SPRINTEX LIMITED
ABN: 38 106 337 599

ASX Code: SIX

28 February 2017

SPRINTEX HALF YEAR REPORT

Sprintex Limited (ASX Code: SIX) (Company) is pleased to announce its results for the half-year ended 31 December 2016.

Sales revenues are up 23.5% and the net assets position of the Company has shown a turnaround from net liabilities of $49k at 30 June 2016 to positive net assets of $1.6m at 31 December 2016.

David White, Deputy Chairman commented: "These results continue to demonstrate the progress being made by the Company in expanding its global footprint and the development of its patented Sprintex® supercharger systems.

Achieving CARB (California Air Resources Board) exemption for our Sprintex® Supercharger systems, including the Pentastar-based systems for the Jeep Wrangler (JK and TJ), RAM 1500, Grand Cherokee, Dodge Challenger, Charger and Chrysler 300, was a significant milestone, which expands our potential market to 50 states in the United States, including California, and adds credibility to our products. The remaining product in our range, which wasn't submitted for testing previously, is now undergoing testing with CARB and is expected to be issued with exemption shortly. We are also close to releasing the tuning solutions for 2017 vehicles in our range.

During the first half of the year, the Company was able to eliminate its debt with third parties, reach agreement with a substantial shareholder to convert its loan to equity in the Company, and turn around the negative net equity position of $49k, shown at 30 June 2016, to a positive net equity of $1.6m at 31 December 2016.

We have no doubt that these continue to be challenging times in our world economies, but I believe the Company is well positioned to take advantage of the opportunities that lie ahead in the remaining months of the year."

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

ROBERT MOLKENTHIN
COMPANY SECRETARY

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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 2016	31 December 2015

2. Results for Announcement to the Market

					$'000
2.1	Revenues from ordinary activities	up	23.5%	to	1,268
2.2	Loss from ordinary activities after tax attributable to members	up	36.1%	to	1,055
2.3	Net loss for the period attributable to members	up	62.1%	to	1,472
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	$0.017	$0.028

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 2015/2016 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 2016

SPRINTEX LIMITED
AND CONTROLLED ENTITIES

CONTENTS

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 and Acting CEO
M Wilson
R O'Brien
R Lau

Company Secretary
R Molkenthin

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183 Mulgul Road
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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

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 2016.

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 and Acting Chief Executive Officer
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 2016 was the manufacture and distribution of the patented range of Sprintex® superchargers and supercharger systems.

Review and Results of Operations

The Consolidated Entity recorded an increase in the net loss from $920,714 for the half-year period ended 31 December 2015 to $1,438,202 for the current half-year. Sales for the half-year were $1,267,775 (2015: $1,026,936) representing an increase of 23%. Gross profit on sales for the half-year ended 31 December 2016 was $367,348, compared to a gross profit of $223,392 for the same period in 2015.

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

1. After achieving CARB (California Air Resources Board) approval in June 2016 for the 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, which now meet or exceed emission requirements in 50 states in the USA, the Group is now moving forward to achieve CARB certification on the Toyota 86/Subaru BRZ range.
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, tuning solutions for the 2017 ranges of vehicles, as well as looking at potential for Ford and GM platforms.

On 22 July 2016, the Company announced a share placement of 5,000,000 fully paid ordinary shares at an issue price of $0.30 per share to China Automotive Holdings Limited, a company controlled by Mr Siemens (Chairman), to raise approximately $1.5m (Placement) and a Share Purchase Plan (SPP). The issue of shares pursuant to this Placement took place on 22 September 2016. The SPP resulted in 64,998 shares being issued to SPP applicants.

On 30 September 2016, the Company announced that agreement had been reached for the US$1m convertible loan facility (Agreement) with one of our substantial shareholders to be extended for a further 6 months to 27 March 2017. Subsequently, the Company reached agreement with the substantial shareholder for early conversion of all amounts owing under the convertible loan facility. On 21 December 2016, the Company announced that it had issued 4,612,390 fully paid ordinary shares in the Company in full satisfaction of all amounts due under the Agreement.

The Company received the 2016 R&D Tax Incentive of $1,858,390 on 21 December 2016.

DIRECTORS' REPORT

On 2 November 2016, the Company announced it had secured a short-term funding facility of US$610,000. This amount, together with related interest charges, was repaid in full on 23 December 2016.

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.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2016 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 2017

PKF MACK

Accounting, Financial and Business Advisory

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 2016, 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

