 1,065,322) of which $272,039 (2010: $782,510) has been recorded as an expense in the financial statements for the portion attributable to the current financial year as required by accounting standards.

Earliest possible vesting date	No. of options	Fair value per option at grant date ($)	Total fair value ($)	Expensed ($)	
				2011	2010
Tranche 1 - 30/06/09	925,926	0.3500	324,074	-	324,075
Tranche 2 - 30/06/10	925,926	0.3480	322,222	-	322,222
Tranche 3 - 30/06/11	925,926	0.3150	291,667	**184,211**	107,456
Tranche 4 - 30/06/12	471,698	0.2700	127,359	**49,300**	28,758
2010 Year - 30/06/13	471,337	0.3956	170,624	**38,528**	-
Total	3,720,813		1,235,946	**272,039**	782,511

(2) Rights

Rights have been issued to a number of key management personnel as long term incentives. The rights are valued at the market value of the Group's shares on the date of issue of the rights. The value disclosed is the portion of the fair value at the options recognised in this reporting period.

	No of Share	Vesting date	Fair Value ($)	Total Fair Value ($)
Mr P Odouard	294,118	22/11/10	$0.13	38,235
	588,253	26/11/11		76,470
Mr S Godbille	89,202	12/07/12	$0.26	23,192
	178,403	12/07/13		46,384
Mr J Johnson	157,233	1/07/12	$0.27	41,667
	314,465	1/07/13		83,333
Mr A Vihersaari	83,333	1/07/12	$0.27	22,500
	166,667	1/07/13		45,000
Ms M Withers	92,000	1/11/11	$0.32	29,440
	312,500	1/11/12		58,880

15. Remuneration Report – (cont'd)

(3) The Short Term Incentive (STI) is comprised of an accrued cash bonus plus adjustments to the accrued STI for actual amounts paid during the prior financial year.

D. Share based compensation

Options

Mr Odouard was granted as compensation during the reporting period options from the EIP. Refer to the table below for further details.

	Number of options granted 2011	Grant date	Fair value per option at grant date ($)	Vested during the year
Directors				
Mr P Odouard	471,337	26/11/2010	$0.3620	-

The above options have an exercise price of $nil and an expiry date of 26 November 2015.

Details of the vesting profile of the options granted in this and prior years are detailed below.

	Number of options granted	Grant date	% vested in this year	% forfeited in this year (A)	Financial years in which grant vests
Directors					
Mr P Odouard	3,249,476	30/3/2010	28%	-	2010,11,12 &13
Mr P Odouard	471,337	26/11/2010	0%	-	2014

(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.

Exercise of options granted as compensation

During the reporting period 1,851,852 shares were issued to Mr P Odouard ($ nil paid per share) on the exercise of options previously granted as compensation. No options lapsed. The value of options exercised during the year of $620,370 is calculated as the market value of shares of the Company as at the close of trading on the day the options were exercised after deducting the price paid.

Rights to shares

Mr Godbille, Mr Johnson and Mr Vihersaari were granted during the reporting period, rights to shares ($ nil consideration) as compensation offered through their executive services agreements. Refer to the table below for further details.

	Number of rights granted during 2011	Grant date	Fair value per right at grant date ($)	Vested during the year
Executives				
Mr S Godbille	267,605	12/07/10	$0.26	-
Mr J Johnson	471,698	01/04/11	$0.27	-
Mr A Vihersaari	250,000	01/07/10	$0.27	-

15. Remuneration Report – (cont'd)

D *Share based compensation (cont'd)*

Details of the vesting profile of the rights to 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 rights granted	Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
Directors					
Mr P Odouard	882,353	13/10/2008	33.33%	-	2011 & 2012
Executives					
Mr W Beckles	468,750	1/09/2009	-	100%	
Mr S Godbille	267,605	12/07/10	-	-	2013 & 2014
Mr J Johnson	471,698	01/04/2011	-	-	2013 & 2014
Mr A Vihersaari	250,000	01/07/10	-	-	2013 & 2014
Ms M Withers	276,000	1/10/2009	-	-	2012 & 2013

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

(B) The value of the rights that lapsed ($145,313) during the year is calculated at the date the right lapsed assuming the performance conditions had been achieved.

(C) During the year 294,118 rights were exercised at $nil consideration. The market value of the rights exercised was $ 113,235.

The above rights vest in two tranches provided the employee remains with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

E. Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the named Company executives and relevant Group executives and other key management personnel of the Group are detailed below:

	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
Directors			
Mr P Odouard	52,999	75%	25%
Mr D Brosius	23,118	61%	39%
Mr D Graham	22,500	75%	25%
Executives			
Mr W Beckles	14,484	75%	25%
Mr J Johnson	33,027	75%	25%
Dr J Schlimbach	8,439	69%	31%
Mr A Vihersaari	13,750	69%	31%
Ms M Withers	13,040	75%	25%

15. Remuneration Report – (cont'd)

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of Group and/or personal goals and satisfaction criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2011 year. The amounts included in remuneration for the current reporting period include variances to the 2010 bonus paid during the current reporting period compared to the bonus accrual made in the prior reporting period.

(B) The amounts forfeited are due to the Group and/or personal performance or service criteria not being met in relation to the current financial year.

Dated at Perth, Western Australia this 30th day of September 2011.

Signed in accordance with a resolution of the Directors:

P M Odouard

Managing Director

This statement outlines the main corporate governance practices in place throughout the financial year, which are consistent with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of directors

Role of the Board

The Board's Charter identifies its key objectives as:

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

The Board is responsible for:

- guiding the development of an appropriate culture and values for the Group through the establishment and review of Codes of Conduct and policies and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
- monitoring financial performance including approval of the annual and half-year financial statements and liaison with the Company's auditors;
- appointment of, and assessment of the performance of the Chief Executive Officer;
- monitoring managerial performance;
- ensuring that an appropriate set of internal controls is implemented so that significant risks facing the Company and its controlled entities have been identified;
- reporting to shareholders and regulatory authorities; and
- making all decisions outside the scope of powers and authorities otherwise delegated.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior executives.

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including an Audit, Risk and Compliance Committee and a Remunerations, Nominations and Diversity Committee These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board meets regularly throughout the year, including strategy meetings and extraordinary meetings at such other times as are necessary to address any specific significant matters that arose.

The agenda for meetings is prepared in conjunction with the chairperson, chief executive officer and company secretary. Standing items include the chief executive officer's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider Group of employees.

Director and executive induction

The Group has a process for induction of new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of Directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a process for induction of new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

During the financial year, the Board composition changed to comprise five 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 shareholding qualification.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assess existing and potential director's skills to ensure they have appropriate industry experience in the Group's operating segments.

The Board, through its Remuneration, Nomination and Diversity 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 re-appointment 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 Remuneration, Nomination and Diversity Committee, identify as appropriate, although they shall be guided by current market practices and rates.

Remuneration, Nomination and Diversity Committee

The Remuneration, Nomination and Diversity Committee was established during the year to incorporate the functions previously undertaken by the remunerations committee and the nominations Committee and to incorporate responsibility for Corporate diversity. The committee is comprised of three 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;
- cash bonuses and equity based incentive plans, including appropriate performance hurdles and total payments proposed.
- 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

The Remuneration, Nomination and Diversity Committee is chaired by Mr P Cook. Attendance at Remuneration, Nomination and Diversity Committee meetings held during the financial year is disclosed in the Directors' Meetings section of the Directors Report.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee was established during the year to incorporate the functions previously undertaken by the Audit committee and introduce the expanded role of review and oversight of Corporate Risk and Compliance. During the financial year, the Audit, Risk and Compliance Committee was comprised of 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;
- recommend to the Board the appointment of external auditors; and
- oversees the establishment, implementation and review of the Group's risk management systems.

The Audit Committee which operated during the first half of the year was chaired by Mr M B Jenkins, who has both relevant financial qualifications and business experience required for this role. The Audit, Risk and Compliance Committee which operated in the second half of the year was chaired by Mr David Wills who has both relevant financial qualifications and business experience required for this role.

Risk Management

Oversight of the risk management system

The Audit, Risk and Compliance Committee oversees the establishment, implementation and review of the Group's risk management systems which have been established by management for assessing, monitoring and managing operational, financial reporting and compliance risks. The chief executive officer and the chief financial officer have provided assurance, in writing to the committee and the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk profile

Management has undertaken a detailed risk identification process and established an integrated risk management program. Changes in the organisational risk profile are reported to the Audit, Risk and Compliance Committee to outline the material business risks to the company. The risk management process ensures that risks are identified, assessed and appropriately managed.

The Audit, Risk and Compliance Committee reports the status of material business risks to the board on a quarterly basis. Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Material business risks for the company may arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, funding, financial reporting, and the purchase, development and use of information systems.

Risk management and compliance control

The Group strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS/NZS ISO 9002 accreditation for each of its business segments.

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control is comprehensive, details of which are available on the Company's website. It comprises the Company's internal compliance and control systems, and will become fully operational when major manufacturing commences. This includes:

- Operating unit controls – Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
- Functional speciality reporting – Key areas subject to regular reporting to the board include Treasury and Derivatives Operations, Environmental, Legal and Self Insurance matters; and

- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in notes 3and 27 to the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance

Quality and integrity of personnel

Written confirmation of compliance with policies in the Ethical Standards Manual is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The chief executive officer and the chief financial officer have provided assurance in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Appropriate risk management strategies and procedures are developed to mitigate any identified risks to the business. The procedures include identifying the context, registering, analysing, evaluating, treating, monitoring and escalating the identified risks accordingly.

Environmental regulation

The Group'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 Group.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 30 to the financial statements.

