



**SPRINTEX LIMITED**  
**ABN: 38 106 337 599**

**ASX Code: SIX**

23 June 2020

Mr Simon Barcham  
Listings Compliance (Perth)  
ASX Compliance Pty Limited  
Level 40, Central Park  
152-158 St Georges Terrace, Perth WA 6000

Via email: [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au)

Dear Mr Barcham

**RE: Sprintex Limited ("Sprintex" or the "Company", ASX:SIX)  
Response to ASX Query Letter – Accounts**

We refer to your letter dated 17 June 2020, requesting a response to your questions raised.

Sprintex's response to each of the questions contained in your letter is as follows:

- 1. Is SIX able to confirm that in the Directors' Opinion that both the Full Year Accounts and Half Year Accounts comply with the relevant Accounting Standards and give a true and fair view of SIX's financial performance and position?**

We refer to the Directors' declaration contained in the financial reports. The declarations were resolved unanimously by the Board and confirm the directors' view that the financial statements give a true and correct view of the financial position and performance of SIX, and comply with the relevant accounting standards.

- 2. Please explain the basis for and the factors considered by Directors to satisfy themselves that both the Full Year Accounts and Half Year Accounts comply with the relevant Accounting Standards and give a true and fair view of SIX's financial performance and position. In answering this question, please comment specifically on the basis for the qualified auditor's opinion, being the uncertainty with respect to opening balances, the USA taxation obligations and uncertainty regarding the reported Proreka Joint Venture balances.**

The basis for the Directors satisfying themselves that both the Full Year Accounts and Half Year Accounts comply with the relevant Accounting Standards and give a true and fair view of SIX's financial performance and position is as follows:

- Opening balances / Joint Venture – the qualification of the auditor centres around the financial accounts of the joint venture company, Proreka Sprintex Sdn. Bhd, of which Sprintex is a 50% holder. The Board has taken the conservative view to fully impair its

investment in the joint venture as well as the loan due to SIX from the joint venture. SIX fully funds the joint venture and has on this basis determined the results of the operations and cash flow of the joint venture company. The entity has been unable to obtain the local auditor's sign-off on these accounts, which has affected the veracity of the opening balance, from an audit perspective.

- USA Taxation obligations – at the time of signing the accounts the USA tax obligations and lodgements were in the process of being brought up to date, and were 90% complete. The USA company has been loss-making, and has not been in a tax paying position.
- Overall, the accounts are prepared in accordance with Australian Accounting Standards, and the accounting policies have been applied consistently in the current and previous financial years.

**3. What steps has SIX taken since the release of the Full Year Accounts and Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?**

- Opening balances / Joint Venture - SIX notes that it is currently finalising a recapitalisation of the Company which includes the 100% acquisition of the joint venture company, Proreka Sprintex Sdn. Bhd. The Company is in discussion with its Australian auditor to directly audit the financial information of the joint venture company going forward, which is expected to remove these qualifications, subject to any issues arising from COVID-19 restrictions.

The proposed recapitalisation is conditional upon the following:

- the ASX confirming the conditions that SIX 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;
- shareholders and other approvals required in order to give effect to the transactions under Listing Rules 7.1; and
- 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 reinstatement of SIX'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.

- USA taxation obligations – the Company is finalising the lodgement of all tax returns and any tax obligations in respect of that entity. This will have the effect of removing this qualification.

**4. What steps does SIX intend to take to obtain an unqualified audit opinion with regards to its future financial statements?**

Refer question 3 above.

**5. Does SIX consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of SIX's current business activities.**

Yes, the Company considers its level of operations to be sufficient to warrant the continued quotation of its securities on ASX. The Company refers to the submissions in respect of Listing Rule 12.1 lodged with the ASX on 3 June 2020, which include, without limitation, information regarding the nature of SIX's current business activities (which the Company notes, have been impacted by the COVID-19 pandemic) and proposed activities following completion of the recapitalisation.