PKF MACK

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SIMON FERMANIS
PARTNER

28 FEBRUARY 2017
WEST PERTH,
WESTERN AUSTRALIA

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ABN 64 591 268 274

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTES	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	787,353	1,173,316
Pledged bank deposits	3	30,000	112,000
Trade and other receivables	4	197,439	227,516
Inventories		1,032,047	1,450,338
TOTAL CURRENT ASSETS		**2,046,839**	**2,963,170**
NON-CURRENT ASSETS			
Investment in joint venture	5	-	-
Property, plant and equipment		1,033,202	1,098,144
TOTAL NON-CURRENT ASSETS		**1,033,202**	**1,098,144**
TOTAL ASSETS		**3,080,041**	**4,061,314**
CURRENT LIABILITIES			
Trade and other payables		1,073,600	1,225,662
Interest bearing liabilities	6	80,212	2,579,907
Provisions		243,912	229,193
TOTAL CURRENT LIABILITIES		**1,397,724**	**4,034,762**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	6	79,422	75,507
TOTAL LIABILITIES		**1,477,146**	**4,110,269**
NET ASSETS / (LIABILITIES)		**1,602,895**	**(48,955)**
EQUITY			
Contributed equity	7	54,993,750	51,869,795
Reserves		50,679	84,582
Accumulated losses		(53,441,534)	(52,003,332)
TOTAL EQUITY		**1,602,895**	**(48,955)**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	2016 $	2015 $
Revenue	1,267,775	1,026,936
Cost of goods sold	(900,427)	(803,544)
Gross profit	**367,348**	**223,392**
Other income	3,608	1,972
Research and development incentive grant	1,858,390	1,636,810
Distribution and marketing expenses	(468,899)	(323,134)
Research and development expenses	(883,229)	(881,132)
Impairment of joint venture loan	(527,819)	(301,250)
Administration expenses	(1,404,191)	(1,131,395)
Operating loss	**(1,054,792)**	**(774,737)**
Finance income	915	-
Finance costs	(89,771)	(52,298)
Impairment of joint venture investment	(69,263)	(93,679)
Loss on extinguishment of financial liability	(225,291)	-
Loss before income tax expense	**(1,438,202)**	**(920,714)**
Income tax	-	-
Net loss for the period	**(1,438,202)**	**(920,714)**
Other comprehensive income for the period (net of tax)		
Items that maybe reclassified subsequently to profit and loss		
- Movement in foreign translation reserve	(33,902)	12,834
Total comprehensive loss for the period	**(1,472,104)**	**(907,880)**
Loss per share attributable to the ordinary equity holders of the Company		
Basic (cents per share)	1.63	1.48
Diluted (cents per share)	1.63	1.48

The consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed equity	Reserves			
	Ordinary shares	Share option reserve	Foreign translation reserve	Accumulated Losses	Total
	$	$	$	$	$
For the half-year ended 31 December 2016					
Balance at 1 July 2016	**51,869,795**	**77,215**	**7,367**	**(52,003,332)**	**(48,955)**
Loss for the period	-	-	-	(1,438,202)	(1,438,202)
Movement in the foreign translation reserve	-	-	(33,903)	-	(33,903)
Total Comprehensive Income	-	-	(33,903)	(1,438,202)	(1,472,105)
Transactions with owners in their capacity as owners					
Share placement (net of issue costs)	328,199	-	-	-	328,199
Share Purchase Plan	19,500	-	-	-	19,500
Issue of shares on loan conversion	2,776,256	-	-	-	2,776,256
Balance at 31 December 2016	**54,993,750**	**77,215**	**(26,536)**	**(53,441,534)**	**1,602,895**
For the half-year ended 31 December 2015					
Balance at 1 July 2015	**50,444,700**	**77,215**	**(39,530)**	**(48,772,646)**	**1,709,739**
Loss for the period	-	-	-	(920,714)	(920,714)
Movement in the foreign translation reserve	-	-	12,834	-	12,834
Total Comprehensive Income	-	-	12,834	(920,714)	(907,880)
Transactions with owners in their capacity as owners					
Issue of shares and options	1,504,516	-	-	-	1,504,516
Share-based payments	50,000	-	-	-	50,000
Balance at 31 December 2015	**51,999,216**	**77,215**	**(26,696)**	**(49,693,360)**	**2,356,375**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,272,406	977,931
Payments to suppliers and employees		(3,315,706)	(2,991,501)
Interest and finance lease charges paid		(63,965)	(52,298)
Interest received		915	1,292
Research and development grant received		1,858,390	1,636,810
Net cash flows used in operating activities		(247,960)	(427,766)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance to joint venture		(597,082)	(394,929)
Proceeds from sale of property, plant and equipment		-	6,200
Refund of restricted deposit		82,000	-
Payments for property, plant and equipment		-	(24,749)
Net cash flows used in investing activities		(515,082)	(413,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share capital raising		444,500	1,346,313
Capital raising costs		(96,802)	(48,237)
Proceeds from borrowings		849,821	1,087,057
Repayment of borrowings		(820,440)	(1,085,664)
Net cash flows generated from financing activities		377,079	1,299,469
Net (decrease) / increase in cash and cash equivalents		(385,963)	458,225
Cash and cash equivalents at the beginning of the period	8	1,173,316	67,950
Cash and cash equivalents at the end of the period	8	787,353	526,175

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

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 2016, 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 Company as the full financial report.

The half-year financial report should be read in conjunction with the annual report of the Company for the year ended 30 June 2016, and any public announcements made by the Company during the interim period, in accordance with continuing disclosure requirements of the Corporations Act 2001.

New, revised or amending Accounting Standards

The Company 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.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The Company has net assets of $1,602,895 as at 31 December 2016 and incurred a loss of $1,438,202 and net operating cash outflow of $247,960 for the six month period ended 31 December 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:

- the ability to raise sufficient working capital to ensure the continued implementation of the Company’s business plan; and
- delivery of existing and new products through the Company’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 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.

