

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 2017	31 December 2016

2. Results for Announcement to the Market

					\$'000
2.1	Revenues from ordinary activities	down	15.7%	to	1,069
2.2	Loss from ordinary activities after tax attributable to members	down	71.8%	to	316
2.3	Net loss for the period attributable to members	down	70.7%	to	432
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 to 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 Mack for detailed explanation.				

3. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(\$0.002)	\$0.017

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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 2016/2017 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.

Not Applicable.



**SPRINTEX LIMITED
AND CONTROLLED ENTITIES**

HALF-YEAR REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2017**

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

183 Mulgool Road
Malaga WA 6090
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 Mack
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 2017.

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 2017 was the manufacture and distribution of the patented range of Sprintex® superchargers and supercharger systems.

Review and Results of Operations

The Consolidated Entity recorded a reduction in the net loss from \$1,438,202 for the half-year period ended 31 December 2016 to \$452,021 for the current half-year. Sales for the half-year were \$1,069,196 (2016: \$1,267,775) representing a decrease of 15.7%. Gross profit on sales for the half-year ended 31 December 2017 was \$78,648, compared to a gross profit of \$367,348 for the same period in 2016.

The focus of the Group's activities during the past six months has been:

1. Research and development of the Sprintex supercharger for the Pentastar Version 2 engine.
2. Front entry supercharger development.
3. Research and development of an OEM twin boosted system.
4. Research and development of an OEM high torque at low RPM system for diesel platforms.
5. Ongoing expansion and development of the North American market for the Company's products.
6. Expansion and development in the Asia and Middle East markets for the Company's products.
7. Introduction and expansion into the OEM Marine sector.
8. Further development and refinement of the supercharger system on additional models within the Chrysler/Jeep Pentastar range, tuning solutions for the 2018 ranges of vehicles, as well as looking at potential for other OEM platforms, including Ford and GM.

On 3 July 2017, Mr Tyrone Jones, formerly Chief Operating Officer, was appointed to the position of Chief Executive Officer.

On 27 July 2017, the Company received US\$500,000 pursuant to an unsecured loan facility agreement with Ganado Investment Corporation Ltd, an unrelated third party. This facility was repayable on or before 31 December 2017 and attracts a facility fee of US\$55,000, in-lieu of interest and other charges.

On 16 August 2017, the Company received US\$400,000 pursuant to an unsecured loan facility agreement with Ganado Investment Corporation Ltd, an unrelated third party. This facility was repayable on or before 31 December 2017 and attracts a facility fee of US\$45,000, in-lieu of interest and other charges.

On 20 November 2017, the Company received an advance of \$294,750 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 will be 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.

The Company received the 2017 R&D Tax Incentive of \$1,440,787 on 11 December 2017.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

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:

Existing loans received from Ganado Investment Corporation Ltd of US\$400,000 and US\$500,000 and associated fees payable of US\$100,000, have been refinanced with Ganado Investment Corporation Ltd. With a new loan of US\$1,000,000, repayable on or before 15 December 2018. Attracting a facility fee of US\$110,000.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2017 has been received and is included at Page 4 and forms part of this Directors' Report.

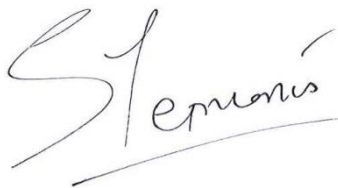
Signed in accordance with a resolution of the Board of Directors.



David White
Deputy Chairman
Perth, 28 February 2018

**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 2017, 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 MACK****SIMON FERMANIS
PARTNER****28 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA**

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTES	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents	9	782,706	201,636
Pledged bank deposits	3	30,000	30,000
Trade and other receivables	4	169,887	236,857
Inventories		665,735	937,955
TOTAL CURRENT ASSETS		1,648,328	1,406,448
NON-CURRENT ASSETS			
Investment in joint venture	5	-	-
Property, plant and equipment		965,169	1,011,505
TOTAL NON-CURRENT ASSETS		965,169	1,011,505
TOTAL ASSETS		2,613,497	2,417,953
CURRENT LIABILITIES			
Trade and other payables	6	867,735	1,663,918
Borrowings	7	1,671,249	191,417
Provisions		179,999	226,305
TOTAL CURRENT LIABILITIES		2,718,983	2,081,640
NON-CURRENT LIABILITIES			
Borrowings	7	56,736	105,993
TOTAL LIABILITIES		2,775,719	2,187,633
NET ASSETS / (LIABILITIES)		(162,221)	230,320
EQUITY			
Contributed equity	8	56,477,246	56,437,777
Reserves		59,851	39,840
Accumulated losses		(56,699,318)	(56,247,297)
TOTAL EQUITY		(162,221)	230,320

