



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

**ASX Code: SIX**

31 August 2016

**2016 PRELIMINARY FINAL REPORT**

**REVENUE GROWTH OF OVER 75%**

Sprintex Limited (ASX Code: SIX) (Company) is pleased to present its Preliminary Final Report for the full year ended 30 June 2016.

Sales revenues are up 75% and the loss from ordinary activities has been reduced by 48%.

David White, Deputy Chairman commented:

“Sales revenues are up 75% compared to 2015, which also showed an increase of over 30% on 2014. With its extensive dealership network around the World, Sprintex® supercharger systems are now sold in the USA, Middle East, China, Europe, Japan, S Korea, New Zealand and its home market in Australia.

In the challenging economic environments we face around the world, these results are remarkable and continued testament to the progress being made by the Company in restructuring and repositioning our senior team, expanding our global footprint and the development of the patented Sprintex® supercharger systems.

I look forward to a further strengthening of the Company’s revenue base in 2017”.

**ENDS**

**For further information please contact the Company Secretary on +61 8 9262 7277.**

**ROBERT MOLKENTHIN**  
**COMPANY SECRETARY**

## APPENDIX 4E

### PRELIMINARY FINAL REPORT 12 MONTHS ENDED 30 JUNE 2016

Details of the reporting period and the previous corresponding period

Name of entity

**SPRINTEX LIMITED**

ACN	Reporting Period	Previous Corresponding Period
106 337 599	Year ended 30 June 2016	Year ended 30 June 2015

#### Results for announcement to the market

		Change	Amount
Revenue from ordinary activities	Up	75.2%	to \$2,214,713
Loss from ordinary activities after tax attributed to members	Down	47.6%	to \$3,230,686
Basic loss per share cents per share*	Down	74.6%	to 4.4 cents

Dividends	Amount per Security	Franked amount per Security
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil

Record Dates of determining dividend – N/A

#### Commentary on results and other significant information

Please refer to the attached 2016 financial report for further information on the Group's financial position and performance for the year ended 30 June 2016.

#### Dividend reinvestment plans

The Company does not operate a dividend reinvestment plan.

Net Tangible Asset Backing	2016 (cents)	2015 (cents)
Net Tangible (Liabilities) / Assets per ordinary share*	(0.07)	4.246

#### Details of controlled entities acquired or disposed of

n/a

#### Details of associates and joint ventures

The Company has a manufacturing facility in Malaysia with a joint venture partner (see note 7).

#### Audit

This report is based on the financial statements which are in the process of being audited.

**Robert Molkenthin**

**Company Secretary**

*Note \* - In accordance with AASB 133 the Earnings Per Share and Net Tangible Assets Backing calculations have been restated for the share consolidation undertaken in December 2015, resulting in the number of shares on issue at that time reducing from 4.6 billion to 85.4m (adjusted by a division of 55, being the conversion of every 55 shares in the Company into 1 ordinary share in the Company). The comparative period has been restated on a similar basis.*



## Operating and financial review

### Group overview

The Company was established in 2003 and listed on the ASX in 2008.

The Group's focus is the development and commercialisation of the Sprintex® twin screw supercharger and supercharger systems incorporating the Sprintex® twin screw supercharger.

The Group's HQ facility in Perth, Western Australia is our dedicated research and development base, and is where our creative Design, Engineering and Calibration team work together to provide technical and innovative solutions to support both aftermarket and OEM requirements with the use of the Sprintex® twin screw supercharger. With capability for low volume production, manufacturing and testing at the facility, the team is well equipped to provide engineering concept ideas and solutions at low cost.

The Sprintex production facility in Malaysia in the 'Glenmarie' area of Shah Alam, Selangor was commissioned in January 2013 encompassing 1,800 sqm. This is jointly-owned with AutoV Corporation, parent company of Proreka (M) Sdn. Bhd, a Tier-1 automotive component manufacturer and supplier. Certified to ISO9008 and able to provide high volume quality parts and systems, supported by a highly trained production and engineering team, the Malaysian facility and its team have continued to grow and expand their knowledge and performance to provide a solid production platform for the Group. The Group also now has a distribution and final assembly facility in Detroit, Michigan USA, where we can launch our products to the USA and Canadian markets. The shared facility of over 36,000 sqm also provides customer support and sales and marketing for the region.

