

Appendix 4D

(Rule 4.2A.3)

Half year report

Name of entity	ABN
SPRINTEX LIMITED	38 106 337 599

1. Details of the Reporting Period and the Previous Corresponding Period

Financial period ended ("current period")	Financial period ended ("previous period")
31 December 2018	31 December 2017

2. Results for Announcement to the Market

					\$'000
2.1	Revenues from ordinary activities	up	0.3%	to	1,072
2.2	Loss from ordinary activities after tax attributable to members	up	439.9%	to	1,706
2.3	Net loss for the period attributable to members	up	309.8%	to	1,770
2.4	Dividends	Amount per security		Franked amount per security	
	Interim dividend	\$Nil		\$Nil	
2.5	Record date for determining entitlements to the dividend			N/A	
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable figures to be understood				
	Please refer to the Directors' Report in the Half Year Report which has been subject to independent review by the Auditors, PKF Perth for detailed explanation.				

3. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(\$0.035)	(\$0.002)

4. Control Gained or Lost Over Entities

4.1	Name of entity (group of entities)	N/A
4.2	Date control gained or lost	N/A
4.3	Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A

5. Dividends

The Company has not declared or paid any final dividends for the 2017/2018 year or interim dividend for current period.

6. Dividend Reinvestment Plans

The Company has no dividend reinvestment plan.

7. Details of Associates and Joint Venture Entities

See Note 5 to the Half-year Report

8. Foreign Entities

Not Applicable.

9. If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

The report has been issued with a Qualified Conclusion and Material Uncertainty related to Going Concern. See pages 17 and 18 of the Half-Year Report.



**SPRINTEX LIMITED
AND CONTROLLED ENTITIES**

HALF-YEAR REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2018**

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

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SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CORPORATE INFORMATION

The Company's functional and presentation currency is AUD (\$).

ASX Code: SIX

ABN 38 106 337 599

Directors

R Siemens, Chairman
D White, Deputy Chairman
M Wilson
R O'Brien
R Lau

Company Secretary

R Molkenthin

Registered Office and Principal Place of Business

Unit 2 / 63 Furniss Road
Darch WA 6065
T: +61 8 9262 7277

Share Register

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009
T: +61 8 9389 8033

Bankers

National Australia Bank
3 Exhibition Drive
Malaga WA 6090

Auditors

PKF Perth
Level 4, 35 Havelock Street
West Perth WA 6005

Solicitors

Allion Partners
Level 9, 863 Hay Street
Perth WA 6000

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on the Consolidated Entity consisting of Sprintex Limited (the Company) and the entities it controlled for the six months ended 31 December 2018.

Directors

The directors of the Company in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Richard John Siemens	Non-Executive Chairman
David Kenneth White	Deputy Chairman
Michael John Wilson	Non-Executive Director
Richard John O'Brien	Non-Executive Director
Raymond Wai Ming Lau	Non-Executive Director

Principal Activities

The principal activity of Sprintex Limited ("Sprintex") and the entities it controlled for the six months ended 31 December 2018 was the manufacture and distribution of the patented range of Sprintex® superchargers and supercharger systems.

Review and Results of Operations

The Consolidated Entity recorded an increase in the net loss from \$452,021 for the half-year period ended 31 December 2017 to \$1,795,266 for the current half-year. Sales for the half-year were \$1,071,598 (2017: \$1,069,196) representing an increase of 0.2%. Gross profit on sales for the half-year ended 31 December 2018 was \$263,781, compared to a gross profit of \$78,648 for the same period in 2017.