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 2017

	2017 \$	2016 \$
Revenue	1,069,196	1,267,775
Cost of goods sold	(990,548)	(900,427)
Gross profit	78,648	367,348
Other income	29,150	3,608
Forgiveness of related party loan	765,333	-
Research and development incentive grant	1,440,787	1,858,390
Distribution and marketing expenses	(416,996)	(468,899)
Research and development expenses	(803,661)	(883,229)
Joint venture impairment expense	(292,579)	(597,082)
Administration expenses	(1,117,120)	(1,404,191)
Operating loss	(316,438)	(1,124,055)
Finance income	-	915
Finance costs	(135,583)	(89,771)
Loss on extinguishment of financial liability	-	(225,291)
Loss before income tax expense	(452,021)	(1,438,202)
Income tax	-	-
Net loss for the period	(452,021)	(1,438,202)
Other comprehensive income for the period (net of tax)		
Items that maybe reclassified subsequently to profit and loss		
- Movement in foreign translation reserve	20,011	(33,902)
Total comprehensive loss for the period	(432,010)	(1,472,104)
Loss per share attributable to the ordinary equity holders of the Company		
Basic (cents per share)	0.45	1.63
Diluted (cents per share)	0.45	1.63

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
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed equity	Reserves		
	Ordinary shares	Share option reserve	Foreign translation reserve	Accumulated Losses
	\$	\$	\$	\$
<i>For the half-year ended 31 December 2017</i>				
Balance at 1 July 2017	56,437,777	-	39,840	(56,247,297)
Loss for the period	-	-	-	(452,021)
Movement in the foreign translation reserve	-	-	20,011	-
Total Comprehensive Income	-	-	20,011	(452,021)
Transactions with owners in their capacity as owners				
Share expenses refund	39,469	-	-	-
Balance at 31 December 2017	56,477,246	-	59,851	(56,699,318)
<i>For the half-year ended 31 December 2016</i>				
Balance at 1 July 2016	51,869,795	77,215	7,367	(52,003,332)
Loss for the period	-	-	-	(1,438,202)
Movement in the foreign translation reserve	-	-	(33,903)	-
Total Comprehensive Income	-	-	(33,903)	(1,438,202)
Transactions with owners in their capacity as owners				
Share placement (net of issue costs)	328,199	-	-	-
Share Purchase Plan	19,500	-	-	-
Issue of shares on loan conversion	2,776,256	-	-	-
Balance at 31 December 2016	54,993,750	77,215	(26,536)	(53,441,534)

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 2017

	NOTES	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,119,668	1,272,406
Payments to suppliers and employees		(2,564,007)	(3,315,706)
Interest and finance lease charges paid		(11,808)	(63,965)
Interest received		-	915
Research and development grant received		1,349,817	1,858,390
Net cash flows used in operating activities		<u>(106,330)</u>	<u>(247,960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance to joint venture		(577,569)	(597,082)
Proceeds from sale of property, plant and equipment		58,976	-
Refund of restricted deposit		-	82,000
Security deposits		(17,799)	-
Payments for property, plant and equipment		(77,678)	-
Net cash flows used in investing activities		<u>(614,070)</u>	<u>(515,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share capital raising		-	444,500
Capital raising costs		-	(96,802)
Proceeds from borrowings		1,408,719	849,821
Repayment of borrowings		(107,249)	(820,440)
Net cash flows generated from financing activities		<u>1,301,470</u>	<u>377,079</u>
Net (decrease) / increase in cash and cash equivalents		(581,070)	(385,963)
Cash and cash equivalents at the beginning of the period	9	201,636	1,173,316
Cash and cash equivalents at the end of the period	9	<u>782,706</u>	<u>787,353</u>

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

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017, 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 2017, 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 \$162,221 as at 31 December 2017 and incurred a loss of \$452,021 and net operating cash outflow of \$106,330 for the six month period ended 31 December 2017.