### *After market supercharger systems*

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

1. Successfully achieved CARB (California Air Resources Board) approval. 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 now 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 as well as looking at potential for Ford and GM platforms.

### *Business strategies*

The Group is focused on developing new superchargers and supercharger systems from its dedicated R&D facility in Perth with manufacturing of products being primarily from the Group's production facility in Malaysia. The expanded range of products is intended to immediately service the needs of the aftermarket sector, where the key drivers are improved performance, while also enabling the Group to showcase its products to Original Equipment Manufacturers with whom the Group is continuing to build business relationships, with a view to securing future sales orders.



### Operating results for the year

Following the downsizing in 2013 of its production operations in Perth, the Company has continued focusing on the development of after-market supercharger systems and establishing a production facility in Malaysia. The Company has also been required to provide cash support for the operations of the JV in Malaysia.

	2016 \$	2015 \$	Change %
Revenue	2,214,713	1,264,116	75.2
Net loss for the year	(3,230,686)	(6,164,075)	(47.6)

### *Loss per Share\**

Basic loss and diluted loss per share for 2016, 4.4 cents (2015 – 17.2 cents). See Note 4.

### Review of financial condition

#### *Liquidity and capital resources*

The Group continued to incur operating losses as a result of the focus on development activities and setting up of its Malaysian facility and the requirement to provide increased cash support for the JV operations. These activities were financed by a number of capital raising initiatives, the provision of substantial financial support from entities related to two directors, sales of products and the receipt of a Research and Development Incentive grant.

At year end, cash and cash equivalents were \$1,173,316 compared to \$67,950 at 30 June 2015.

#### *Asset and capital structure*

	2016 \$	2015 \$
Total borrowings	2,655,414	133,875
Cash and cash equivalents	(1,173,316)	(67,950)
Net debt	1,482,098	65,925
Total equity	(48,955)	1,709,739
Total capital	1,433,143	1,775,664

#### **Gearing ratio – net debt over total capital**

**103.4%      3.7%**

Gearing ratio, defined as net debt over total capital, as at 30 June 2016 was 103.4% (2015: 3.7%). The Group's policy for the year ended 30 June 2016 allowed up to 60% of financing to be provided by net debt at any particular time. The Group is currently operating above its stated policy, and steps are being taken to reduce this to more acceptable levels. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on an annual basis.

#### *Capital raising issues during the year*

On 10 July 2015 the Company announced that it had secured short term financing of approx. \$1m. This financing facility was repaid in full, including interest accrued to date, on 10 December 2015.

On 12 October 2015 the Company announced a 1-for-2 non-renounceable pro rata offer to eligible shareholders at an issue price of \$0.001 per new share (the "Offer"), to raise \$1.57m. The Offer successfully closed on 19 November 2015, resulting in the issue of 1,562,753,472 new shares and raising \$1.56m, with only a minor shortfall of 4m shares. Following the entitlements issue and pursuant to a resolution approved by shareholders at the Company's Annual General Meeting held on 30 November



2015, on 4 December 2015, the Company consolidated its issued share capital with the conversion of every 55 shares held by a shareholder into one share.

The Company received the 2015 R&D Tax Incentive of \$1.64m on 3 December 2015.

On 24 March 2016, the Company announced that it had secured a short term, unsecured funding facility of US\$1m.

On 31 March 2016, the Company announced that it had engaged ChinaVest Limited on a non-exclusive basis to serve as its strategic and financial advisor in relation to the Chinese market with a mandate to raise circa US\$6m and also to identify prospective cornerstone investors with the objective of increasing the market capitalisation of the Company, and prospective joint venture partners for the Company's supercharger manufacturing business in China. The Company is pleased with the progress that is being made on these matters.

#### *Capital expenditure*

Property, plant and equipment of \$36,441 (2015: \$176,394) were acquired during the year ended 30 June. These acquisitions related to plant and equipment, including tooling, needed to produce the Company's products. The Company did not have any outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements.

#### *Profile of borrowings*

The profile of the Group's debt finance is as follows:

	2016 \$	2015 \$
<b>Current</b>		
Insurance premium funding	87,176	91,408
Finance lease liabilities	37,480	16,326
Loans from related parties	1,075,024	-
Unsecured convertible facility	1,380,227	-
	<u>2,579,907</u>	<u>107,734</u>
<b>Non-current</b>		
Finance lease liabilities	75,507	26,141
	<u>2,655,414</u>	<u>133,875</u>

#### **Likely Developments and Expected Results**

The directors are confident that the 2017 financial year will see an increase in sales of superchargers and after-market supercharger systems. The marketing campaigns in Australia, the Middle East, Asia and North America are continuing and are showing positive results.



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	2016 \$	2015 \$
Sales of goods and services		2,214,713	1,264,116
<b>Revenue</b>		<b>2,214,713</b>	<b>1,264,116</b>
Cost of goods sold		(1,650,439)	(634,327)
<b>Gross profit</b>		<b>564,274</b>	<b>629,789</b>
Other income	3.1	1,152	77,050
Research and development incentive grant		1,636,810	1,466,428
Distribution and marketing expenses		(613,986)	(485,795)
Research and development expenses		(1,830,629)	(1,930,266)
Joint venture impairment expense		(593,962)	(718,241)
Inventory impairment expense		-	(895,976)
Administration expenses		(2,303,120)	(2,094,293)
Other expenses	3.2	-	(1,434)
<b>Operating loss</b>		<b>(3,139,461)</b>	<b>(3,952,738)</b>
Finance income	3.3	2,498	27,999
Finance costs	3.4	(93,723)	(10,705)
Loss on extinguishment of financial liability		-	(2,228,631)
<b>Loss before income tax expense</b>		<b>(3,230,686)</b>	<b>(6,164,075)</b>
Income tax benefit		-	-
<b>Net loss for the year</b>		<b>(3,230,686)</b>	<b>(6,164,075)</b>
<b>Other comprehensive income, net of tax</b>			
- Movement in foreign translation reserve		46,897	(39,530)
<b>Total comprehensive loss for the year</b>		<b>(3,183,789)</b>	<b>(6,203,605)</b>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic loss per share	4	\$0.044	\$0.172
Diluted loss per share	4	\$0.044	\$0.172



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AT 30 JUNE 2016

	NOTES	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10(b)	1,173,316	67,950
Pledged bank deposits	5	112,000	112,000
Trade and other receivables	6	227,516	184,876
Inventories		1,450,338	1,412,177
<b>TOTAL CURRENT ASSETS</b>		<b>2,963,170</b>	<b>1,777,003</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,098,144	1,228,404
Goodwill and intellectual property		-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,098,144</b>	<b>1,228,404</b>
<b>TOTAL ASSETS</b>		<b>4,061,314</b>	<b>3,005,407</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,225,662	961,652
Interest bearing liabilities	8	2,579,907	107,734
Provisions		229,193	200,141
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,034,762</b>	<b>1,269,527</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	8	75,507	26,141
<b>TOTAL LIABILITIES</b>		<b>4,110,269</b>	<b>1,295,668</b>
<b>NET ASSETS</b>		<b>(48,955)</b>	<b>1,709,739</b>
<b>EQUITY</b>			
Contributed equity	9	51,869,795	50,444,700
Reserves		84,582	37,685
Accumulated losses		(52,003,332)	(48,772,646)
<b>TOTAL EQUITY</b>	11	<b>(48,955)</b>	<b>1,709,739</b>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED ENTITY	Contributed equity	Reserves		Accumulated losses	Total
		Share option reserve	Foreign translation reserve		
Note 9					
\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2014</b>	<b>42,668,526</b>	<b>76,648</b>	-	<b>(42,608,571)</b>	<b>136,603</b>
Loss for the year	-	-	-	(6,164,075)	(6,164,075)
Other comprehensive income	-	-	(39,530)	-	(39,530)
<b>Total Comprehensive income for the year</b>	-	-	<b>(39,530)</b>	<b>(6,164,075)</b>	<b>(6,203 605)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	7,777,788	-	-	-	7,777,788
Other	-	567	-	-	567
Share issue expenses	(1,614)	-	-	-	(1,614)
<b>Balance at 30 June 2015</b>	<b>50,444,700</b>	<b>77,215</b>	<b>(39,530)</b>	<b>(48,772,646)</b>	<b>1,709,739</b>
Loss for the year	-	-	-	(3,230,686)	(3,230,686)
Movement in the foreign translation reserve	-	-	46,897	-	46,897
<b>Total Comprehensive income for the year</b>	-	-	<b>46,897</b>	<b>(3,230,686)</b>	<b>(3,183,789)</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	1,602,753	-	-	-	1,602,753
Share issue expenses	(177,658)	-	-	-	(177,658)
<b>Balance at 30 June 2016</b>	<b>51,869,795</b>	<b>77,215</b>	<b>7,367</b>	<b>(52,003,332)</b>	<b>(48,955)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**  
FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		2,155,888	1,212,171
Payments to suppliers and employees		(5,072,704)	(4,854,266)
Interest and finance lease charges paid		(83,806)	14,018
Interest received		2,498	3,276
Research and Development incentive grant received		1,636,810	1,466,428
Export Market Development Grant		-	47,565
<b>Net cash flows used in operating activities</b>	10(a)	<u>(1,361,314)</u>	<u>(2,110,808)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Contribution to joint venture entity		(1,298,302)	(1,367,746)
Repayment of secured deposit		-	25,695
Proceeds from sale of property, plant and equipment		6,820	31,168
Payments for property, plant and equipment		(36,441)	(176,394)
<b>Net cash flows (used in) generated from investing activities</b>		<u>(1,327,923)</u>	<u>(1,487,277)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		3,532,715	2,195,070
Repayment of borrowings		(1,113,184)	(865,948)
Proceeds from share capital raised		1,552,729	2,273,503
Capital raising costs		(177,657)	(109,657)
<b>Net cash flows generated from financing activities</b>		<u>3,794,603</u>	<u>3,492,968</u>
<b>Net (decrease) / increase in cash and cash equivalents held</b>		1,105,366	(105,117)
Cash and cash equivalents at the beginning of the financial year		67,950	173,067
<b>Cash and cash equivalents at the end of the financial year</b>	10(b)	<u>1,173,316</u>	<u>67,950</u>



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**1. Basis of preparation**

This preliminary final report has been prepared in compliance with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This financial report does not include notes of the type normally included in annual financial statements.

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with the continuous disclosure obligations of the ASX listing rules.

The financial report has been prepared on the historical cost basis except for land and buildings which have been measured at fair value.

The accounting policies used in this report are the same as those used in the last audited annual report.

**(a) Going concern**

The Company has net liabilities of \$48,955 (2015: net assets of \$1,709,739) and net current liabilities of \$1,071,592 (2015: net current assets of \$507,476) as at 30 June 2016 and incurred a loss of \$3,230,686 (2015: \$6,203,605) and net operating cash outflow of \$1,361,314 (2015: \$2,110,808) for the year ended 30 June 2016.

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:

- delivery of existing and new products through the Company's distribution network to generate sales revenues and positive cash flows;
- the ability of the Company to raise additional financing; and
- the success of the manufacturing facility in Malaysia.

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 Company 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.

Should the Company not achieve the matters set out above, there is significant 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.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

**2. Segment information**

The Company identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. Operating segments are identified by management based on the similarity of the products produced and sold.

The Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>3. Revenue and expenses</b>		
<b>3.1 Other income</b>		
Sundry Income	1,152	29,485
Export Market Development Grant	-	47,565
	<u>1,152</u>	<u>77,050</u>
<b>3.2 Other expenses</b>		
Net foreign exchange loss	-	(2,678)
Other	-	4,112
<b>Total other expenses</b>	<u>-</u>	<u>1,434</u>
<b>3.3 Other revenue</b>		
Interest income	<u>2,498</u>	<u>27,999</u>
<b>3.4 Finance costs</b>		
Interest and finance charges	<u>(93,723)</u>	<u>(10,705)</u>
<b>Total finance costs</b>	<u>(93,723)</u>	<u>(10,705)</u>
<b>3.5 Employee payments including benefits expense</b>		
Salaries and wages	1,437,173	2,024,098
Superannuation expense	91,566	70,804
Annual leave and long service leave	70,375	9,144
Other employment expense	-	62,225
	<u>1,599,114</u>	<u>2,166,271</u>
<b>3.6 Depreciation and amortisation expenses</b>		
Depreciation of property, plant and equipment	245,977	250,007
Amortisation of leasehold improvements	11,489	10,023
Amortisation of trademarks and patents	-	11,098
<b>Total depreciation and amortisation</b>	<u>257,466</u>	<u>271,128</u>

**4. Loss per share**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders of the Company for the year of \$3,230,686 (2015: \$6,164,075) and the weighted average of 73,809,187 (2015: 35,837,913) ordinary shares in issue during the year.

The diluted loss per share amount for the year was the same as the basic loss per share, as the Company does not have any share options outstanding and the outstanding performance rights are anti-dilutive at 30 June 2016.

*Note - In accordance with AASB 133 the Earnings Per Share and Net Tangible Assets Backing calculations have been restated for the share consolidation undertaken in December 2015, resulting in the number of shares on issue at that time reducing from 4.6 billion to 85.4m (adjusted by a division of 55, being the conversion of every 55 shares in the Company into 1 ordinary share in the Company). The comparative period has been restated on a similar basis.*



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016

5. Pledged bank deposits

	2016 \$	2015 \$
Deposit – fixed term	82,000	82,000
Deposit – at call	30,000	30,000
	<u>112,000</u>	<u>112,000</u>

Pledged bank deposits at 30 June 2016 represented fixed deposits as follows:

- a term deposit maturing on 31 December 2016 bearing interest at 2.75% per annum of \$30,000 supporting credit card facilities;
- a term deposit maturing on 30 September 2016 bearing interest at 2% per annum, pledged against a lease guarantee in the amount of \$82,000 issued by a bank on behalf of the Company.

	2016 \$	2015 \$
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6. Trade and other receivables

Trade receivables	131,898	103,846
Other receivables	254	4,170
Trade deposits	7,533	3,300
Prepayments	87,831	73,560
	<u>227,516</u>	<u>184,876</u>

Trade receivables are non- interest bearing and are generally on 0-90 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

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

7. 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 by the Company to assemble and manufacture Sprintex products.

In view of the losses being incurred by the joint venture, the carrying value of the balances with the joint venture were assessed for impairment and fully impaired.

	2016 \$	2015 \$
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8. Interest bearing liabilities

**Current**

Insurance premium funding (unsecured)	87,176	91,408
Finance lease liabilities	37,480	16,326
Loans from related parties	1,075,024	-
Unsecured convertible facility	1,380,227	-
	<u>2,579,907</u>	<u>107,734</u>

**Non-current**

Finance lease liabilities	<u>75,507</u>	<u>26,141</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>9. Contributed equity</b>		
Paid up capital – ordinary shares	53,242,971	51,640,218
Capital raising costs capitalised	(1,373,176)	(1,195,518)
	<u>51,869,795</u>	<u>50,444,700</u>

**(a) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid shares have no par value.

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

<b>Movements in Ordinary Share Capital</b>	<b>Number of shares</b>	<b>\$</b>
<b>Balance at 1 July 2015</b>	3,113,578,798	50,444,700
Placement of shares	20,000,000	40,000
Entitlements issue	1,562,753,472	1,385,095
Share consolidation	(4,610,944,660)	-
<b>Balance as at 30 June 2016</b>	<u>85,387,610</u>	<u>51,869,795</u>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>10. Cash flow statement reconciliation</b>		
<b>(a) Reconciliation of cash flows from operating activities to operating loss after income tax</b>		
Operating loss after income tax	(3,183,789)	(6,203,605)
Add non-cash items:		
Share based payments	50,000	40,000
Net loss (gain) on the sale of assets	(100)	(211)
Depreciation and amortisation	257,466	271,965
Joint venture impairment	1,275,456	718,241
Impairment of inventory	-	649,505
Loss on extinguishment of liability	-	2,228,631
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	(42,640)	4,638
Decrease / (increase) in inventories	(38,161)	(233,723)
Increase / (decrease) in trade and other payables	264,010	409,258
Increase in provision for warranty	26,650	(3,158)
Increase / (decrease) in provision for employee entitlements	29,794	7,651
Net cash flows used in operating activities	(1,361,314)	(2,110,808)
	<b>2016 \$</b>	<b>2015 \$</b>
<b>(b) Reconciliation of cash and cash equivalents to cash flow statement of cash flow</b>		
For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	1,173,316	67,950
	<u>1,173,316</u>	<u>67,950</u>

**11. Events subsequent to reporting period**

On 22 July 2016, the Company announced a share placement to raise approximately \$1.5 million (Placement) and a Share Purchase Plan (SPP). The resolution for the placement was passed by the requisite majority of security holders at a Shareholders General Meeting on 26 August 2016. This will eliminate the negative net equity position currently shown in the Balance Sheet as at 30 June 2016. The SPP fell short of expectations, with the final amounts raised still being collated.