Code of conduct

An *Employee Code of Conduct* has been developed and applies to all directors, managers, employees and contractors. The code specifies the standards of behaviour and the following principles embody the Code:

- To act with integrity and professionalism in the performance of duties and be scrupulous in the proper use of Quickstep Technologies Pty Ltd information, funds, equipment and facilities;
- To edify the company and colleagues when dealing with customers, visitors, suppliers and shareholders;
- To exercise fairness, equity, proper courtesy, consideration and sensitivity in all dealings in the course of carrying out duties;
- To avoid real, apparent or perceived conflicts of interest; and
- To increase shareholder value within an appropriate framework to safeguard the rights and interests of the Company's shareholders and the financial community.

Trading in general company securities by directors and employees

A security Trading Policy has been established and is published on the Company web site. It requires that Directors, officers and employees who wish to trade in Company securities must have regard to the statutory provisions of the *Corporations Act 2001* dealing with insider trading. Furthermore, directors and officers are required to observe Blackout Periods in accordance with ASX rulings and to notify the Chairman prior to undertaking transactions at any other time.

Communication with shareholders

The Board encourages participation of shareholders at the Annual General Meeting. In addition, Quickstep proactively provides additional information with its quarterly reports to the ASX and periodically produces Shareholder newsletters to update on the latest developments and results for the Group.

Diversity

The board is committed to having an appropriate blend of diversity on the board and in the Group's senior executive positions. The Remuneration, Nomination and Diversity Committee has responsibility for oversight of the Board's policy regarding gender, age, ethnic and cultural diversity.

Key elements of the diversity policy are as follows:

- Recognition of the benefits arising from employee, senior management and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.
- A commitment to :
  - Complying with current best practice in diversity, as appropriate,
  - Promoting diversity among employees, consultants and senior management throughout the Company; and
  - Keeping shareholders informed of Quickstep's progress towards achieving its diversity objectives.

The gender analysis at the balance date is set out below

	30 June 2011		30 June 2010	
Gender representation	**Female (%)**	**Male (%)**	Female (%)	Male (%)
Board representation	**0%**	100%	0%	100%
Senior management representation	**13%**	**87%**	13%	87%
Group representation	**13%**	**87%**	13%	87%

DIRECTOR PERFORMANCE EVALUATION

The performance of the Board and the various committees is reviewed annually by the full Board.

Director's Disclosure Obligations

This policy is included in the *Code of Conduct* to ensure trading in the Company's securities is conducted on a fair basis. Company directors are obliged (subject to specific exceptions) to advise the ASX of any information that a reasonable person would expect to have material effect on the price or value of the Company's issued securities.

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 at the beginning of the year the Board consists of 6 directors, 3 of whom are executives and 3 who are non-executives who are considered to be independent. Additional independent Directors have been appointed during the year providing a majority of independent directors.
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; and • has at least three members.	During the first half of the year the chair of the Audit Committee (now the Audit Risk and Compliance Committee) was the chair of the Board and consisted of two directors. The committee has been expanded to three independent directors and is chaired by an independent director who is not chairman of the board.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	5	**471,524**	448,322
Cost of sales		**(535,256)**	(108,491)
Gross profit		**(63,732)**	339,831
Other income	5	**5,196,602**	1,064,787
Corporate and administrative expenses		**(5,711,712)**	(5,143,918)
Marketing expenses		**(907,565)**	(657,024)
Operational and accreditation expenses		**(7,785,973)**	(4,076,651)
Research and development expenses		**(2,615,573)**	(2,777,239)
Other expenses	6	**(218,168)**	(115,355)
Loss from operating activities		**(12,106,121)**	(11,365,569)
Financial income		**752,612**	669,153
Financial expense		**(2,381,204)**	(812,286)
Net financing costs	8	**(1,628,592)**	(143,133)
Loss before income tax		**(13,734,713)**	(11,508,702)
Income tax benefit	9	**-**	538,089
Loss for the period	26	**(13,734,713)**	(10,970,613)
Other comprehensive income, net of income tax			
Foreign currency translation difference for foreign operations		**(124,049)**	(127,995)
Effective portion of changes in fair value of cash flow hedges		**(71,065)**	-
Total comprehensive income for the period		**(13,929,827)**	(11,098,608)
Loss attributable to:			
Owners of the company		**(13,734,713)**	(10,970,613)
Total comprehensive income attributable to:			
Owners of the company		**(13,929,827)**	(11,098,608)
Earnings per share	11		
Basic loss (cents/share) for Quickstep Holdings Ltd		**6.65**	5.41
Diluted loss (cents/share) for Quickstep Holdings Ltd		**6.65**	5.41

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	12	**13,406,217**	12,225,823
Trade and other receivables	13	**796,731**	1,156,488
Inventories	14	**185,036**	76,673
Other financial assets	15	**690,400**	10,238,422
Other assets	16	**133,784**	496,385
TOTAL CURRENT ASSETS		**15,212,168**	24,193,791
NON-CURRENT ASSETS			
Property, plant and equipment	17	**12,769,447**	8,091,182
Intangible assets	18	**496,226**	381,503
Work in progress		**14,020**	-
TOTAL NON-CURRENT ASSETS		**13,279,693**	8,472,685
TOTAL ASSETS		**28,491,861**	32,666,476
CURRENT LIABILITIES			
Trade and other payables	20	**5,038,611**	3,626,875
Loans and borrowings	21	**17,645**	9,890
Employee benefits	23	**252,074**	119,892
TOTAL CURRENT LIABILITIES		**5,308,330**	3,756,657
NON-CURRENT LIABILITIES			
Trade and other payables	20	**421,221**	471,093
Loans and borrowings	21	**12,622**	8,242
Financial liabilities at fair value through profit and loss	22	**2,820,000**	-
TOTAL NON-CURRENT LIABILITIES		**3,253,843**	479,335
TOTAL LIABILITIES		**8,562,173**	4,235,992
NET ASSETS		**19,929,688**	28,430,484
EQUITY			
Share capital	24	**66,854,895**	62,296,410
Other reserves	25	**1,735,916**	1,060,484
Accumulated losses	26	**(48,661,123)**	(34,926,410)
TOTAL EQUITY		**19,929,688**	28,430,484

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

	Note	Share capital	Translation reserve	Hedging Reserve	Share based payments reserve	Convertible instruments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$	$
Balance as at 1 July 2009		30,146,119	31,388	-	369,084	46,966	(23,955,797)	6,637,760
Total comprehensive income for the period								
Loss for the period	26	-	-	-	-	-	(10,970,613)	(10,970,613)
Other comprehensive income								
Foreign currency translation difference	25	-	(127,995)	-	-	-	-	(127,995)
Total comprehensive income for the period		-	(127,995)	-	-	-	(10,970,613)	(11,098,608)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of convertible instruments		-	-	-	-	724,898	-	724,898
Issue of ordinary shares	24	31,121,526	-	-	-	(771,864)	-	30,349,662
Share raising costs	24	(893,800)	-	-	-	-	-	(893,800)
Share based transaction payments	24,25	436,680	-	-	788,007	-	-	1,224,687
Share options exercised	24	1,485,885	-	-	-	-	-	1,485,885
Total transactions with owners		32,150,291	-	-	788,007	(46,966)	-	32,891,332
Balance at 30 June 2010		**62,296,410**	**(96,607)**	**-**	**1,157,091**	**-**	**(34,926,410)**	**28,430,484**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Share capital	Translation reserve	Hedging reserve	Share based payments reserve	Convertible instruments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$	$
Balance as at 1 July 2010		62,296,410	(96,607)	-	1,157,091	-	(34,926,410)	28,430,484
Total comprehensive income for the period								
Loss for the period	26	-	-	-	-	-	(13,734,713)	(13,734,713)
Other comprehensive income				-				
Foreign currency translation difference		-	(124,049)	-	-	-	-	(124,049)
Effective portion of changes in fair value of cash flow hedges	25	-	-	(71,065)	-	-	-	(71,065)
Total comprehensive income for the period		-	(124,049)	(71,065)	-	-	(13,734,713)	(13,929,827)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	24	4,696,285	-	-	-	-	-	4,696,285
Share raising costs	24	(137,800)	-	-	-	-	-	(137,800)
Share based transaction payments	24,25	-	-	-	870,546	-	-	870,546
Total transactions with owners		4,558,485	-	-	870,546	-	-	5,429,031
Balance at 30 June 2011		66,854,895	(220,656)	(71,065)	2,027,637	-	(48,661,123)	19,929,688

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		**590,986**	292,608
Interest received		**949,777**	390,753
Interest paid		**(6,133)**	(269,787)
Research and development tax offset rebate and government grants		**5,480,845**	1,390,484
Cash payments in the course of operations		**(15,093,949)**	(9,375,034)
Net cash used in operating activities	29	**(8,078,474)**	(7,570,976)
Cash flows from investing activities			
Acquisition of plant and equipment		**(4,843,826)**	(1,723,741)
Acquisition of intangibles		**(350,118)**	(226,000)
Redemption/(Investment) in term deposit		**9,309,660**	(10,000,000)
Net cash from/(used in) investing activities		**4,115,716**	(11,949,741)
Cash flows from financing activities			
Proceeds from issues of shares		**4,696,285**	25,907,412
Payment of transaction costs		**(137,800)**	(836,294)
Proceeds from convertible notes		**808,875**	4,000,000
Convertible note issue costs		**-**	-
Finance lease payments		**(17,163)**	(9,890)
Net cash from financing activities		**5,350,197**	29,061,228
Net (decrease) / increase in cash and cash equivalents		**1,387,439**	9,540,511
Effects of exchange rate changes on cash held in foreign currencies		**(207,045)**	(130,564)
Cash and cash equivalents at 1 July		**12,225,823**	2,815,876
Cash and cash equivalents at 30 June	12	**13,406,217**	12,225,823

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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 2011 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 consolidated financial statements are general purpose financial statements, which have 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 statements of the Group comply with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 30th September 2011.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the following items which are further outlined in note 2:

- Financial liabilities at fair value through the profit and loss are measured at fair value
- Liabilities for cash settled share based payments arrangements are measured at fair value
- Derivative financial instruments are measured at fair value.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 17 – Recoverable amount of property, plant and equipment;
- Note 20 – Royalties payable; and
- Note 32 – Share-based payments.
- Note 22 – Financial liabilities at fair value through profit or loss

(c) 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.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(d) Financial position

The Group has incurred a loss after tax for the year of $13,734,713 (2010: loss $10,970,613). The Group has a surplus in working capital at 30 June 2011 of $9,903,838 (2010: surplus $20,437,134). During the 12 months ended 30 June 2011, Quickstep has accessed additional sources of funding through a placement of shares (net of costs) of $3,151,000 and a share purchase plan raising $1,407,485.