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 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.

Should the Group 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.

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 represented a term deposit of \$30,000 maturing on 30 June 2018, bearing interest at 2.05% per annum supporting credit card facilities. In accordance with the advance received from Innovation Structured Finance an amount totalling \$294,750 remains secured. Refer note 7.

	31 December 2017	30 June 2017
	\$	\$
4. Trade and Other Receivables		
Trade receivables	22,871	72,648
Other receivables	154	586
Trade deposits	93,530	75,732
Prepayments	53,331	87,891
	<u>169,887</u>	<u>236,857</u>

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 2017, 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 2017

	31 December 2017 \$	30 June 2017 \$
6. Trade and Other Payables		
Trade payables	539,526	683,405
Other payables	328,209	980,513
	<u>867,735</u>	<u>1,663,918</u>

David White, Deputy Chairman, has agreed to forego payment of his directors' fees of \$765,333, which had accrued, and remained unpaid, since 1 July 2014.

	31 December 2017 \$	30 June 2017 \$
7. Borrowings		
Current		
Insurance premium funding	45,926	112,690
Finance lease liabilities	87,500	78,727
Loan from Ganado Investment Corp ⁽ⁱ⁾	1,237,743	-
Loan from Radium Capital ⁽ⁱⁱ⁾	300,080	-
	<u>1,671,249</u>	<u>191,417</u>
Non-current		
Finance lease liabilities	<u>56,736</u>	<u>105,993</u>

- (i) 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 Investment Corporation Ltd, an unrelated third party. These facilities were repayable on or before 31 December 2017 and attract a facility fee of US\$55,000 and US\$45,000 respectively, in-lieu of interest and other charges. Subsequently refinanced. Refer note 11
- (ii) On 20 November 2017, the Company received an advance of \$294,750 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 will be 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. The loan agreement is conditional on specific security, in favour of Radium Capital securing the future right, title and interest in the R&D Refund, to the full amount of the loan. Refer note 3

8. Contributed Equity	31 December 2017 \$	30 June 2017 \$
Paid up capital – ordinary shares	57,918,212	57,918,212
Capital raising costs capitalised	(1,440,966)	(1,480,435)
	<u>56,477,246</u>	<u>56,437,777</u>

(a) Ordinary shares	Number of shares	\$
Movements in Ordinary Share Capital		
Balance at 1 July 2017	100,000,000	56,437,777
Balance as at 31 December 2017	<u>100,000,000</u>	<u>56,437,777</u>

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017	30 June 2017
	\$	\$
9. Cash and cash equivalents		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following amounts:		
Cash	782,706	201,636
Cash and cash equivalents	<u>782,706</u>	<u>201,636</u>

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 2017, 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 2017	30 June 2017
	\$	\$
Within one year	91,683	84,911
After one year but not more than five years	59,017	109,805
Total minimum lease payments	<u>150,700</u>	<u>194,716</u>
Less: amounts representing finance charges	(6,464)	(9,996)
Present value of minimum lease payments	<u>144,236</u>	<u>184,720</u>
Included in the financial statements as:		
Current interest-bearing liabilities	87,500	78,727
Non-current interest-bearing liabilities	<u>56,736</u>	<u>105,993</u>
	<u>144,236</u>	<u>184,720</u>

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:

Existing loans received from Ganado Investment Corporation Ltd of US\$400,000 AND US\$500,000 and associated fees payable of US\$100,000, have been refinanced with Ganado Investment Corporation Ltd. With a new loan of US\$1,000,000, repayable on or before 15 December 2018. Attracting a facility fee of US\$110,000.

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 2017 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 2018

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

Qualified Conclusion

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 2017 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 2017, 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 2017 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 2017. 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 2017 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report in which indicates that the consolidated entity incurred a net loss of \$(452,021) during the half year ended 31 December 2017 and had negative operating cashflow of \$(106,330). These conditions, along with other matters as set forth in Note 1, 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.

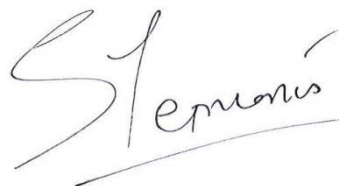
Auditor's Responsibility

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 MACK



SIMON FERMANIS
PARTNER

28 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA