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

**ASX Code: SIX**

**ASX RELEASE: 30 October 2020**

# Quarterly Activities Report

**For the quarter ended 30 September 2020**

## Highlights

- **Continued 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 progress on the recapitalisation of the Company**

Sprintex Limited (ASX: **SIX**) ("**Sprintex**" or "the **Company**") is pleased to provide shareholders with this Quarterly Activities Report for the three (3) months ended 30 September 2020.

The Company manufactures and distributes its patented range of Sprintex® superchargers and supercharger systems. During the quarter the Company 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.

The Company continued to receive promising results on the tuning development with a 3rd party professional tuning provider on the Jeep JL FE supercharger system, with road testing, monitoring and further calibration expected to commence shortly. This activity is required to be completed prior to releasing the new system to market.

## COVID-19

COVID-19 continued to have an impact on the group operations, with some relaxing of restriction on Movement Control Orders (**MCO**) in effect in Malaysia, Stay at Home Orders in the USA, and social distancing restrictions imposed in Australia, only to see a resurgence of the virus adding further uncertainty to the economies. Conditions created by the COVID-19 pandemic remain fluid, uncertain and constantly evolving. The Company continues adapting to a work-from-home environment, as and when required, and follows increased hygiene, health and work practice advice from relevant state and federal governments across its global operations.

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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 previous quarter, which continued in this current quarter.

Although the Company continues to be a recipient of a number of Australian Government assistance packages, it remains focused on conservatively managing its cashflow through this period of uncertainty.

The Company 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.

During the quarter, the following corporate activities were completed and the Company remains focused on the successful reinstatement of its securities on the ASX:

- On 17 July, the Company held its 2018 and 2019 Annual General Meetings at which all resolutions put to the shareholders were passed;
- On 28 September, the Company held a general meeting of shareholders at which all key resolutions required for the successful completion of its recapitalisation plan were passed;
- The audited accounts for the year ended 30 June 2020 were released on ASX on 29 September; and
- In addition, the Company has continued to make submissions to the ASX in respect of the reinstatement to trading of the Company' securities. The Company is in continued discussions with the ASX in respect of this matter and is working towards reinstatement in late November 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).*

Subsequent to quarter end, on 19 October 2020, the Company released its Prospectus.

At the end of the quarter, the Company had approximately $3,000 in cash.

No 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 and $17k on product development, predominantly on the development of the new FE system.

**ENDS**

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**Further Enquiries**

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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

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| **Name of entity** | |
|---|---|
| SPRINTEX LIMITED | |
| **ABN** | **Quarter ended ("current quarter")** |
| 38 106 337 599 | 30 September 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 234 | 234 |
| 1.2 | Payments for | | |
| | (a) research and development | (79) | (79) |
| | (b) product manufacturing and operating costs | (27) | (27) |
| | (c) advertising and marketing | (6) | (6) |
| | (d) leased assets | (4) | (4) |
| | (e) staff costs | (192) | (192) |
| | (f) administration and corporate costs | (160) | (160) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | | |
| 1.5 | Interest and other costs of finance paid | | |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives* | 55 | 55 |
| 1.8 | Other (provide details if material) | | |
| **1.9** | **Net cash from / (used in) operating activities** | **(179)** | **(179)** |

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

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | (4) | (4) |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | (43) | (43) |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| **2.6** | **Net cash from / (used in) investing activities** | **(47)** | **(47)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 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* | 90 | 90 |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| **3.10** | **Net cash from / (used in) financing activities** | **90** | **90** |

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

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 139 | 139 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (179) | (179) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (47) | (47) |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 90 | 90 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| **4.6** | **Cash and cash equivalents at end of period** | **3** | **3** |

| 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 | 3 | 139 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **3** | **139** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 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 | - |

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

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | 6,063 | 6,063 |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | **Total financing facilities** | **6,063** | **6,063** |

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

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. ($A1,550k), China Automotive Holdings Limited ($A2,723k), Wilson's Pipe Fabrication Pty Ltd ($A1,450k) and LIDX Technology Ltd ($A340k).

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (179) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 3 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | (176) |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | <1 |

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

1. 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.

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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 $6.5m.

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; 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.

- Additional interim funding of $300,000 has been agreed with Lidx Technology Ltd in advance of the completion of the proposed recapitalisation and relisting of the Company, of which $90,000 was received during the current quarter, as noted in 3.5 above.

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: **30 October 2020**

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

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**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.

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