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 2016 represented a term deposit of $30,000 maturing on 30 June 2017, bearing interest at 2.10% per annum supporting credit card facilities.

	31 December 2016 $	30 June 2016 $
4. Trade and Other Receivables		
Trade receivables	130,875	131,898
Other receivables	-	254
Trade deposits	7,674	7,533
Prepayments	58,890	87,831
	197,439	227,516

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 2016, 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.

	31 December 2016 $	30 June 2016 $
6. Interest Bearing Liabilities		
Current		
Insurance premium funding	32,691	87,176
Finance lease liabilities	47,521	37,480
Loans from related parties (i)	-	1,075,024
Unsecured convertible facility (ii)	-	1,380,227
	80,212	2,579,907
Non-current		
Finance lease liabilities	79,422	75,507

(i) This loan was settled with equity instruments resulting in an issue of 3,583,383 shares at an issue price of $0.35 per share. This has resulted in the recognition of a loss on extinguishment of $179,167. Refer to note 7(a).

(ii) This loan was settled with equity instruments resulting in an issue of 4,612,390 shares at an issue price of $0.33 per share. This has resulted in the recognition of a loss on extinguishment of $46,124. Refer to note 7(a).

7. Contributed Equity

	31 December 2016 $	30 June 2016 $
Paid up capital – ordinary shares	56,463,727	53,242,971
Capital raising costs capitalised	(1,469,977)	(1,373,176)
	54,993,750	51,869,795

(a) Ordinary shares

Movements in Ordinary Share Capital	**Issue Price ($)**	**Number of shares**	**$**
Balance at 1 July 2016		85,387,610	53,242,971
Share Placement	0.30	1,416,667	425,000
Share Purchase Plan	0.30	64,998	19,500
Shares issued on conversion of related party loan	0.30	3,583,333	1,075,000
Fair value uplift on issue date (i)	0.05	-	179,167
Shares issued on convertible loan note conversion	0.32	4,612,390	1,475,965
Fair value uplift on issue date (i)	0.01	-	46,124
Balance as at 31 December 2016		95,064,998	56,463,727

(i) As a result of issuing these shares to extinguish the outstanding related party loans and unsecured convertible facility a loss on extinguishment of debt totalling $225,291 has been recognised within the profit and loss. Refer to note 6 for further detail.

	31 December 2016 $	30 June 2016 $
8. Cash and cash equivalents		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following amounts:		
Cash	787,353	1,173,316
Cash and cash equivalents	787,353	1,173,316

9. 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 2016, 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 2016 $	30 June 2016 $
Within one year	53,267	42,803
After one year but not more than five years	82,560	79,688
Total minimum lease payments	135,827	122,491
Less: amounts representing finance charges	(8,884)	(9,504)
Present value of minimum lease payments	126,943	112,987
Included in the financial statements as:		
Current interest-bearing liabilities	47,521	37,480
Non-current interest-bearing liabilities	79,422	75,507
	126,943	112,987

10. Events after the reporting date

No matter or circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the operations, results or state of affairs of the Company in the following or future years.

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 *Corporations Act 2001*; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 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.

David White
Deputy Chairman
Perth, 28 February 2017

PKF MACK

Accounting, Financial and Business Advisory

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

SPRINTEX LIMITED

Report on the Half-Year Financial Report

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 2016, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2016, or during the half year.

Directors' Responsibility for the Half-Year Financial Report

The Directors of Sprintex Limited 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 Act 2001 and for such internal controls as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation 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.

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.

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Basis for Qualified Review Conclusion

Opening Balances

During the audit of the financial report for the year ended 30 June 2016, we were unable to obtain sufficient and appropriate audit evidence to support the consolidated entity's share of loss in joint venture entity, Proreka Sprintex Sdn. Bhd (Proreka) for that reporting period amount to $(854,894) and related impairment of $(593,962). Furthermore, a limitation of scope existed as we were unable to obtain sufficient and appropriate audit evidence to ensure the USA entity's local direct and indirect tax obligations had been appropriately recognised within the financial report. Our audit opinion on the financial report for the year ended 30 June 2016 was modified as a result of these matters.

Since the 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 necessary for the half year period ended 31 December 2016. Our conclusion on the current period's interim report is modified because of the possible effect of this matter and on the comparability of the current period's figures and corresponding figures.

Joint Venture

The consolidated entity has disclosed its impairment of joint venture loan and joint venture investment of $527,819 and $69,263 respectively in the statement of profit or loss and other comprehensive income for the period ended 31 December 2016. We were unable to obtain sufficient and appropriate audit evidence to confirm the impairment expense. Accordingly, we could not determine whether any adjustments to these amounts was 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 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.

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 2016 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.

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 $(1,438,202) during the half year ended 31 December 2016 and had negative operating cashflow of $(247,960). 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.

PKF Mack

PKF MACK

SIMON FERMANIS
PARTNER

28 FEBRUARY 2017
WEST PERTH
WESTERN AUSTRALIA