The focus of the Group's activities during the period has been:

1. After achieving CARB (California Air Resources Board) approval in June 2016 for the Sprintex Supercharger systems for the 3.6L V6 Pentastar engine for JK, Jeep, Challenger, Charger, Dodge RAM as well as on the 4.0L TJ and 3.8L JK Wrangler, the Group was successful in obtaining CARB certification on the Toyota 86/Subaru BRZ range. All main product lines for the Company have now achieved CARB certification and meet or exceed emission requirements in 50 states in the USA.
2. Continued development of the supercharger and system to provide a Stage 2 option on the V6 Pentastar and Toyota 86/Subaru BRZ.
3. Ongoing expansion and development of the North American market for the Company's products.
4. Expansion and development in the Asia and Middle East markets for the Company's products.
5. Introduction and expansion into the OEM Marine sector.
6. Research and development of an OEM twin boosted system.
7. Research and development of an OEM high torque at low RPM system for diesel platforms.
8. Further development and refinement of the supercharger system on additional models within the Chrysler/Jeep Pentastar range of vehicles, including the new JL, tuning solutions for the current ranges of vehicles, as well as looking at potential for other OEM platforms, including Ford and GM.

On 14 August 2018, US\$425,000 was received from China Automotive Holdings Limited ("CAHL") and AUD100,000 was received from Wilson's Pipe Fabrication Pty Ltd ("WPF"). CAHL, a substantial shareholder of the Company, is a related party of the Company by virtue of CAHL being an entity controlled by Mr Richard Siemens, the non-executive Chairman of the Company. WPF is a related party of the Company by virtue of WPF being an entity controlled by Mr Michael Wilson, a substantial shareholder and a non-executive Director of the Company. This funding is unsecured, and attracts facility fees of US\$46,750 and AUD11,000 respectively, in-lieu of interest and other charges. See below for further details.

On 4 September 2018, the Company received an advance of \$213,478 under a loan agreement with New York-based Innovation Structured Finance (ISF), which was facilitated by Perth-based Radium Capital. Under this agreement, the Company is able to obtain quarterly advances of up to 80% of the expected 2018 Research & Development (R&D) tax offset resulting from each quarter's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year. All amounts due under the R&D loan agreement with New York-based Innovation Structured Finance (ISF), which was facilitated by Perth-based Radium Capital, totalling \$1,206,152 with the costs of borrowing, were repaid in full on 3 April 2019.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

On 28 September 2018, the Company applied to the ASX for a voluntary suspension in the quotation of its securities, pending the release of an announcement regarding recapitalisation.

Events after Reporting Date

In the interval between the end of the half-year period and the date of this report, in the opinion of the directors of the Company, no item, transaction or event of a material and unusual matter has occurred which is likely to significantly affect the operations of the Consolidated Entity, the results of these operations, or the state of affairs of the Company, in future financial years, other than as set out below:

On 23 April 2019, the Company announced that it has reached agreements with relevant stakeholders to recapitalise and restructure the Sprintex group with a view to seeking the re-listing of the Company's securities, facilitate the future long-term growth of the Company and moving forward with the successful development of its current and new products. Despite best efforts and lengthy negotiations this transaction did not proceed.

The Company has terminated its existing premises lease and signed a new lease for premises at a different location, with an effective date of 21 June 2019. The lease term is 1 year, with an option for a further year, at a gross rental of approximately \$34,700 per annum.

On 26 February 2020, the Company signed a Binding Term Sheet with Indian Ocean Corporate Pty Ltd for the recapitalisation and issue of new shares to raise between AUD3.6 million to AUD4.6 million through the issue of between 41.86 million and 53.49 million New Shares at an issue price of 8.6 cents per share. This recapitalisation plan includes the following:

- a) Existing shareholder loans from China Automotive Holdings Limited ("CAHL") of US\$1,950,000 (equivalent to approx. AUD2.911million) will be forgiven,
- b) Subject to obtaining shareholder approval, existing shareholder loans from Wilson's Pipe Fabrications Pty Ltd ("WPF") of AUD1.34 million will be converted to 8,604,651 New Shares and AUD680,000 will be repaid.
- c) Subject to obtaining shareholder approval, Ganado Investments Corporation Ltd ("GICL") has also agreed to capitalise amounts owing by the Company (US\$1,110,000, which is equivalent to approximately AUD1,681,818) on the same terms and price as the loans to be capitalised by WPF, resulting in the issue of approximately 19.56 million New Shares to GICL (or its nominee). Ganado, an unrelated third party, is an investment holding company, registered in St Lucia, which is controlled by Mrs Jennifer Saran.
- d) The Company has also reached an agreement with AutoV Corporation Sdn. Bhd. ("AutoV") to acquire their 50% interests in the Malaysian joint venture, Proreka Sprintex Sdn. Bhd., for consideration of US\$250,000 which will be fully settled by way of issuance of New Shares on the same terms and price as the loans to be capitalised by WPF and GICL, resulting in the issue of approximately 4.4 million New Shares. Upon completion of the acquisition, Sprintex will take full control of the joint venture which owns the facility that manufactures the Company's supercharger units.
- e) It is anticipated that approximately 86.05 million New Shares will be issued as a result of the re-capitalisation and issue of New Shares. These New Shares will rank equally in all respects with the Company's existing shares. The Company will apply to ASX for quotation of all of these New Shares.
- f) The proposed share issues to the parties above are conditional upon:
 - i. the ASX confirming the conditions that the Company needs to satisfy in order for the recommencement of quotation of its shares on ASX and the Company determining that it is able to satisfy these conditions; and
 - ii. shareholder and other approvals required in order to give effect to the transactions under Listing Rules 7.1.
 - iii. all current Directors agreeing to resign from the Board upon completion of the recapitalisation, issue of New Shares and relisting of the Companies securities on the ASX.

The Company considers that, upon completion of the transactions outlined above, the Company's financial condition should be adequate to warrant the reinstatement of its securities for quotation on the ASX. The reinstatement of the Company's securities for quotation is at the discretion of the ASX including with respect to satisfaction of the Listing Rules. There is no guarantee that the securities of the Company will be reinstated and if so when.

SPRINTEX LIMITED
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DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2018 has been received and is included at Page 5 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.




David White
Deputy Chairman
Perth, 28 February 2020

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SPRINTEX LIMITED

In relation to our review of the financial report of Sprintex Limited for the half year ended 31 December 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF PERTH



SHANE CROSS
PARTNER

28 FEBRUARY 2020
WEST PERTH,
WESTERN AUSTRALIA

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SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	9	58,219	87,022
Pledged bank deposits	3	30,000	30,000
Trade and other receivables	4	238,061	374,983
Inventories		600,034	828,626
TOTAL CURRENT ASSETS		926,314	1,320,631
NON-CURRENT ASSETS			
Property, plant and equipment		516,739	802,019
TOTAL NON-CURRENT ASSETS		516,739	802,019
TOTAL ASSETS		1,443,053	2,122,650
CURRENT LIABILITIES			
Trade and other payables	6	1,105,368	1,010,288
Borrowings	7	3,525,246	2,579,363
Provisions		205,194	142,041
TOTAL CURRENT LIABILITIES		4,835,808	3,731,692
NON-CURRENT LIABILITIES			
Borrowings	7	73,277	87,081
TOTAL LIABILITIES		4,909,085	3,818,773
NET ASSETS / (LIABILITIES)		(3,466,032)	(1,696,123)
EQUITY			
Contributed equity	8	56,477,246	56,477,246
Reserves		(16,243)	(41,600)
Accumulated losses		(59,927,035)	(58,131,769)
TOTAL EQUITY		(3,466,032)	(1,696,123)