1. Significant accounting policies (cont'd)

Additionally, the Group:

- Has signed a Long Term Agreement (LTA) with lead JSF contractor Northrop Grumman on 2 February 2011:
  - The LTA is the first of several agreements which will implement the Memorandum of Understanding (MoU) that was signed in November 2009 with F-35 prime contractor Lockheed Martin and Northrop Grumman, one of its principal F-35 contractors; and
  - The LTA allows for annual purchase orders to be issued for Group 1 parts. Subsequent to year end the Group has received the first purchase order for parts covered by the LTA and the first delivery of these parts and cash flow is anticipated to be in 2012.
- Has signed a Memorandum of Understanding with Sikorsky International Operations Inc aimed at enabling the Group to become a recognised supplier to Sikorsky's global supply chain and to conduct joint development on the Quickstep patented technology;
- Continues to actively seek opportunities for the sale of Quickstep machines and licensing of its associated technology; and
- Is progressing its strategy of securing outsourced composite manufacturing contracts.

These activities, in the opinion of Directors, warrant the ongoing commitments of the Group's financial resources to enable future profitable operations. Such operations are expected to enable recovery of the Group's investment in property, plant and equipment and intangible assets.

The activities will require significant capital expenditure and working capital outflows over at least the next 12 months. To fund these on-going activities the Group has:

- Established a convertible note facility for US$15 million (La Jolla funding) and issued the first of two convertible notes of US$7.5 million. Under the term of the notes (refer note 22) minimum monthly payments of US$500,000 are required with an additional payments of up to US$500,000 per month at the option of the note holder. This facility is a key part of the funding of Quickstep. The directors note that current market uncertainties could affect the full drawdown of this facility; and
- Executed an agreement with the NSW State Government to provide grant funding for the establishment and operation of manufacturing facilities in support of the JSF project in NSW. The initial performance conditions have been met and an initial grant paid. Additional funding from this grant will become available once the Group has met targets relating to qualifying capital expenditure and employment targets.

The Group is in advanced negotiations for a 10 year loan facility of $10 million (plus capitalised interest) to fund capital expenditure. Directors anticipate the receipt and execution of final documentation in the near term.

The Group plans to continue to invest in the development of its production capability. The funding facilities (including the La Jolla notes and the potential $10 million loan facility mentioned above) should be sufficient to meet future requirements. Nevertheless to address the business opportunities potentially available to the Group, Directors will continue to seek access to funds under favourable conditions.

(e) 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 2011 and the results of all subsidiaries for the year then ended. Quickstep Holdings Limited and its subsidiaries together are referred to in the financial statements 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.

1. Significant accounting policies (cont'd)

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.

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 zero 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.

(f) Foreign currency

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 at that date. Foreign exchange differences arising on translation are recognised in profit and loss. 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.

Foreign operations

The assets and liabilities of foreign operations 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 in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) 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 the statement of comprehensive income.

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.

(g) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset of liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, and loans and receivables.

1. Significant accounting policies (cont'd)

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are Measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

*Loans and receivabl*es are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables including service concession receivables.

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.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Trade and other payables, other than royalties payable, are stated at their amortised cost.

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 20).

(iii) 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.

1. Significant accounting policies (cont'd)

(iv) Compound financial instruments

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.

(v) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective and presented in the hedging reserve in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Financial liabilities at fair value through profit and loss

During the year the Group has entered into a funding arrangement with La Jolla Cove Investors Inc (refer to note 22), which has been designated as a financial liability at fair value through the profit and loss.

The financial liability is recognised initially at fair value; attributable costs are recognised in the profit and loss as incurred. Subsequent to initial recognition, the financial liability is measured at fair value and changes therein, other than drawdowns and settlements, are recognised immediately in the profit and loss as a finance expense (refer 1 (g)). As the Group expects the settlement to occur by the issuance of equity, settlement is anticipated to be recognised directly in equity.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

1. Significant accounting policies (cont'd)

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to brining the assets to a working condition for their intended use, the costs of dismantling the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) or property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expense in profit or loss.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Depreciation is recognised in profit and loss on a reducing balance basis over the estimated useful lives of each component of an item of property plant and equipment. The depreciation rates used for each class of depreciable asset for the current and prior years are:

Class of depreciable asset	*Depreciation rate*
Plant and factory equipment	6.67% to 37.50%
Office equipment	6.67% to 50.00 %

(i) Intangible assets

(i) Research and development

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

Development activities involve a plan or design of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically or commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, 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
• Software	2 ½ years

1. Significant accounting policies (cont'd)

(j) 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 statement of financial position.

(k) Inventories

Inventories are measured 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.

(l) Impairment

(i) Non-Derivative Financial assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has negative effect on the estimated future cash flows of that asset that can be measured reliably.

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.

(ii) 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 each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds it estimated recoverable value.

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 statement of comprehensive income 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 statement of comprehensive income.

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.

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.

(m) 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.

1. Significant accounting policies (cont'd)

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 Group in respect of services provided by employees up to the reporting date.

Share-based payment transactions

An expense is recognised for all equity-based remuneration and other transactions, including shares, rights and options issued to employees and directors. The fair value of equity instruments 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 equity instruments granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the equity instruments were granted. The fair value of shares, options and rights granted is measured based on relevant market prices at the grant date.

(n) Revenue

Revenue from sale of goods is recognised in the statement of comprehensive income when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. 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 statement of comprehensive income 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.

(o) Government grants

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. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(p) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(q) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit and loss. Interest income is recognised as it is accrues in profit and loss, using the effective interest method.

Finance costs comprise interest expense on borrowings calculated using the effective interest method, dividend income, transaction costs, unwinding discounting of provisions, fair value losses on financial liabilities at fair value through profit and loss and foreign exchange gains and losses. The interest expense component of finance lease payments is recognised in the profit and loss using the effective interest method.

1. Significant accounting policies (cont'd)

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit and loss except to the extent that it related to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also included any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of 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, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting 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 subsidiaries 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.

(s) 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 statement of financial position.

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.

(t) 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 year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and rights granted and convertible notes and convertible loans on issue.

(u) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

1. Significant accounting policies (cont'd)

(v) Presentation of financial statements

Key amendments to the *Corporations Act 2001* were given royal assent on 28 June 2010 which removed the requirement to include full parent entity financial statements when preparing consolidated financial statements. This amendment is applicable for financial years ended on or after 30 June 2010 and therefore parent entity financial statements are not included in this report. Disclosures regarding the parent entity are included in Note 33.

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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 2011, but have not been applied in preparing these financial statements.

AASBs and Interpretation	Application date	Key requirements	Transitional Provisions
AASB 9 Financial Instruments AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	Added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the de-recognition of financial assets and financial liabilities to AASB 9.	Retrospective application Extensive transitional provisions For periods beginning before 1 January 2013 entities may elect whether to apply IFRS 9 (2010) or IFRS 9 (2009)
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9		AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on impairment of financial assets and on hedge accounting continues to apply.	If adopted before 1 January 2012, the prior period need not be restated
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.	Retrospective application Comparatives are not required in first year of adoption
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dares for First time Adopters	1 July 2011	These amendments replace the fixed dates in the de-recognition exemption related to the initial fair value measurement of financial instruments. It also adds a deemed cost exemption to AASB 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation.	Retrospective application General provisions of AASB 108 apply

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB interpretation 14	1 January 2011	The amendment to Interpretation 14 removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement. The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.	Retrospective application General provisions of AASB 108 apply
AASB 2010-4 Further Amendments to Australian Accounting standards arising from the Annual Improvement Project	1 January 2011	A collection of non-urgent but necessary improvements to the following accounting standards: AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13.	Some amendments have individual transitional provisions Early adoption of amendments to individual standards may be permitted.

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.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes and loans, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(c) Share-based payment transactions

The fair value of the Employee Share Options Scheme (ESOS) and Employee Incentive Plan (EIP) are measured using Monte Carlo Sampling. The fair value of the share rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, the exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for expected changes expected due to publicly available information), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). In the case of the EIP, market performance conditions attaching to the grant are taken into account in the Monte Carlo Simulation in determining fair value. Service and non-market performance conditions attached to the ESOS and EIP transactions are not taken into account in determining fair value.

(d) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity for the contract using a risk-free interest rate.

(e) Financial liabilities at fair value through the profit and loss

The fair value of the La Jolla convertible notes (refer note 22) are measured using a Monte Carlo simulation which incorporates various assumptions including the amount and timing of drawdowns, the amount and timing of conversions market interest rates, foreign exchange rates, equity prices and the Group's own credit risk.

3. Financial risk management

(a) Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the 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 these financial statements.

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 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 Group's activities. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit, Risk and Compliance Committee oversees how management monitors compliance with the 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 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 and deposits.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have 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 balances and deposits

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 encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid assets 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 during the financial year from a share placement, a share purchase plan and drawdowns of funds from a convertible note facility (refer to note 22). The Group anticipates settling its financial liability by delivery its own shares. Also refer to note 1(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 balances and deposits. Given the relatively short investment horizon for these, management has not found it necessary to establish a policy on managing the exposure of interest rate risk.

Additionally, the Group has entered into a Convertible Note agreement for a fixed term of four years with a fixed interest rate of 3% p.a.

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). The currencies in which these transactions primarily are denominated are AUD, EUR and 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 hedging its estimated foreign currency exposure or by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its German and USA subsidiaries are not hedged as the currency positions are 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 and/or compound financial instruments so as to fund its working capital and commercialisation of technology requirements.

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.

4. Operating Segments

The Group has three operating segments, as described below. These operating segments are managed separately because they address Quickstep's three separate strategies to grow the business and are reported to the CEO on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

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

There is integration between the segments in the form of use of the Manufacturing segment assets for Research and Development purposes.

The basis of segmentation has been changed from the geographical basis presented in the 2010 consolidated financial statements Comparative segment information has been restated in conformity with the requirement of AASB 8 *Operating Segments*.

4 Operating Segments (cont'd)

	Manufacturing		Quickstep Process		Research and Development		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
External revenues	-	-	-	-	471,524	448,322	471,524	448,322
Other income	4,302,582	3,850			894,021	1,050,937	5,196,603	1,064,787
Depreciation & amortisation	805,438	352,424	-	-	715,351	321,970	1,520,789	674,394
Reportable segment profit/(loss) before income tax	(3,654,983)	(4,566,491)	(330,619)	-	(1,544,583)	(1,041,198)	(5,530,185)	(5,607,689)
Reportable segment assets	10,842,346	7,438,211	1,425	-	417,658	128,491	11,261,429	7,566,702
Reportable segment liabilities	2,022,198	1,250,436	-	-	35,634	1,436,408	2,057,832	2,686,844

	Note	Consolidated 2011 $	2010 $
Reconciliation of reportable segment loss			
Total loss for reportable segments		**(5,530,185)**	**(5,607,689)**
Unallocated amount: other corporate expenses		**(8,204,528)**	**(5,901,013)**
Consolidated loss before income tax		**(13,734,713)**	**(11,508,702)**
Reconciliation of reportable segment assets			
Total assets for reportable segments		**11,261,429**	**7,566,702**
Unallocated amount: other corporate assets		**17,230,432**	**25,099,774**
Consolidated total assets		**28,491,862**	**32,666,476**
Reconciliation of reportable segment liabilities			
Total liabilities for reportable segments		**2,057,832**	**2,686,844**
Unallocated amount: other corporate liabilities		**6,504,341**	**1,549,148**
Consolidated total liabilities		**8,562,173**	**4,235,992**

Geographical information

The Manufacturing, Quickstep Process and Research and Development segments are managed on a worldwide basis with offices in Australia, Germany and the United States of America.

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.

	2011 $		2010 $	
	Revenue	Non-current assets	Revenue	Non-current assets
Australia	**-**	**12,649,662**	87,280	7,919,659
Germany	**157,739**	**543,852**	285,408	511,618
United States of America	**313,785**	**86,179**	75,634	41,408
Total	**471,524**	**13,279,693**	448,322	8,472,685

	Note	Consolidated 2011 $	2010 $
5. Revenue and Income			
Sales		**471,524**	448,322
Total revenue from operating actives		**471,524**	448,322
Other Income			
Income from government grants (i)		**5,054,944**	1,060,937
Other income		**141,658**	3,850
Total other income		**5,196,602**	1,064,787

(i) Income from government grants include amounts which require the Group to operate a manufacturing facility in NSW until 30 June 2019.

	Note	Consolidated 2011 $	2010 $
6. Other Expenses			
Amortisation of intangibles	18	**235,644**	63,844
Other		**(17,476)**	51,511
		218,168	115,355
7. Personnel expenses			
Wages and salaries		**7,063,826**	3,715,612
Other associated personnel expenses		**762,058**	572,788
Increase/(decrease) in liability for annual leave		**(96,348)**	56,266
Expense of share based payments	32	**390,545**	923,499
		8,120,081	5,268,165
8. Finance income and expense			
Recognised in profit and loss			
Interest income		**752,612**	669,153
Finance income		**752,612**	669,153
Finance lease interest		**(6,143)**	(2,868)
Convertible note interest		**-**	(190,248)
Convertible loan costs		**(393,936)**	(306,571)
Amortisation of convertible note costs		**-**	(105,535)
Amortisation of convertible loan costs		**-**	(156,164)
Net foreign exchange loss		**-**	(2,568)
Net change in derivatives at fair value through profit or loss		**(1,981,125)**	-
Interest expense on liabilities measured at amortised cost		**-**	(48,332)
Finance expense		**(2,381,204)**	(812,286)
Net finance expense		**(1,628,592)**	(143,133)
Recognised in other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**(71,065)**	-
Foreign currency translation differences for foreign operations		**(124,049)**	(127,995)
Finance income recognised in other comprehensive income, net of tax		**(195,114)**	(127,995)

	Consolidated 2011 $	2010 $
9. Income tax		
(a) Income tax benefit		
The major components of income tax benefit are:		
Current income tax benefit	-	(537,062)
Adjustments in respect of current income tax of previous years	-	(1,027)
Income tax benefit reported in the consolidated income statement	-	(538,089)
(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:		
Loss before tax from continuing operations	**(13,734,713)**	(11,508,702)
At the statutory income tax rate of 30%	**(4,120,414)**	(3,452,611)
Expenditure not allowable for income tax purposes	**756,871**	394,458
Adjustments in respect of current income tax of previous years	-	(1,027)
Effect of different tax rate for overseas subsidiaries	**(10,726)**	194,647
Deferred tax asset not brought to account	**3,374,269**	2,326,444
Income tax benefit	-	(538,089)
(c) Tax losses not brought to account		
Unused tax losses for which no deferred tax asset has been recognised calculated at 30% (2010: 30%)	**10.317,568**	7,818,987
(d) Temporary differences not brought to account		
Deferred tax assets/(liabilities) calculated at 30% (2010: 30%):		
Interest receivable	**(23,363)**	(83,520)
Prepayments	-	(25,356)
Other provisions	**322,050**	210,727
Borrowing costs	**342**	25,311
Deductible capital raising costs and black hole expenditure	**311,383**	381,571
Property, plant and equipment	**494,048**	540,537
Intangibles	**419,830**	406,979
Deferred tax assets not recognised (excluding those on tax losses)	**(1,524,290)**	(1,456,250)
	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

(e) Tax consolidation legislation

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

	Consolidated 2011 $	2010 $
10. Auditor's remuneration		
Amounts received or due and receivable by the auditor for:		
Audit and review of financial reports		
KPMG – current year	**124,000**	74,500
KPMG – under/(over) accrual from prior year	**(5,558)**	26,450
	118,442	100,950

11. Loss per share

The calculation of basic loss per share at 30 June 2011 of 6.65 cents (2010: 5.41 cents) was based on the loss attributable to ordinary shareholders of $13,734,713 (2010: $10,970,613) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2011 of 206,683,922 (2010: 202,961,683) calculated as follows:

		2011		2010	
	Note	Actual No.	W.A.N.	Actual No.	W.A.N.
Issued ordinary shares 1 July	24	251,416,900	202,961,683	162,446,305	162,446,305
Effect of shares issued		16,475,892	2,144,270	48,534,976	24,877,605
Effect of conversion of notes		-	-	33,500,000	14,216,438
Effect of shares issued relating to rights		294,118	152,297	-	-
Effect of share options exercised		1,851,852	1,425,672	5,935,619	1,421,335
Issued ordinary shares at 30 June	24	270,038,762	206,683,922	251,416,900	202,961,683

Potential ordinary shares on issue are not considered to be dilutive and therefore the dilituted loss per share equals the basic loss per share.

	Consolidated 2011 $	2010 $
12. Cash and cash equivalents		
Cash at bank and on hand	**7,706,217**	7,225,823
Short-term bank deposits	**5,700,000**	5,000,000
	13,406,217	12,225,823
13. Trade and other receivables		
Current		
Trade receivables	**130,814**	228,701
Other receivables:		
R&D tax offset rebate and government grants receivable	**274,623**	577,060
GST and VAT receivable	**310,059**	302,002
Accrued interest	**81,235**	39,978
FBT receivable	**-**	8,052
Other	**-**	695
	796,731	1,156,488
14. Inventories		
Raw materials and consumables	**185,036**	76,673

	Consolidated 2011 $	2010 $
15. Other financial assets		
Held-to-maturity investments	**690,400**	10,238,422

A 12 month term deposit for $300,000 with an interest rate of 6.06% matures on 1 October 2011 and a security deposit for $390,400 matures on 10 November 2011 (2010: A 180 day term deposit for $10,000,000 with an interest rate of 5.92% matured on 3 August 2010). This security deposit supports a bank guarantee provided for the operating lease for the Banktowns facility.

	Consolidated 2011 $	2010 $
16. Other current assets		
Prepayments	**133,165**	292,549
Deferred costs of borrowing	**619**	203,836
	133,784	496,385

17. Property, plant & equipment

	Consolidated			
	Plant & Equipment $	Assets Under Construction $	Office Furniture & Equipment $	Total $
Costs				
Balance at 1 July 2009	5,658,101	3,487,346	580,773	9,726,220
Additions	515,886	1,123,172	172,265	1,811,323
Transfers	2,241,551	(2,246,854)	5,303	-
Transfer to intangibles	-	-	(159,940)	(159,940)
Effect of movements in exchange rates	(77,001)	(1,221)	(34,014)	(112,236)
Balance at 30 June 2010	**8,338,537**	**2,362,443**	**564,387**	**11,265,367**
Balance at 1 July 2010	8,338,537	2,362,443	564,387	11,265,367
Additions	31,524	6,127,987	150,186	6,309,697
Transfers to intangibles	2,817,225	(3,144,579)	-	(327,354)
Effect of movements in exchange rates	11,047	-	(47,002)	(35,955)
Balance at 30 June 2011	**11,198,333**	**5,345,851**	**667,571**	**17,211,755**
Depreciation and impairment losses				
Balance at 1 July 2009	2,168,860	235,802	295,542	2,700,204
Depreciation for the year	534,840	-	75,710	610,550
Transfers	(627)	-	627	-
Transfer to intangibles	-	-	(111,915)	(111,915)
Effect of movements in exchange rates	(16,696)	-	(7,958)	(24,654)
Balance at 30 June 2010	**2,686,377**	**235,802**	**252,006**	**3,174,185**
Balance at 1 July 2010	2,686,377	235,802	252,006	3,174,185
Depreciation for the year	1,209,436	-	75,709	1,285,145
Effect of movements in exchange rates	(26,339)	-	9,317	(17,022)
Balance at 30 June 2011	**3,869,474**	**235,802**	**337,032**	**4,442,308**
Carrying Amounts				
At 1 July 2009	3,489,241	3,251,544	285,231	7,026,016
At 30 June 2010	5,652,160	2,126,641	312,381	8,091,182
At 1 July 2010	5,652,160	2,126,641	312,381	8,091,182
At 30 June 2011	7,328,859	5,110,049	330,539	12,769,447

18. Intangibles

	Consolidated					
	Patents & Rights $	Royalty Buy-Back $	Technology $	Computer Software	Goodwill $	Total $
Costs						
Balance at 1 July 2009	649,027	94,419	1,320,970	-	175,000	2,239,416
Additions				226,000	-	226,000
Transfer from property, plant & equipment	-	-	-	159,940	-	159,940
Balance at 30 June 2010	**649,027**	**94,419**	**1,320,970**	**385,940**	**175,000**	**2,625,356**
Costs						
Balance at 1 July 2010	649,027	94,419	1,320,970	385,940	175,000	2,625,356
Additions	-	-	-	26,104	-	26,104
Transfer from property, plant & equipment	-	-	-	327,354	-	327,354
Balance at 30 June 2011	**649,027**	**94,419**	**1,320,970**	**739,398**	**175,000**	**2,978,814**
Amortisation and impairment losses						
Balance at 1 July 2009	515,468	56,656	1,320,970	-	175,000	2,068,094
Amortisation for the year	33,390	9,442	-	21,012	-	63,844
Transfer from property, plant & equipment	-	-	-	111,915	-	111,915
Balance at 30 June 2010	**548,858**	**66,098**	**1,320,970**	**132,927**	**175,000**	**2,243,853**
Balance at 1 July 2010	548,858	66,098	1,320,970	132,927	175,000	2,243,853
Amortisation for the year	51,935	9,441	-	174,268	-	235,644
Transfer from property, plant & equipment	-	-	-	-	-	-
Effect of movement in exchange rates	3,091	-	-	-	-	3,091
Balance at 30 June 2011	**603,884**	**75,539**	**1,320,970**	**307,195**	**175,000**	**2,482,588**
Carrying amounts						
At 1 July 2009	133,559	37,763	-	-	-	171,322
At 30 June 2010	100,169	28,321	-	253,013	-	381,503
At 1 July 2010	100,169	28,321	-	253,013	-	381,503
At 30 June 2011	45,143	18,880	-	432,203	-	496,226

19. Group entities

	Country of incorporation	Entity interest 2011	Entity interest 2010
Parent entity			
Quickstep Holdings Limited	Australia		
Controlled entities			
Quickstep Technologies Pty Ltd	Australia	**100%**	100%
Quickstep Operations Pty Ltd	Australia	**100%**	100%
QuickBoats Pty Ltd	Australia	**100%**	100%
Quickstep GmbH	Germany	**100%**	100%
Quickstep Composites LLC	USA	**100%**	100%

20. Trade and other payables

	Consolidated 2011 $	2010 $
Current		
Unsecured trade payables	**356,199**	111,190
Sundry payables and accrued expenses	**4,023,779**	2,865,685
		-
Royalties payable (i)	**658,633**	650,000
	5,038,611	3,626,875
Non-current		
Royalties payable (i)	**421,221**	471,093

(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%.

21. Loans and borrowings

	Consolidated 2011 $	2010 $
Current		
Finance lease liability	**17,645**	9,890
Non-current		
Finance lease liability	**12,622**	8,242

Finance lease liabilities

	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010
Less than one year	**22,115**	**4,470**	**17,645**	12,478	2,588	9,890
Between one and five years	**13,670**	**1,048**	**12,622**	10,398	2,156	8,242
Great than five years	**-**	**-**	**-**	-	-	-
	35,785	**5,518**	**30,267**	22,876	,744	18,132

	Consolidated 2011 $	2010 $
22. Financial liabilities at fair value through profit and loss		
Non-current		
Financial liabilities at fair value through profit and loss.	**2,820,000**	-

On 24th April the Group executed a Funding Agreement subject to conditions precedent with La Jolla Cove Investors Inc (La Jolla); a US private equity firm, for the issue of US$15,000,000 of convertible notes. Under the Agreement, there will be an initial issue of a convertible note for US$ 7,500,000 (initial note) with an option at the Group's discretion, to subsequently issue another convertible note of US$7,500,000 (Subsequent Note)

On 12 May 2011 the conditions precedent were satisfied and the Group issued the initial Note with the issue price of US$7,500,000 to La Jolla. The Group has elected to account for these instruments at fair value through the profit and loss. The key terms of the agreement include;

Key term/Note component/Clause	Description
Number of notes	2
Face value of each	US$7,500,000
Coupon / Interest Rate	Fixed rate of 3.00% p.a. payable monthly in arrears, calculated on the unconverted principal amount. Interest is payable in Ordinary shares at Quickstep's election
Initial Note - (Note1)	The initial payment of US$400,000 for Note 1 The remaining US$7,100,000 of Note 1 is to be received in monthly payments: • of not less than US$500,000; and • not more than US$1,000,000 (or such higher amount as Quickstep agrees in writing).
Subsequent Note – (Note 2)	The form of and terms of the Subsequent Note, the purchase of the Subsequent Note, and the payment of the US$7,500,000 for the Subsequent Note, are subject to the same terms and conditions of this Agreement applicable to the Initial Note
Term / Maturity Date	Each note has a term of 4 years from the date of initial drawdown
Conversion Option	At the investor's option, a note may be converted into ordinary shares at the Conversion Price, either in whole or in part.
Conversion Option	Quickstep has the option to force conversion of the outstanding principal amount into ordinary shares. This election can be made in the six months prior to maturity of the note
Conversion price	The number of shares to be issued on conversion is calculated as: US$ face value x exchange rate / Conversion Price The Conversion Price is the lesser of: • AU$0.90 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); or • 80% of the average Volume Weighted Average Price (VWAP) of Quickstep's shares during the 10 days prior to conversion
Cash settlement option	If the investor elects to convert the notes, when the VWAP is below AU$0.28 then Quickstep has the right to prepay that portion of the note If Quickstep makes the election to prepay the cash amount, then the investor has the right to withdraw the conversion notice.

22. Financial liabilities at fair value through profit and loss (cont'd)

Key term/Note component/Clause	Description
Contingent Settlement Provisions / Cash Settlement	There are certain circumstances in which Quickstep may be required to settle / redeem the notes for cash.

Valuation

The fair value of the convertible notes has been determined using a Monte Carlo simulation. The key assumptions utilised in the valuation include:

Initial Closing date	12 May 2011	
Maturity date	12 May 2015	
Coupon Rate	3.00%	
Conversion Price	Minimum of A$0.90 or 80% of 10 day VWAP	
Floor Price	A$0.28	
Default price	A$0.072	
Volatility of Quickstep Shares	70%	
Dividend Yield	0.0%	
Foreign exchange Volatility A$/US$	17%	
Valuation Date	12 May 2011	30 June 2011
Principal payments to Date	A$0	US$900,000
Principal amount converted to date	US$0	US$0
Closing price per share	A$0.310	A$0.255
Foreign exchange spot rate A$/ US$	1.0617	1.0739

	Consolidated 2011 $	2010 $
Reconciliation of Fair Value Measurement		
Balance 1 July 2010	**-**	-
Fair value through Profit and Loss at inception	**1,930,000**	-
Convertible note drawdowns	**838,875**	-
Net change in fair value recognised through Profit and loss	**51,125**	-
Balance 30 June 2011	**2,820,000**	-

23. Employee benefits

	2011 $	2010 $
Current		
Liability for annual leave	**177,877**	119,892
Other employee benefits	**74,197**	-
	252,074	119,892

	Consolidated 2011 $	2010 $
24. Contributed equity		
(i) Issued capital		
270,038,762 (2010: 251,416,900) fully paid ordinary shares	**66,854,895**	62,296,410

The following movements in issued capital occurred during the year:

	Note	2011 No. Of Shares	2011 $	2010 No. of shares	2010 $
Balance at the beginning of the year		**251,416,900**	**62,296,410**	162,446,305	30,146,119
Shares issued for cash (a), (b)		**10,277,500**	**3,288,800**	47,305,022	24,421,527
Shares issued under share purchase plan		**4,398,392**	**1,407,485**		
Shares issued on exercise of options (ii)		**1,851,852**	**-**	5,935,619	1,485,885
Shares issued on conversion of notes		**-**	**-**	13,500,000	2,653,034
Shares issued on conversion of loans		**-**	**-**	20,000,000	3,275,102
Shares issued on exercise of rights (c)		**294,118**	**-**	800,000	128,000
Shares issued to consultants		**1,800,000**	**-**	1,348,914	279,667
Shares issued to executives as remuneration	32	**-**	**-**	81,040	29,012
Transfer from convertible instrument reserve		**-**	**-**	-	771,864
Share issue and capital raising costs		**-**	**(137,800)**	-	(893,800)
Balance at the end of the year		**270,038,762**	**66,854,895**	251,416,900	62,296,410

(a) During the year the company issued 10,277,500 shares at an issue price of 32 cents to raise $3,288,800.

(b) During the prior year, the Company issued 47,305,022 shares at issue prices varying from 25 cents to 52 cents per share to raise $24,421,527.

(c) During the year, the Company issued 294,118 shares for $nil consideration pursuant to share-based payment arrangements with certain key management personnel.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(ii) Options

Options granted during the year

During the current and previous financial years, the Company issued options as follows.

Expiry Date	Exercise Price	Number of Options 2011	2010
30 March 2017	$0.00	-	3,249,476
26 November 2017	$0.00	471,337	-

22. Contributed equity (cont'd)

Unissued shares under option

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

Expiry Date	Exercise Price	Number of Options 2011	2010
30 March 2017	$0.00	**1,397,624**	3,249,476
26 November 2017	$0.00	**431,337**	-

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

Exercise of options

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

Expiry Date	Exercise Price	Share price on expiry date	Number of Options 2011	2010
15 April 2010	$0.25	$0.35	-	5,735,619
16 June 2010	$0.26	$0.29	-	200,000
23 September 2010	$0.00	$0.34	**1,851,852**	-

Lapse of options

During the current and previous financial years, the following options lapsed:

Expiry Date	Exercise Price	Number of Options 2011	2010
15 April 2010 (a)	$0.25	-	655,870
16 June 2010	$0.26	-	240,000

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

(iii) Rights

At 30 June 2011, unissued ordinary shares of the Company under rights totalled 1,853,528 (2010: 1,627,103). The rights are issued pursuant to executive services agreement and vest at various times in the future according to years of service completed. The exercise price of the rights is nil and the rights are forfeited if employment is terminated prior to the vesting date. Refer to Note 30(i).

During the year, 989,383 rights (2010: 744,750) were granted.

During the year, 294,118 shares (2010: 800,000 shares), were issued as a result of the exercise of rights.
468,750 rights were forfeited on the termination of employment of employees

	Note	Consolidated 2011 $	2010 $
25. Reserves			
Share based payments reserve			
Balance at the beginning of the year		**1,157,091**	369,084
Grant of rights to shares to key management personnel	**32**	**118,507**	108,086
Grant of options to key management personnel	**32**	**272,038**	782,511
Transfer to issued capital on vesting of rights		**-**	(128,000)
Non-vestment of rights to shares by key management personnel		**-**	(34,590)
Success fee payable on convertible note agreement		**480,000**	60,000
Balance at the end of the year		**2,027,637**	1,157,091

This reserve is used to record the fair value of options over ordinary shares and rights to ordinary shares granted as consideration for services provided.

Foreign currency translation reserve			
Balance at the beginning of the year		**(96,607)**	31,388
Foreign currency translation differences		**(124,049)**	(127,995)
Balance at the end of the year		**(220,656)**	(96,607)

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve			
Balance at the beginning of the year		**-**	-
Effective portion of changes in fair value of cash flow hedges		**(71,065)**	-
Balance at the end of the year		**(71,065)**	-

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Convertible instrument reserve			
Balance at the beginning of the year		**-**	46,966
Issue of convertible instruments		**-**	724,898
Transfer to issued capital on conversion of instruments	**24**	**-**	(771,864)
Balance at the end of the year		**-**	-

The convertible instruments reserve is used to record the equity component of the convertible instruments.

Total reserves		**1,735,916**	1,060,484
26. Accumulated losses			
Accumulated losses at the beginning of the year		**(34,926,410)**	(23,955,797)
Loss for the year		**(13,734,713)**	(10,970,613)
Accumulated losses at the end of the year		**(48,661,123)**	(34,926,410)

27. 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:

27. Financial instruments (cont'd)

	Note	Consolidated 2011 $	2010 $
Cash and equivalents		**13,406,217**	12,225,823
Held-to-maturity financial assets		**690,400**	10,238,422
Interest receivable		**81,235**	39,978
Trade receivables		**130,814**	228,701
Other		**-**	695
		14,308,666	**22,733,619**

As at 30 June 2011, no financial asset was considered past due (2010: $117,649).

At 30 June 2011, no financial asset is considered impaired (2010: nil).

The Group's maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	2011	2010
Australia	**81,235**	**44,523**
Germany	**104,419**	**131,452**
USA	**25,395**	**93,398**
	212,049	**269,374**

Liquidity risk

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

Consolidated	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
30 June 2011						
VCAMM royalties payable	**1,079,854**	**(1,105,168)**	**(329,316)**	**(329,316)**	**(446,535)**	**-**
Trade and other payables	**4,308,913**	**(4,308,913)**	**(4,173,384)**	**-**	**(135,529)-**	**-**
Foreign Exchange contract	**71,065**	**(71,065)**	**(71,065)**			
Finance lease liabilities	**30,267**	**(35,785)**	**(11,058)**	**(11,058)**	**(11,717)**	**(1,952)**
Financial Liability at fair value through profit and loss	**2,820,000**	**(100,665)**	**(12,583)**	**(12,583)**	**(25,166)**	**(50,333)**
	8,310,098	**(5,621,595)**	**(4,597,405)**	**(352,957)**	**(618,947)**	**(52,285)**
30 June 2010						
VCAMM royalties payable	1,121,093	(1,141,304)	(325,000)	(325,000)	(491,304)	-
Trade and other payables	2,976,875	(2,976,875)	(2,976,875)	-	-	-
Finance lease liabilities	18,132	(24,689)	(6,733)	(6,733)	(11,222)	-
	4,116,100	(4,142,868)	(3,308,608)	(331,733)	(502,526)	-

27. Financial instruments (cont'd)

Currency risk

Exposure to currency risk

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

2011	USD	EUR
Cash and cash equivalents	64,438	60,775
Trade payables	(16,786)	(136,625)
Receivables	25,395	105,419
	73,047	29,569

2010	USD	EUR
Cash and cash equivalents	50,566	146,060
Trade payables	(426,819)	(983,159)
Receivables	93,398	320,187
	(282,855)	(516,912)

The following significant exchange rates to the Australian Dollar applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2011	2010	2011	2010
USD	0.9881	0.8821	1.0739	0.8523
EUR	0.7245	0.6355	0.7405	0.6979

Sensitivity analysis

A 10 percent movement of the Australian dollar against the following currencies at 30 June would have increased (decreased) profit or loss and equity 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 2010.

	2011		2010	
	Profit / Loss		Profit / Loss	
	+10% $	-10% $	+10% $	-10% $
USD	(6,641)	8,116	25,714	(31,428)
EUR	(2,688)	3,285	46,992	(57,435)
	(9,329)	11,401	72,706	(88,865)

	2011		2010	
	Equity		Equity	
	+10% $	-10% $	+10% $	-10% $
USD	(15,209)	18,589	(13,793)	16,858
EUR	(54,711)	66,869	(65,950)	80,606
	(69,920)	85,458	(79,743)	97,464

27. Financial instruments (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial assets/(liabilities) was:

	Consolidated 2011 $	2010 $
Fixed rate instruments		
Held-to-maturity term deposits	**690,400**	10,238,422
Convertible notes	**(838,875)**	-
Finance lease liabilities	**(30,267)**	(18,132)
	(178,742)	10,220,290
Variable rate instruments		
Cash and cash equivalents	**13,406,217**	12,225,823

Cash includes funds held in short term deposits and cheque accounts during the year, which earned a weighted average interest rate 4.27% (2010: 4.93%).

The interest rates applicable to the Group's finance leases are 9.55% (2010: 9.55%).

Financial assets held-to-maturity includes a 12 month term deposit for $300,000 with an interest rate of 6.06% which matures on 1 October 2011 and a security deposit for $390,400 maturing on 10 November 2011. The interest rate for the convertible note facility is 3%.

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 at fair value through profit or loss. Financial liabilities accounted for at fair value through profit and loss are valued using a Monte Carlo simulation which recognises the sensitivity for interest rates.

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 2010.

Effect in AUD	Consolidated profit or loss 100 bp increase	100 bp decrease
30 June 2011		
Variable rate instruments	**134,062**	(134,062)
Cash flow sensitivity (net)	**134,062**	(134,062)
30 June 2010		
Variable rate instruments	122,258	(122,258)
Cash flow sensitivity (net)	122,258	(122,258)

27. Financial instruments (cont'd)

Fair values

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

28. Capital and other commitments

	Consolidated 2011 $	2010 $
Operating lease commitments		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable		
- less than 1 year	**733,243**	240,389
- between 1 and 5 years	**3,784,253**	20,834
- more than 5 years	**2,269,205**	-
	6,786,701	261,223

The Group leases two properties. The first property is leased on a non -cancellable lease with a five year term with provision for rent reviews on an annual basis. The second property is leased on a non -cancellable lease with a ten year term with two options to renew for five years each. The lease contains provision for rent reviews on an annual basis.

Capital commitments

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

	2011 $	2010 $
Payable		
- less than 1 year	**670,359**	552,420
	670,359	552,420

29. Cash flow information

	Note	2011 $	2010 $
Reconciliation of cash flows from operating activities to loss after income tax:			
Loss for the year		**(13,734,713)**	(10,970,613)
Adjustments for:			
- Amortisation of intangibles	**18**	**235,398**	63,844
- Depreciation	**17**	**1,285,145**	610,550
- Amortisation of convertible note costs	**8**	**-**	105,535
- Amortisation of convertible loan costs	**8**	**-**	156,164
- Share based payment expense		**870,546**	1,224,687
- Convertible note interest	**8**	**-**	-
- Foreign exchange gain	**8**	**-**	2,568
- Finance costs	**8**	**1,981,125**	48,332
Operating loss before changes in working capital		**(9,362,499)**	(8,758,933)
(Increase)/decrease in trade & other receivables		**953,147**	(744,255)
(Increase)/decrease in inventories		**(108,350)**	38,802
(Increase)/decrease in other current assets		**159,547**	(360,560)
(Increase)/decrease in work in progress		**(14,021)**	-
Increase/(decrease) in trade and other payables		**460,402**	2,197,704
Increase in employee benefits		**31,308**	56,266
Increase in unearned income		**(198,008)**	-
Net cash used in operating activities		**(8,078,474)**	(7,570,976)

30. Related parties

Key management personnel compensation

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

	Note	Consolidated 2011 $	2010 $
Short-term employee benefits		**2,295,916**	1,665,351
Post-employment benefits		**126,490**	73,465
Share based payments	**32**	**390,546**	885,021
Other long term benefits		**190,022**	38,480
		3,002,973	2,672,317

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.

Loans to key management personnel and their related parties

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening balance $	Closing balance $	Interest not charged $	Number in group at 30 June
Total for key management personnel 2011	**-**	**-**	**-**	**-**
Total for key management personnel 2010	58,609	-	-	1

Key management personnel transactions

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	Note	Consolidated 2011 $	2010 $
Mr D Graham	**(i)**	**18,931**	34,019

(i) 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. No amounts were outstanding at 30 June 2011 (2010: nil).

30. Related parties (cont'd)

Equity holdings

Options and rights over shares

The movement during the reporting period in the number of options and 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 2011, are as follows:

(i) Rights

	Held at 1 July 2010	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
2011							
Directors							
Mr P M Odouard	882,353	-	(294,118)(i)	-	588,235	294,118	-
Executives							
Mr W Beckles	468,750		-	(468,750)	-	-	-
Mr S Godbille	-	267,605	-	-	267,605	-	-
Mr J Johnson	-	471,698	-	-	471,698	-	-
Mr A Vihersaari	-	250,000	-	-	250,000	-	-
Ms M Withers	276,000	-	--	-	276,000	-	-
	1,627,103	989,303	(294,118)	(468,750)	1,853,538	294,118	-

(i)Closing share price at date of exercise 24/12/2010, $0.385

	Held at 1 July 2009	Granted as compen-sation	Exercised	Other changes*	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
2010							
Directors							
Mr P M Odouard	882,353	-	-	-	882,353	-	-
Executives							
Mr W Beckles	-	468,750	-	-	468,750	-	-
Mr A Myers	800,000	-	(800,000)	-	-	800,000-	-
Mr P Williams	411,765	-	-	(411,765)	-	-	-
Ms M Withers	-	276,000	-	-	276,000	-	-
	2,094,118	744,750	(800,000)	(411,765)	1,627,103	800,000	-

* Other changes represent rights that were forfeited during the year

(ii) Options

	Held at 1 July 2010	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
2011							
Directors							
Mr P M Odouard	3,249,476	471,337	(1,851,852)(ii)	-	1,868,961	-	-

	Held at 1 July 2009	Granted as compen-sation	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
2010							
Directors							
Mr P M Odouard	-	3,249,476	-	-	3,249,476	1,851,852	1,851,852

(ii)Closing share price at date of exercise 23/09/2010 , $0.335

30. Related parties (cont'd)

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 2010 or date of appointment	Purchases	Disposals	Received on exercise or options / rights	Issued as compensation	Held at 30 June 2011
2011						
Directors						
Mr P M Odouard	**-**	**-**	**(600,000)**	**2,145,970**	**-**	**1,545,970**
Mr D E Brosius	**600,000**	**-**	**-**	**-**	**-**	**600,000**
Mr D F G Graham	**26,651,529**	**-**	**(612,188)**	**-**	**-**	**26,039,341**
Mr P C Cook	**137,946**	**7,812**	**-**	**-**	**-**	**145,758**
Mr E J McCormack(1)	**19,000**	**31,250**	**-**	**-**	**-**	**50,250**
Mr D Wills(2)	**163,231**	**46,875**	**-**	**-**	**-**	**210,106**
Executives						
Mr J F Johnson	**20,000**	**51,250**	**-**	**-**	**-**	**71,250**

	Held at 1 July 2009	Purchases	Disposals	Received on exercise or options / rights	Issued as compensation	Held at 30 June 2010
2010						
Directors						
Mr P M Odouard	-	-	-	-	-	-
Mr D E Brosius	800,000	-	(200,000)	-	-	600,000
Mr D F G Graham	38,651,529	-	(12,000,000)	-	-	26,651,529
Mr P C Cook	344,300	28,846	(235,200)	-	-	137,946
Executives						
Mr A M Myers	-	-	-	800,000	828,438(3)	n/a(3)
Mr P J Williams	-	-	-	-	52,602(4)	n/a(4)
Mr J F Johnson	-	20,000	-	-	-	20,000

(1) Mr E J McCormack was appointed to the board on the 11th August 2010

(2) Mr D Wills was appointed to the board on the 26th November 2010

(3) On 1 October 2009, 800,000 ordinary fully paid shares were issued to Mr A Myers. On 9 December 2009, a further 28,438 ordinary fully paid shares were issued. These were in accordance with the terms of the Executive Service Agreement between the Company and Mr Myers. Mr A Myers ceased to be a key management person on 15 February 2010.

(4) On 9 December 2009, 52,602 ordinary fully paid shares were issued to Mr P Williams in accordance with the terms of the Executive Service Agreement between the Company and Mr Williams. Mr P Williams ceased to be a key management person on 13 November 2009.

31. Equity accounted investments

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.

32. Share based payments

The Company previously established the Quickstep Holdings Limited Employee Share Option Scheme (ESOS). All outstanding options under this scheme were either exercised or forfeited in 2010.

The Company has established the Quickstep Employee Incentive Plan (EIP). Under the EIP, the Board may grant options to selected Quickstep employees on such terms as it determines appropriate. Participation in the EIP is open to all employees of the Group, with the Board determining those employees eligible to participate in each grant under the EIP. Each option is a conditional right to one Quickstep ordinary share, subject to the satisfaction of the applicable performance conditions and payment of the exercise price (if any).

The EIP provides sufficient flexibility for the Board to grant short-term or long-term incentives to eligible employees. That is, the performance conditions set by the Board may apply over the period of time the Board determines appropriate in the circumstances. It is currently intended that the "short-term" grants under the EIP will be in the form of an equity retention incentive, with the applicable performance condition based on the key performance indicators set under the Company's short term incentive program, and that the "long term" grants will be subject to performance criteria based on achieving total shareholder return targets over a three year period.

In general, the options will not vest until the performance criteria specified by the Board at the time of the grant have been achieved and provided the participant remains a Group employee. If the performance criteria are not satisfied at the end of the applicable performance period the options will lapse. The options may lapse in other circumstances provided for in the EIP rules, including forfeiture where the employee engages in dishonest or fraudulent conduct, where there is a change in control and where the employee ceases employment. Subject to the rules and the terms of grant, options will lapse on the seventh anniversary of their grant date.

The number and weighted average exercise prices (WAEP) of options issued under the ESOS and EIP are as follows:

Employee Share Option Scheme	**2011 Number**	**2011 WAEP**	**2010 Number**	**2010 WAEP**
Outstanding at 1 July	**-**	**-**	440,000	$0.26
Exercised during the period	**-**	**-**	(240,000)	$0.26
Forfeited during the period	**-**	**-**	(200,000)	$0.26
Outstanding at 30 June	**-**	**-**	-	-
Exercisable at the end of the year	**-**	**-**	-	-

Employee Incentive Plan	**2011 Number**	**2011 WAEP**	**2010 Number**	**2010 WAEP**
Outstanding at 1 July	**3,249,476**	**$0.00**	-	-
Granted during the period	**471,337**	**$0.00**	3,249,476	$0.00
Exercised during the period	**(1,851,852)**	**$0.00**	-	$0.00
Outstanding at the end of the year	**1,868,961**	**$0.00**	3,249,476	$0.00
Exercisable at the end of the year	**-**	**$0.00**	1,851,852	$0.00

The options granted from the EIP are subject to performance conditions based on achieving pre-set accumulated absolute Total Shareholder Return (TSR) targets over the applicable performance period. In summary, TSR combines share price appreciation over a period and dividends paid during that period to show the total return to shareholders over that period. For the purposes of the performance conditions attached to the options, TSR will be calculated as the 45 day volume weighted average price (VWAP) of Quickstep shares as at 30 June. The options vest on the 1 July. This calculation has been adopted bearing in mind Quickstep's market capitalisation and to ensure the performance hurdle and testing process remain appropriate in all the circumstances.

Tranche 1 will be subject to a one-year performance condition, Tranche 2 will be subject to a two-year performance condition and Tranches 3 and 4 will each be subject to a three year performance condition. In respect of each of Tranches 1, 2 and 3 the performance period will commence on 1 July 2008. The performance period for Tranche 4 will commence on 1 July 2009 and for the 2010 year entitlement 1 July 2010.

32. Share based payments (cont'd)

The specific TSR targets for each Tranche are set out below. The targets are calculated from an initial value of $0.165 for each of Tranches 1, 2 and 3, $0.25 for Tranche 4 and $0.3262 for 2010 Year entitlement.

If the Threshold hurdle of TSR is achieved at a test date, 25% of the Options in the tranche will vest. If the Target hurdle of TSR is achieved at a test date in any given year, 50% of Options in the tranche will vest. If the Stretch hurdle of TSR is achieved at a test date in any given year 100% of Options in the tranche will vest. After the initial vesting period, re-testing of the performance conditions occurs annually. However, the re-tested Options will be tested at the same time and on the same basis as the subsequent tranche. Re-testing will occur over the longer performance period and against the higher TSR hurdle.