The proposed recapitalisation is conditional upon the following:

- the ASX confirming the conditions that SIX 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;
- shareholders and other approvals required in order to give effect to the transactions under Listing Rules 7.1; and
- 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 reinstatement of SIX'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.

**6. 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, commenting specifically on SIX's net current asset deficiency of \$6,289,146 as at 31 December 2019 and the auditor's emphasis of matter regarding going concern.**

Yes, the Company considers its financial condition sufficient to warrant continued listing on the ASX and Company refers to the submissions in respect of Listing Rule 12.2 lodged with the ASX on 3 June 2020.

In respect of the Company's net asset deficiency, the Company confirms that it has been in negotiations regarding the recapitalisation of the Company since April 2019 and has entered into a conditional terms sheet in respect of the recapitalisation of the Company. Further, the Company notes that as set out in the submissions lodged with the ASX, following completion of

the recapitalisation (which includes loan forgiveness and loan conversions) and assuming the Company raises \$4,350,000 under the placement to be undertaken as part of the recapitalisation, the Company will have \$3,417,537 cash on hand or cash equivalents, \$5,439,288 in total assets and \$1,425,044 total liabilities which equates to net assets of \$4,014,243.

The proposed recapitalisation is conditional upon the following:

- the ASX confirming the conditions that SIX 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;
- shareholders and other approvals required in order to give effect to the transactions under Listing Rules 7.1; and
- 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 reinstatement of SIX'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.

- 7. If the answer to questions 5 or 6 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 12.1 and 12.2.**

Not applicable

- 8. In relation to the Full Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SIX's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SIX have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIX and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

As noted in the Directors' declaration of the Full Year Accounts, these declarations were received.

- 9. If the answer to question 8 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SIX's Corporate Governance Disclosure?**

Not applicable

- 10. What enquiries did the Board make of management to satisfy itself that the financial records of SIX have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and correct view of the financial position and performance of SIX?**

In addition to the declarations provided at the time of signing, the Board relied on regular reports from the Group's operations, staffed by qualified and competent individuals, as well as the segregation of duties.

Management accounts are prepared and reviewed at Board meetings. Budgets prepared and compared against actual results. In addition the directors reviewed and considered the auditor's report to the Board at the time of completion of the audit.

**11. Commenting specifically on the qualified conclusion in both the Full Year Accounts and Half Year Accounts, does the Board consider that SIX has a sound system of risk management and internal control which is operating effectively?**

The Board continues to hold the view that SIX has a sound system of risk management and internal control, which is operating effectively. The systems of risk management and internal control are appropriate to an entity of SIX's size and nature.

**12. Please confirm that SIX is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

Yes

**13. Please confirm that SIX's responses to the questions above have been authorised and approved under 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.

Please do not hesitate to contact us if you have any further queries.

Yours sincerely

**Robert Molkenthin**

**Company Secretary**



17 June 2020

Reference: 19545

Mr Robert Molkenthin  
Company Secretary  
Sprintex Limited

By email:

Dear Mr Molkenthin

**Sprintex Limited ('SIX'): Queries regarding Accounts**

ASX refers to:

- A. SIX's full year accounts for the year ended 30 June 2019 lodged with ASX's Market Announcements Platform ('MAP') and released on 12 May 2020 ('Full Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Full Year Accounts ('Auditor's Annual Report') contains a qualified opinion together with the basis for qualified opinion:

***“Qualified opinion***

*We have audited the accompanying financial report of Sprintex Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.*

*In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial report of Sprintex Limited, is in accordance with the Corporations Act 2001, including:*

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the year ended on that date; and*
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.*

***Basis for Qualified Opinion***

***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 share of loss in the joint venture entity, Proreka Sprintex Sdn. Bhd (Proreka) for that reporting year which amounted to \$368,785, in addition to an impairment expense of \$890,400. 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 30 June 2019. Our opinion on the current 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.*

### Joint Venture

The company has disclosed in note 12 its share of assets, liabilities and loss from the joint venture entity Proreka and other related party disclosures within note 21 which is shown for disclosure purposes. An impairment expense of \$720,347 has been recognised in the consolidated statement of profit or loss and other comprehensive income in relation to the loan due from Proreka. We were unable to obtain sufficient and appropriate audit evidence to confirm this impairment expense. Furthermore, we have not received sufficient and appropriate audit evidence to support any of the financial information in relation to the joint venture entity Proreka disclosed in note 12 and 21 to the financial report. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

### 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 have been appropriately accounted for, recognised 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.

We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

### Material Uncertainty related to Going Concern

Without further modifying our opinion, we draw attention to Note 2(b) in the financial report, which confirms that the financial report has been prepared on a going concern basis. The consolidated entity incurred a loss of \$2,938,035 (2018: \$1,884,472) and had operating cash outflows of \$1,367,504 (2018: \$1,162,803) for the year ended 30 June 2019. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that 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.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern."

- C. SIX's half year accounts for the half year ended 31 December 2019 lodged with ASX's Market Announcements Platform ('MAP') and released on 15 May 2020 ('Half Year Accounts').
- D. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Half Year Report') contains a qualified conclusion together with the basis for qualified conclusion:

#### **"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 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated

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*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 2019, 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 halfyear 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 2019 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 2019, 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 2019 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 2019. Our opinion 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.*

##### *Joint Venture*

*As at 31 December 2019 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.*

#### **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 \$6,113,191 as at 31 December 2019, incurred a net loss of \$1,613,793 and had negative operating cashflow of \$647,415 for the half year ended 31 December 2019. 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*



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*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."*

- E. SIX's Corporate Governance Statement and Appendix 4G for the year ended 30 June 2019 lodged on MAP on 12 May 2020 provides confirmation that SIX complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."*

- F. Listing Rule 12.1 which states:

*12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.*

- G. Listing Rule 12.2 which states:

*12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.*

- H. Listing Rule 19.11A which states:

*19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

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## Request for Information

In light of the information contained in the Full Year Accounts, the Auditor's Annual Report, the Half Year Accounts and the Auditor's Half Year Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is SIX able to confirm that in the Directors' Opinion that both the Full Year Accounts and Half Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of SIX's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that both the Full Year Accounts and Half Year Accounts comply with the relevant Accounting Standards and give a true and fair view of SIX's financial performance and position. In answering this question, please comment specifically on the basis for the qualified auditor's opinion, being the uncertainty with respect to opening balances, the USA taxation obligations and uncertainty regarding the reported Proreka Joint Venture balances.
3. What steps has SIX taken since the release of the Full Year Accounts and Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?
4. What steps does SIX intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
5. Does SIX consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the SIX's current business activities.
6. 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, commenting specifically on SIX's net current asset deficiency of \$6,289,146 as at 31 December 2019 and the auditor's emphasis of matter regarding going concern.
7. If the answer to questions 5 or 6 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 12.1 and 12.2.
8. In relation to the Full Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of SIX's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of SIX have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIX and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
9. If the answer to Question 8 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of SIX's Corporate Governance Disclosure?
10. What enquiries did the Board make of management to satisfy itself that the financial records of SIX have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SIX?
11. Commenting specifically on the qualified conclusion in both the Full Year Accounts and Half Year Accounts, does the board consider that SIX has a sound system of risk management and internal control which is operating effectively?
12. Please confirm that SIX is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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13. Please confirm that SIX's responses to the questions above have been authorised and approved under 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.

**When and where to send your response**

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and SIX's response to the market. Accordingly, SIX's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **4:00 pm AWST Monday, 22 June 2020**.

Any response should be sent to me by return email at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent to the ASX Market Announcements Office.

**Enquiries**

If you have any queries regarding any of the above, please contact me.

Yours sincerely

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**Simon Barcham**  
Listings Compliance (Perth)