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	\$	\$
Revenue	1,071,598	1,069,196
Cost of goods sold	(807,817)	(990,548)
Gross profit	263,781	78,648
Other income	7,851	29,150
Forgiveness of related party loan	-	765,333
Research and development incentive grant	-	1,440,787
Distribution and marketing expenses	(224,471)	(416,996)
Research and development expenses	(524,795)	(803,661)
Joint venture impairment expense	(84,417)	(292,579)
Administration expenses	(1,001,300)	(1,117,120)
Other Expenses	(143,395)	-
Operating loss	(1,706,746)	(316,438)
Finance costs	(88,520)	(135,583)
Loss before income tax expense	(1,795,266)	(452,021)
Income tax	-	-
Net loss for the period	(1,795,266)	(452,021)
Other comprehensive income for the period (net of tax)		
Items that maybe reclassified subsequently to profit and loss		
- Movement in foreign translation reserve	25,357	20,011
Total comprehensive loss for the period	(1,769,909)	(432,010)
Loss per share attributable to the ordinary equity holders of the Company		
Basic (cents per share)	1.80	0.45
Diluted (cents per share)	1.80	0.45

The consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

SPRINTEX LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed equity	Reserves	Accumulated Losses	Total
	Ordinary shares	Foreign translation reserve		
	\$	\$	\$	\$
<i>For the half-year ended 31 December 2018</i>				
Balance at 1 July 2018	56,477,246	(41,600)	(58,131,769)	(1,696,123)
Loss for the period	-	-	(1,795,266)	(1,795,266)
Movement in the foreign translation reserve	-	25,357	-	25,357
Total Comprehensive Income	-	25,357	(1,795,266)	(1,769,909)
Balance at 31 December 2018	56,477,246	(16,243)	(59,927,035)	(3,466,032)
<i>For the half-year ended 31 December 2017</i>				
Balance at 1 July 2017	56,437,777	39,840	(56,247,297)	230,320
Loss for the period	-	-	(452,021)	(452,021)
Movement in the foreign translation reserve	-	20,011	-	20,011
Total Comprehensive Income	-	20,011	(452,021)	(432,010)
Transactions with owners in their capacity as owners				
Share expenses refund	39,469	-	-	39,469
Balance at 31 December 2017	56,477,246	59,851	(56,699,318)	(162,221)

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTES	31 December 2018 \$	31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,252,097	1,119,668
Payments to suppliers and employees		(1,955,544)	(2,564,007)
Interest and finance lease charges paid		(43,168)	(11,808)
Interest received		307	-
Research and development grant received		-	1,349,817
Net cash flows used in operating activities		<u>(746,308)</u>	<u>(106,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance to joint venture		(355,329)	(577,569)
Proceeds from sale of property, plant and equipment		187,000	58,976
Security deposits		-	(17,799)
Payments for property, plant and equipment		-	(77,678)
Net cash flows used in investing activities		<u>(168,329)</u>	<u>(614,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		885,834	1,408,719
Repayment of borrowings		-	(107,249)
Net cash flows generated from financing activities		<u>885,834</u>	<u>1,301,470</u>
Net (decrease) / increase in cash and cash equivalents		(28,803)	581,070
Cash and cash equivalents at the beginning of the period	9	87,022	201,636
Cash and cash equivalents at the end of the period	9	<u>58,219</u>	<u>782,706</u>

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

SPRINTEX LIMITED
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as appropriate for “for-profit” oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

Basis of preparation

The principal accounting policies adopted are consistent with those adopted in the annual financial report for the year ended 30 June 2018, and the corresponding interim reporting period, unless otherwise stated, and the condensed consolidated financial statements have been prepared on the historical cost basis, except for investments, which have been measured at fair value.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual report of the Group for the year ended 30 June 2018, and any public announcements made by the Group during the interim period, in accordance with continuing disclosure requirements of the Corporations Act 2001.

New, revised or amending Accounting Standards

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year. There has been no material impact on the adoption of these.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The Group has a net liability position of \$3,466,032 as at 31 December 2018 and incurred a loss of \$1,795,266 and net operating cash outflow of \$746,308 for the six month period ended 31 December 2018.

