



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

**ASX Code: SIX**

**ASX RELEASE: 31 July 2020**

## **Quarterly Activities Report and Appendix 4C Cashflow Statement**

**For the period ended 30 June 2020**

Sprintex Limited (ASX: **SIX**) ("**Sprintex**" or "the **Company**") is pleased to provide shareholders with this Quarterly Activities Report and Appendix 4C Cashflow Statement for the three (3) months ended 30 June 2020.

### **Highlights**

- **Successful introduction of improvements to the installation of the new Front Entry ("FE") supercharger system**
- **Promising results from the development of the tune for the new FE system**
- **Positive developments on the recapitalisation of the Company**

The Company manufactures and distributes its patented range of Sprintex® superchargers and supercharger systems. During the quarter it continued research and development on the installation of the supercharger assembly for production of the new FE supercharger system, and reviewed and refined production samples and modelling for the supercharger sub-components.

### **Supercharger development**

#### **210 / 335 Supercharger range.**

As part of the continuous product improvement program, the Company has re-designed the inlet pin and inlet plate on the S5-210 and S5-335 supercharger range, to improve pin location and retention characteristics when operating under extreme conditions. The revised parts improve the overall durability of the supercharger and increase the longevity of the unit when operating under these conditions. This new design has also been adapted on the new FE S5-335 supercharger. These new components were tested and performed well under the testing. This has led to the implementation of changes for our production components at our manufacturing and assembly facility in Malaysia.



### **JL Jeep Supercharger system, tuning development.**

The new JL Jeep Wrangler vehicle has been released with a new Powertrain Control Module (“PCM”) from Chrysler for their 2019 – 2020 vehicles. This new PCM required development of a new “tune” from scratch as the Company’s previous engine calibration methods were not compatible with the new PCM and Transmission Control Modules. The tuning development program has been challenging and resulted in a re-evaluation of new calibration strategies that have been adapted by Chrysler to tune their vehicles. However, the Company has been successful in this area and is now achieving the desired performance requirements and overall driving experience of the vehicle in a safe and reliable method. The Company is continuing to the final stages of preparing the tune for final, market release. This work was critical prior to releasing the new system to market.

### **COVID-19**

At the beginning of the quarter, COVID-19 began to have a greater impact on the group operations, with Movement Control Orders (MCO) in effect in Malaysia, Stay-at-Home Orders in the USA, and social distancing restrictions imposed in Australia. Conditions created by the COVID-19 pandemic were fluid, uncertain and constantly evolving. The Company quickly moved to a work-from-home environment, as and when required, and has adopted hygiene, health and work practice advice from relevant state and federal governments across its global operations.

The Company continues to monitor the evolving COVID-19 pandemic and the implications to its business but did note a promising increase in sales activity towards the end of the quarter. Whilst COVID-19 restrictions were beginning to be eased towards the end of the quarter, the Company is well aware of the constantly evolving nature of this unprecedented pandemic.

The Company was a fortunate recipient of a number of assistance packages announced by the Australian Government and continues to monitor announcements on stimulus measures to support its ongoing work arrangements with its employees and will implement further responses as required. The health and safety of its staff remains a key priority.



## **CORPORATE**

Efforts to advance the previously announced recapitalisation and relisting plan for the Company continued during the quarter. Subsequent to the quarter end, on 17 July 2020, the Company held its 2018 and 2019 Annual General Meetings at which all resolutions put to the shareholders were passed unanimously. In addition, the Company has made a number of submissions to the ASX in respect of the reinstatement to trading of the Company's securities. The Company is in continued discussions with the ASX in respect of this matter and is working towards reinstatement prior to late September 2020. The Company reminds shareholders that the reinstatement of the Company's securities to quotation on the Official List of the ASX is at the discretion of the ASX, including satisfaction of the Listing Rules. There is no guarantee that the securities of the Company will be reinstated and if so, when.

At the end of the quarter, the Company had approximately \$139,000 in cash.

\$nil payments were made during the quarter to related parties of the Company or an associate of a related party of the Company.

During the quarter the Company spent \$120k on research and development, primarily on the new JL supercharger system and \$17k on product development, as outlined above.

## **ENDS**

### **Further Enquiries**

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Company Secretary

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*This ASX announcement was authorised for release by the Board of Sprintex Limited.*

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

SPRINTEX LIMITED

**ABN**

38 106 337 599

**Quarter ended ("current quarter")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	151	1,096
1.2 Payments for		
(a) research and development	(120)	(394)
(b) product manufacturing and operating costs	(17)	(325)
(c) advertising and marketing	(6)	(39)
(d) leased assets	(4)	(34)
(e) staff costs	(180)	(1,143)
(f) administration and corporate costs	(89)	(661)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives*	61	603
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(203)</b>	<b>(896)</b>

Note - \* Australian Government COVID-19 stimulus payments received during the current quarter.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(5)	(54)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	-	4
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	(74)	(492)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(79)</b>	<b>(542)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings*	250	1,063
3.6	Repayment of borrowings	-	(92)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>250</b>	<b>971</b>

Note - \* Working capital funding received from LIDX Technology Ltd in advance of the completion of the proposed recapitalisation and relisting of the Company.

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	176	605
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(203)	(896)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(79)	(542)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	250	971
4.5	Effect of movement in exchange rates on cash held	(5)	1
4.6	<b>Cash and cash equivalents at end of period</b>	<b>139</b>	<b>139</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	139	176
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>139</b>	<b>176</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	6,152	6,152
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>6,152</b>	<b>6,152</b>

**7.5 Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

\* Loan facilities represent amounts from Ganado Investments Corporation Ltd. (\$A1,607k), China Automotive Holdings Limited (\$A2,822k), Wilson's Pipe Fabrications Pty Ltd (\$A1,473k) and LIDX Technology Ltd (\$A250k).

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(203)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	139
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	139
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>&gt; 1</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

Answer: Yes, it is anticipated that the current level of net operating cash flows will continue for the time being.

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

Answer: Yes, SIX notes that it is currently finalising a recapitalisation of the Company which includes loan forgiveness, loan conversions to equity, 100% acquisition of joint venture company, Proreka Sprintex Sdn Bhd, and a capital raising of up to \$4.35m.

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 the Company's shares on ASX and the Company determining that it is able to satisfy these conditions;
- shareholder approvals required in order to give effect to the transactions under Listing Rules 7.1 and 10.11 being obtained; and
- all current directors of the Company agreeing to resign from the Board upon completion of the recapitalisation, issue of new shares (in respect of the debt conversions, capital rising and acquisition of joint venture company, Proreka Sprintex Sdn Bhd) and relisting of the Company's securities on the ASX.

The reinstatement of SIX's securities to quotation on the official list of the ASX 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.

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

Answer: Yes. The Company has reduced its spending and some working capital funding has been provided ahead of the completion of the potential recapitalisation and relisting of the Company.

## **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **31 July 2020**

Authorised by: **By the Board**  
(Name of body or officer authorising release – see note 4)



**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.