



Sprintex Limited

ABN: 38 106 337 599

ASX: SIX

31 May 2022

ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Attention: Vanessa Nevjestic

Dear Vanessa,

Query Response

Sprintex Limited ("Sprintex") refers to the ASX letter dated 25 May 2022 and responds as follows:

- 1. Does SIX expect that it will continue to have the current level of negative operating cash flows for the time being and, if not, why not?*

SIX is expected to have negative operating cash flows while it completes the product engineering and manufactures products to deliver on the contracted sales announced on 14 September 2021, 25 October 2021 and 7 March 2022, which advise of contracted sales of USD110,000, \$6,300,000 and \$112,000, respectively. SIX anticipates further sales in the coming months and years.

Delivery of contracted sales of e-compressors are expected to commence in June 2022 following completion of product acceptance (see March 2022 Quarterly Activities Report) and production of products. Upon the commencement of delivering the contracted sales and receipt of the cash from the sales, SIX expects negative cash flow to significantly reduce.

Additionally, SIX has developed a new supercharger system for the Jeep JL/JT for which sales are expected to commence by 30 June 2022 following interest received at recent marketing events and in line with the manufacture/production of products.

SIX anticipates that the combination of e-compressor and new automotive supercharger system sales will bring SIX to profitability.

- 2. With regard to the March Quarterly Expenditure Disclosure, which provides a comparison of SIX's actual expenditure on the individual items in the Use of Funds*

Unit 2 / 63 Furniss Road, Darch WA 6065

Phone: +61 8 9262 7277

Email: admin@sprintex.com.au

URL: www.sprintex.com.au

statement since the date of its reinstatement against the estimated expenditure on those items in the Use of Funds statement in the Prospectus, please provide detailed explanations of any material variances in the March Quarterly Expenditure Disclosure, noting that the funds expended since SIX's reinstatement have exhausted the funds allocated under the Prospectus.

Use of Proceeds under Prospectus dated 20/10/2020	Funds allocated under Prospectus	Funds expended since 1/4/2021	Comments
	<i>('000s)</i>		
Partial repayment of WPF Loan	600	930	Further funds were advanced after the prospectus was prepared and were repaid from capital raised
Repayment of amounts owed to creditors	1,833	1,743	No material change
Durability testing	80	-	Being performed in the current quarter
New products tooling	380	1,055	Expenditure was incurred mainly on tooling for the JL Jeep supercharger system tooling, and the fixed assets at the new facility in China, which has been funded by additional capital raised.
USA emissions certification for new Jeep JL supercharger system	40	-	To be performed after durability testing has been completed
Research and development costs for new products	500	733	Comprises of the costs of engineering new products, mainly engineering staff and consultants. This includes additional staff and activities at the new facility in China, which has been funded by additional capital raised.
Expenses of the Recapitalisation (including, the Public Offer)	600	840	Comprises of broker fees, advisor fees and ASX fees associated with the Public Offer. The estimate provided in the prospectus was not sufficient to cover all these costs as the relisting process took longer and cost more than expected.
Administration and other corporate costs	250	1,924	Comprises of ASX fees, audit fees, director and management remuneration, legal fees, patent costs, share registry fees, and other administrative costs of the 4 companies/locations within the Group plus sales and marketing expenses. This item has been combined with 'Cash reserves to cover costs during unexpected delays due to COVID-19 lockdowns in Malaysia and China slowing the production of products.
Working capital	1,409	1,938	Comprises of the costs of building inventory
Cash reserves to cover costs during unexpected delays	1,000	-	Allocated to administration and other corporate costs.
Total	6,653	9,163	

3. *Has SIX taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? In answering this question, please comment specifically on the following:*
- whether SIX has received commitments for the Placement Balance, or any part thereof;*
 - if the answer to question 3.1 is “no”, please advise when SIX expects to receive the Placement Balance, or any part thereof, noting that SIX expected the Placement to have been completed in Q2 2022; and*
 - the proposed use of funds for the Placement Balance.*

SIX refers to the placement of 53,333,333 shares at an issue price of \$0.075 with 26,666,667 attaching options with an exercise price of \$0.10 and term of 1 year, to raise \$4m announced on 2 November 2021 and confirms, as announced on 25 May 2022, that the remaining committed balance of \$1,369,275 is expected to be completed by 30 June 2022. This is in addition to \$400,000 received in April 2022 and \$200,000 received in May 2022.

As a contingency, SIX is in discussion with alternative providers of finance.

These funds are being used for the production of products referred to in question 1 above and operating expenses.

4. *Does SIX expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Yes, please refer to the response to question 1 above.

5. *Does SIX consider that the financial condition of SIX is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.*

Yes, on the basis that SIX has secured sales contracts (see item 1 above) and fund raisings referred to in item 3 above.

6. *If the answer to question 5 is “no”, please explain what steps SIX has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.2.*

n/a

7. *Please confirm that SIX is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.*

Confirmed

8. *Please confirm that SIX’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SIX with delegated authority from the board to respond to ASX on disclosure matters.*

Confirmed



Yours faithfully,

Michael van Uffelen
CFO and Company Secretary



25 May 2022

Reference: ODIN52432

Mr Michael van Uffelen
Company Secretary
Sprintex Limited
183 Mulgool Road
Malaga, Western Australia 6090

By email: michael.vanuffelen@sprintex.com.au

Dear Mr van Uffelen

Sprintex Limited ('SIX' or the 'Company'): Quarterly activities and cash flow reports - Query

ASX refers to the following:

- A. SIX's reinstatement prospectus released on the ASX Market Announcements Platform ('MAP') on 20 October 2020 (the 'Prospectus') in conjunction with a public offer of A\$6,500,000 via the issue of 75,581,396 shares at an issue price of A\$0.086 per share (the 'Public Offer') to facilitate the reinstatement of SIX's securities to trading on the Official List of the ASX and disclosing, amongst other things, that:
- (i) SIX intended to apply the funds raised from the Public Offer, together with existing cash reserves, over the first two (2) years following the reinstatement of its securities to trading on the Official List of ASX as follows:

Funds available	Full Subscription (\$6,500,000) (\$)	Percentage of Funds (%)
Existing cash reserves ¹	152,905	2.30%
Funds raised from the Public Offer	6,500,000	97.70%
Total	6,652,905	100.00
Allocation of funds		
Partial repayment of WPF Loan ²	600,000	9.02
Repayment of amounts owed to creditors ³	1,833,830	27.56
Durability testing ⁴	80,000	1.20
New products tooling ⁵	380,000	5.71
USA emissions certification for new Jeep JL supercharger system ⁶	40,000	0.60
Research and development costs for new products ⁷	500,000	7.52
Expenses of the Recapitalisation (including, the Public Offer) ⁸	559,869	8.42
Administration and other corporate costs ⁹	250,000	3.76
Working capital	1,409,206	21.18
Cash reserves to cover costs during unexpected delays	1,000,000	15.03
Total	6,652,905	100.00

-
- the 'Use of Funds'.
- (ii) It was anticipated that the funds raised under the Public Offer would enable two (2) years of full operations; and
 - (iii) The directors of SIX considered that following completion of the Public Offer, SIX would have sufficient working capital to carry out its stated objectives.
- B. SIX's announcement entitled "Placement, SPP and AGM Deferral" released on MAP on 2 November 2021, disclosing, amongst other things, that:
- (i) SIX had received firm commitments from sophisticated and professional investors to raise A\$4,000,000 (before costs) through the issue of 53,333,334 fully paid ordinary shares in the Company at an issue price of A\$0.075 per share together with one (1) free attaching option exercisable at A\$0.10 per option (the 'Placement');
 - (ii) In connection with the Placement, SIX was also undertaking a share purchase plan to raise up to A\$1,000,000 for all shareholders with an address in Australia and New Zealand on 1 November 2022 (the 'SPP')
- together, the 'Capital Raising'.
- C. SIX's quarterly activities and cash flow reports for the period ended 31 March 2022 released on MAP on 29 April 2022 (the 'Quarterly Report'), in which it disclosed the following:
- (i) negative net operating cash flows for the quarter of A\$1,450,000;
 - (ii) cash at the end of the quarter of A\$151,000;
 - (iii) 0.1 estimated quarters of funding available; and
 - (iv) SIX's expenditure from 19 April 2021, being the date of reinstatement of its securities to the Official List of ASX to 31 March 2022, was consistent with the Use of Funds detailed in SIX's Prospectus and was further detailed as follows:

Use of Proceeds under Prospectus dated 20/10/2020	Funds allocated under Prospectus	Funds expended since 1/4/2021
	('000s)	
Partial repayment of WPF Loan	600	930
Repayment of amounts owed to creditors	1,833	1,743
Durability testing	80	-
New products tooling	380	1,055
USA emissions certification for new Jeep JL supercharger system	40	-
Research and development costs for new products	500	733
Expenses of the Recapitalisation (including, the Public Offer)	600	840
Administration and other corporate costs	250	1,924
Working capital	1,409	1,938
Cash reserves to cover costs during unexpected delays	1,000	-
Total	6,653	9,163
Cash receipts		(727)
Proceeds from borrowings		(38)
Net funds used between 1 April 2021 and 31 December 2021		8,398
Cash at 1 April 2021		85
Net funds used between 1 April 2021 and 31 December 2021		(8,398)
Proceeds of the offer		6,500
Additional capital raised		2,104
Capital raising costs		(140)
Cash at 31 March 2022		151

the 'March Quarterly Expenditure Disclosure'.

D. SIX's responses to question 8.6 of the Quarterly Report which sets out the following:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Yes.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes.

Sprintex has secured sales contracts of e-compressors which are expected to commence generating revenue in the coming quarters. On 2 November 2021, the Company announced it had received commitments from sophisticated and professional investors to raise \$4,000,000 (before costs) through the issue of 53,333,334 fully paid ordinary shares (Shares) in the Company (Placement) at an issue price of \$0.075 per Share (Placement Shares), together with 1 free attaching option exercisable at \$0.10 on or before the anniversary of their issue (Placement Options) for each two participating Shares. \$2,030,724 was received by the Company before 31 March 2022, \$400,000 was received on 12 April 2022 and the balance of the placement of \$1,569,276 is expected to be completed in Q2 2022 (the 'Placement Balance').

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, refer to the comments in section 8.6.2 above.

It is possible to conclude, based on the information in the Appendix 4C, that if SIX were to continue to expend cash at the rate indicated by the Quarterly Report, SIX may not have sufficient cash to continue funding its operations.

Request for information

In view of that, ASX asks SIX to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does SIX expect that it will continue to have the current level of negative operating cash flows for the time being and, if not, why not?
2. With regard to the March Quarterly Expenditure Disclosure, which provides a comparison of SIX's actual expenditure on the individual items in the Use of Funds statement since the date of its reinstatement against the estimated expenditure on those items in the Use of Funds statement in the Prospectus, please provide detailed explanations of any material variances in the March Quarterly Expenditure Disclosure, noting that the funds expended since SIX's reinstatement have exhausted the funds allocated under the Prospectus.
3. Has SIX taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? In answering this question, please comment specifically on the following:
 - 3.1 whether SIX has received commitments for the Placement Balance, or any part thereof;
 - 3.2 if the answer to question 3.1 is "no", please advise when SIX expects to receive the Placement Balance, or any part thereof, noting that SIX expected the Placement to have been completed in Q2 2022; and
 - 3.3 the proposed use of funds for the Placement Balance.
4. Does SIX expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
5. Does SIX consider that the financial condition of SIX is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
6. If the answer to question 5 is "no", please explain what steps SIX has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.2.
7. Please confirm that SIX is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
8. Please confirm that SIX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SIX with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that SIX considers may be relevant to ASX forming an opinion on whether SIX is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AWST Monday, 30 May 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SIX's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SIX to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SIX's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in SIX's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SIX's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SIX's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Vanessa Nevjestic
Senior Adviser, Listings Compliance (Perth)