The Company’s ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the ability to raise sufficient working capital to ensure the continued implementation of the Group’s business plan; and
- delivery of existing and new products through the Group’s distribution network to generate sales revenues and positive cash flows.
- the successful completion of the restructure, recapitalisation and issue of new shares to raise between AUD3.6 million to AUD4.6 million as detailed within the signed Binding Term Sheet signed 26 February 2020, and set out within Note 11.
- all the pre-conditions set out in Note 11 relating to the above restructure and recapitalisation plan being satisfied;
- the receipt of the 2019 Research & Development (R&D) tax offset of \$696,686, which has been submitted.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Group has, or in the directors’ opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

SPRINTEX LIMITED
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Should the Group not achieve the matters set out above, there is material uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

SPRINTEX LIMITED
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2. Operating Segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

The Company operates in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers and supercharger systems. These products are complementary, produced using similar production processes and sold to similar customers through the same distribution channels.

3. Pledged Bank Deposits

Pledged bank deposits at 31 December 2018 represented a term deposit of \$30,000 maturing on 30 April 2020, bearing interest at 2.20% per annum supporting credit card facilities. Refer note 7.

	31 December 2018	30 June 2018
	\$	\$
4. Trade and Other Receivables		
Trade receivables	89,886	184,937
Other receivables	-	3,164
Trade deposits	94,052	94,150
Prepayments	54,123	92,732
	238,061	374,983

Trade deposits

Trade deposits represent payments to suppliers with no history of unsatisfactory product quality or delivery default and are considered fully recoverable.

5. Investment in a Joint Venture

Proreka Sprintex Sdn. Bhd. is a Malaysian company which is 50% owned by the Company and owns and operates a facility in Malaysia which has been licenced to assemble and manufacture Sprintex® products under licence from the Company.

At 31 December 2018, in view of the losses being incurred by the joint venture, the carrying value of the balances with the joint venture were deemed to be fully impaired.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018 \$	30 June 2018 \$
6. Trade and Other Payables		
Trade payables	727,925	618,142
Other payables	377,443	392,146
	1,105,368	1,010,288
	31 December 2018 \$	30 June 2018 \$
7. Borrowings		
Current		
Insurance premium funding	22,910	114,550
Finance lease liabilities	44,920	80,099
Short term loans ⁽ⁱ⁾	2,276,508	1,498,582
Secured loan ⁽ⁱⁱ⁾	1,180,908	886,132
	3,525,246	2,579,363
Non-current		
Finance lease liabilities	73,277	87,081
i.	<p>On 14 August 2018, US\$425,000 was received from China Automotive Holdings Limited (“CAHL”) and AUD100,000 was received from Wilson’s Pipe Fabrication Pty Ltd (“WPF”). CAHL, a substantial shareholder of the Company, is a related party of the Company by virtue of CAHL being an entity controlled by Mr Richard Siemens, the non-executive Chairman of the Company. WPF is a related party of the Company by virtue of WPF being an entity controlled by Mr Michael Wilson, a substantial shareholder and a non-executive Director of the Company. This funding is unsecured, and attracts facility fees of US\$46,750 and AUD11,000 respectively, in-lieu of interest and other charges. See below for further details. On 27 July 2017 and 16 August 2017, the Company received US\$500,000 and US\$400,000 respectively pursuant to unsecured loan facility agreements with Ganado Investments Corporation Ltd, an unrelated third party. These facilities attracted a facility fee of US\$55,000 and US\$45,000 respectively. This facility was subsequently refinanced on the 15 December 2017 which attracted an additional facility fee of US\$110,000. The full amount was due 15 December 2018, with the option of settlement in equity. Refer subsequent events note.</p>	
ii.	<p>On 4 September 2018, the Company received a further advance of \$213,478 under a loan agreement with New York-based Innovation Structured Finance (ISF), which was facilitated by Perth-based Radium Capital. Under this agreement, the Company is able to obtain quarterly advances of up to 80% of the expected 2018 Research & Development (R&D) tax offset resulting from each quarter’s eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year. All amounts due under the R&D loan agreement with New York-based Innovation Structured Finance (ISF), which was facilitated by Perth-based Radium Capital, totalling \$1,206,152 with the costs of borrowing were repaid in full on 3 April 2019.</p>	
8. Contributed Equity		
	31 December 2018 \$	30 June 2018 \$
Paid up capital – ordinary shares	57,918,212	57,918,212
Capital raising costs capitalised	(1,440,966)	(1,440,966)
	56,477,246	56,477,246

SPRINTEX LIMITED
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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

(a) **Ordinary Shares**

	Number of shares	\$
Movements in Ordinary Share Capital		
Balance at 1 July 2018	100,000,000	56,477,246
Balance as at 31 December 2018	100,000,000	56,477,246

	31 December 2018	30 June 2018
	\$	\$
9. Cash and Cash equivalents		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following amounts:		
Cash	58,219	87,022
Cash and cash equivalents	58,219	87,022

10. Commitments and Contingencies

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

(a) **Finance Lease and Hire Purchase commitments**

Since 30 June 2018, the Company repaid several leases in respect of certain plant and equipment and motor vehicles under finance leases and purchased additional assets via finance leases. The revised finance lease and hire purchase commitments for the Company are as follows:

	31 December 2018	30 June 2018
	\$	\$
Within one year	50,666	84,911
After one year but not more than five years	80,635	109,805
Total minimum lease payments	131,301	194,716
Less: amounts representing finance charges	(13,104)	(9,996)
Present value of minimum lease payments	118,197	184,720
Included in the financial statements as:		
Current interest-bearing liabilities	44,920	78,727
Non-current interest-bearing liabilities	73,277	105,993
	118,197	184,720

11. Events after Reporting Date

In the interval between the end of the half-year period and the date of this report, in the opinion of the directors of the Company, no item, transaction or event of a material and unusual matter has occurred which is likely to significantly affect the operations of the Consolidated Entity, the results of these operations, or the state of affairs of the Company, in future financial years, other than as set out below:

On 23 April 2019, the Company announced that it has reached agreements with relevant stakeholders to recapitalise and restructure the Sprintex group with a view to seeking the re-listing of the Company's securities, facilitate the future long-

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

term growth of the Company and moving forward with the successful development of its current and new products. Despite best efforts and lengthy negotiations this transaction did not proceed.

The Company has terminated its existing premises lease and signed a new lease for premises at a different location, with an effective date of 21 June 2019. The lease term is 1 year, with an option for a further year, at a gross rental of approximately \$34,700 per annum.

On 26 February 2020, the Company signed a Binding Term Sheet with Indian Ocean Corporate Pty Ltd for the recapitalisation and issue of new shares to raise between AUD3.6 million to AUD4.6 million through the issue of between 41.86 million and 53.49 million New Shares at an issue price of 8.6 cents per share. This recapitalisation plan includes the following:

- a) Existing shareholder loans from China Automotive Holdings Limited (“CAHL”) of US\$1,950,000 (equivalent to approx. AUD2.911million) will be forgiven,
 - b) Subject to obtaining shareholder approval, existing shareholder loans from Wilson’s Pipe Fabrications Pty Ltd (“WPF”) of AUD1.34 million will be converted to 8,604,651 New Shares and AUD680,000 will be repaid.
 - c) Subject to obtaining shareholder approval, Ganado Investments Corporation Ltd (“GICL”) has also agreed to capitalise amounts owing by the Company (US\$1,110,000, which is equivalent to approximately AUD1,681,818) on the same terms and price as the loans to be capitalised by WPF, resulting in the issue of approximately 19.56 million New Shares to GICL (or its nominee). Ganado, an unrelated third party, is an investment holding company, registered in St Lucia, which is controlled by Mrs Jennifer Saran.
 - d) The Company has also reached an agreement with AutoV Corporation Sdn. Bhd. (“AutoV”) to acquire their 50% interests in the Malaysian joint venture, Proreka Sprintex Sdn. Bhd., for consideration of US\$250,000 which will be fully settled by way of issuance of New Shares on the same terms and price as the loans to be capitalised by WPF and GICL, resulting in the issue of approximately 4.4 million New Shares. Upon completion of the acquisition, Sprintex will take full control of the joint venture which owns the facility that manufactures the Company’s supercharger units.
 - e) It is anticipated that approximately 86.05 million New Shares will be issued as a result of the re-capitalisation and issue of New Shares. These New Shares will rank equally in all respects with the Company’s existing shares. The Company will apply to ASX for quotation of all of these New Shares.
 - f) The proposed share issues to the parties above are conditional upon:
 - i. the ASX confirming the conditions that the Company needs to satisfy in order for the recommencement of quotation of its shares on ASX and the Company determining that it is able to satisfy these conditions; and
 - ii. shareholder and other approvals required in order to give effect to the transactions under Listing Rules 7.1.
 - iii. all current Directors agreeing to resign from the Board upon completion of the recapitalisation, issue of New Shares and relisting of the Companies securities on the ASX.