Grant			**Tranche 1**	**Tranche 2**	**Tranche 3**	**Tranche 4**	**2010 Year**
Earliest vesting date			**01/07/09**	**01/07/10**	**01/07/11**	**01/07/12**	**1/7/2013**
					TSR Hurdle VWAP as at 30 June		
	% Annual Growth (TP)	**% Vesting**	**2009**	**2010**	**2011**	**2012**	**2013**
Initial value			$0.165	$0.165	$0.165	$0.250	$0.326
Threshold	5	25	$0.170	$0.179	$0.188	$0.290	$0.378
Target	8	50	$0.175	$0.189	$0.204	$0.315	$0.410
Stretch	12	100	$0.181	$0.203	$0.227	$0.352	$0.458

If the employee ceases employment with the Quickstep Group due to death, disability, bona fide redundancy or any other reason which may meet with the approval of the Board, the Board may determine that any unvested options he holds will vest as at his date of cessation, having regard to such factors as the Board considers relevant, including pro rata performance against the performance condition over the period from the grant date to the date of cessation.

If they cease employment in these circumstances and holds vested options they may exercise those options within the 12 month period following his date of cessation (or, the remaining period until the expiry of the options, if less than 12 months).

If they cease employment for any other reason any unvested options they hold will lapse on his date of cessation unless the Board determines otherwise, and any vested options must be exercised within three months.

Details of the fair value of options granted are set out below:

Grant	**No. of options**	**Fair value per option at the grant date $**	**Total fair value $**
Tranche 1	925,926	0.3500	324,074
Tranche 2	925,926	0.3480	322,222
Tranche 3	925,926	0.3150	291,667
Tranche 4	471,698	0.2700	127,359
2010 Year	471,337	0.3620	170,624
Total	**3,720,813**		**1,235,946**

32. Share based payments (cont'd)

Tranche 1 options had fully vested at the grant date of 30 March 2010 and therefore the fair value is based on the ASX quoted price for QHL shares at grant date of the options. The Monte-Carlo simulation has been used to value Tranches 2, 3 and 4 and the 2010 year grant that had a future vesting condition at the grant date of the options. Assumptions used in the valuation of the options in Tranche 2, 3, 4 and 2010 Year at grant date included:

Tranche	2	3	4	2010 Year
Grant date	30/03/2010	30/03/2010	30/03/2010	26/11/2010
First testing date	30/06/2010	30/06/2011	30/06/2012	30/06/2013
Expiry date	30/03/2017	30/03/2017	30/03/2017	30/06/2015
Share price at grant date	$0.35	$0.35	$0.35	$0.41
Exercise price	Nil	Nil	Nil	Nil
Expected life (years)	0.3	1.3	2.3	2.9
Volatility	80%	80%	80%	75%
Risk free interest rate	4.54%	4.66%	5.01%	5.07
Dividend yield	0%	0%	0%	0%

Rights

Performance rights issued during 2011 were as follows:

	2011 Number	Vesting conditions
Performance right on issue July 1	**1,627,103**	
Performance rights forfeited	**(468,750)**	
Performance rights exercised	**(294,118)**	
Performance rights granted	**989,303**	Vest in two tranches provided the employee remains with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted.
Total performance rights on issue 30 June	**1,853,538**	

32. Share based payments (cont'd)

Performance rights issued during 2010 were as follows:

	2010 Number	Vesting conditions
Performance rights on issue July 1	2,094,118	
Performance rights forfeited	(411,765)	
Performance rights exercised	(800,000)	
Performance rights granted	744,750	Vest in two tranches provided the employee remains with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted.
Total performance rights on issue 30 June	1,627,103	

32. Share based payments (cont'd)

Employee Expenses
The expense recorded in the financial report for the portion attributable to the current financial year as required by accounting standards is:

	Consolidated	
	2011	**2010**
	$	**$**
Shares	**-**	67,492
Share rights granted	**118,507**	73,496
Options	**272,039**	782,511
	390,546	923,499

The Company issued shares as a performance bonus to specific key management personnel (refer Note 30).

The Company has entered into executive service agreements with its executive directors and key management personnel. During the year, pursuant to the Executive Services Agreements with certain key management personnel, the Company has granted the rights over 989,303 shares with a fair value of $264,155 (2010: 744,750 shares with a fair value of $283,320). During the year, $118,507 (2010: $73,469) was expensed in the income statement representing the services performed by the key management personnel to 30 June 2011 as a percentage of the period to full vesting of the rights.

The fair value of share rights and shares granted is determined as the quoted price on the ASX of the shares of the Company on the day of the grant.

33. Parent entity

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Quickstep Holdings Limited.

Results of the parent entity

Loss for the period	**(13,929,826)**	(11,098,608)
Other comprehensive income	**-**	-
	(13,929,826)	(11,098,608)

Financial position of the parent entity at year end

Current assets	**414,374**	234,241
Total assets	**414,374**	28,862,398
Current liabilities	**604,542**	431,914
Total liabilities	**(20,199,858)**	431,914

Total equity of the parent entity comprising of:

Share capital	**66,854,895**	62,296,410
Share based payments reserve	**2,027,637**	1,157,091
Convertible notes reserve	**-**	-
Accumulated losses	**(48,952,844)**	(35,023,017)
Total equity	**19,929,691**	28,430,484

34. Subsequent events

Since the end of the financial year the Group:

- Has received its first purchase order to manufacture parts for the JSF program. The purchase order covers production of Group 1 parts over the next 12 months; and
- Is in advanced stages of negotiation of a 10 year loan facility of $10,000,000 plus capitalised interest.

Other than the matters referred to above or in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

For the year ended 30 June 2011

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 28 to 69 and pages 11 to 21 respectively, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2011 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 statements comply with International Financial Reporting Standards as described in Note 1 (b); and

   (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 2011.

Dated at Perth, Western Australia this 30th day of September 2011

Signed in accordance with a resolution of the directors:

P M Odouard
Managing 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 2011 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

Matthew Beevers
Partner

Perth

30 September 2011

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 consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

KPMG

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in section 15 of the directors' report for the year ended 30 June 2011. 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.

Auditor's opinion

In our opinion, the remuneration report of Quickstep Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Matthew Beevers
Partner

Perth

30 September 2011

DETAILS OF SHARES AND OPTIONS AS AT 26 SEPTEMBER 2011:

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	%
Washington H Soul Pattinson and Company Limited	31,922,570	11.72
Decta Holdings Pty Ltd	26,039,341	9.56
State One Capital Group	18,093,224	6.64

On-Market buy back

There is no current on-market buy back.

Distribution schedules

Distribution of each class of security as at 26 September 2011:

Ordinary fully paid shares

Range			Holders	Units	%
1	–	1,000	460	187,873	0.07
1,001	–	5,000	1,029	3,209,626	1.18
5,001	–	10,000	969	8,177,792	3.00
10,001	–	100,000	2,342	76,158,849	27.96
100,001	–	Over	312	184,607,047	67.79
Total			5,112	272,341,187	100.00

Options exercisable at $0.00 on or before 30 March 2017 (unlisted)

Range			Holders	Units	%
1	–	1,000	–	–	–
1,001	–	5,000	–	–	–
5,001	–	10,000	–	–	–
10,001	–	100,000	–	–	–
100,001	–	Over	1	1,397,624	100.00
Total			1	1,397,624	100.00

DETAILS OF SHARES AND OPTIONS AS AT 26SEPTEMBER 2011 (cont'd):

Options exercisable at $0.00 on or before 25 November 2017 (unlisted)

Range			Holders	Units	%
1	–	1,000	–	–	–
1,001	–	5,000	–	–	–
5,001	–	10,000	–	–	–
10,001	–	100,000	–	–	–
100,001	–	Over	1	471,337	100.00
Total			1	471,337	100.00

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,857 shares at $0.175 per share):

Holders	Units
942	1,112,501

Top holders

The 20 largest registered holders of each class of quoted security as at 26 September 2011 were:

	Name	No. of Shares	%
1.	Washington H Soul Pattinson and Company Limited	31,922,520	11.72
2.	Decta Holdings Pty Ltd	26,039,341	9.56
3.	WSF Pty Ltd <Woodstock S/F A/C>	10,025,061	3.68
4.	Romadak Pty Ltd <Romadak Super Fund A/C>	6,838,838	2.51
5.	Aileendonan Investments Pty Ltd	2,805,500	1.03
6.	Boldbow Pty Ltd	2,742,676	1.01
7.	State One Stockbroking Ltd	2,693,141	0.99
8.	HSBC Custody Nominees (Australia) Limited	2,611,813	0.96
9.	Nicholas Michael Noble	2,175,000	0.80
10.	Mr Julius Solomons and Mrs Dianne Solomons <The Sols Super Fund A/C>	2,092,567	0.77
11.	Prunelle Holdings Pty Ltd	2,077,692	0.76
12.	Mr David Creighton Gellatly & Mrs Evelyn May Gellatly <D&E Gellatly Super A/C>	2,000,000	0.73
13.	Equilibrium Pensions Limited <Campbell Family Int PPPS A/C>	1,836,000	0.67
14.	Equity Trustees Limited <SGH PI Smaller Co's Fund>	1,614,200	0.59
15.	Mr Carmine De Vitis	1,610,000	0.59
16.	Equity Trustees Limited <SGH Micro Cap Fund A/C>	1,600,000	0.59
17.	Mr Philippe Odouard	1,545,970	0.57
18.	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	1,535,324	0.56
19.	Davmin Pty Ltd	1,500,000	0.55
20.	Mr Paul Baster & Ms Catherine Bellemore	1,307,692	0.48
		106,573,335	39.12

Disclaimer: Many of the images used throughout this Annual Report are meant as representative examples of the markets being pursued by Quickstep. Unless otherwise indicated, Quickstep has not licensed any technology to the manufacturer of products shown in this Annual Report.

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