The Company considers that, upon completion of the transactions outlined above, the Company’s financial condition should be adequate to warrant the reinstatement of its securities for quotation on the ASX. The reinstatement of the Company’s securities for quotation is at the discretion of the ASX including with respect to satisfaction of the Listing Rules. There is no guarantee that the securities of the Company will be reinstated and if so when.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Sprintex Limited, we state that:

The directors declare that:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) compliance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporation Regulations 2001*; and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



David White
Deputy Chairman
Perth, 28 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SPRINTEX LIMITED

Qualified Conclusion

We have reviewed the accompanying half-year financial report of Sprintex Limited (the company) and controlled entities (consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated group comprising the company and the entities it controlled at 31 December 2018, or during the half year.

Based on our review, which is not an audit, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in relation to the matters detailed in the basis for qualified review conclusion, we have not become aware of any matter that makes us believe that the half-year financial report of Sprintex Limited and controlled entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Qualified Review Conclusion

Opening Balances

During the audit of the financial report for the year ended 30 June 2018, we were unable to obtain sufficient and appropriate audit evidence to support the company's investment and inter-entity loan to the joint venture, Proreka Sprintex Sdn. Bhd. Our opinion on the financial report for the year ended 30 June 2018 was modified accordingly.

Since opening balances affect the determination of the results of operations and cash flows, we are unable to determine whether any adjustments to the results of operations, cash flows and opening accumulated losses might be considered necessary for the year ended 31 December 2018. Our conclusion on the current half year's financial report is modified accordingly, as a result of the possible effect of the matter noted above and on the comparability of the current year's figures and corresponding figures.

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Joint Venture

As at 31 December 2018 we were unable to obtain sufficient and appropriate review evidence to determine the financial performance and position of the joint venture Proreka Sprintex Sdn. Bhd and, accordingly adjustments that may be necessary to the carrying value of the investment and inter-entity loan.

USA Taxation Obligations

The consolidated entity has a 100% controlled entity, Sprintex USA Inc, which trades within the United States and which facilitates the sale and distribution of Sprintex products. A limitation of scope exists as we were unable to obtain sufficient and appropriate evidence to ensure the entity's direct and indirect tax obligations in the USA had been appropriately accounted for and disclosed in the financial report. Accordingly, we could not determine whether any adjustments were required to account for the impact of USA taxation obligations.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity is in a net liability position of \$(3,466,032) as at 31 December 2018, incurred a net loss of \$(1,795,266) and had negative operating cashflow of \$(746,308) for the half year ended 31 December 2018. We also refer to Note 11 in the financial report relating to the proposed restructure and recapitalisation of the Company detailed in the binding term sheet dated 26 February 2020. In particular the preconditions required to be satisfied for the completion of the restructure and recapitalisation of the Company. The conditions detailed in Note 1 and 11, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sprintex Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF PERTH

SHANE CROSS
PARTNER28 FEBRUARY 2020
WEST PERTH,
WESTERN AUSTRALIA