



## **Redflow Limited**

ACN 130 227 271

### **Entitlement Offer Booklet**

In relation to

**A fully-underwritten pro-rata non-renounceable entitlement offer of 1 New Share for every 5 Shares held at an issue price of \$0.10 per New Share to raise up to approximately \$10.6 million.**

The Entitlement Offer closes at 5pm (Sydney time) on Tuesday, 15 May 2018.

An investment in the Company should be considered speculative

**This Entitlement Offer Booklet is important and should be read in its entirety. If you do not understand any part of this document or are in doubt as to what you should do, you should contact your professional adviser immediately. This document is provided for information purposes and is not a prospectus or other disclosure document under the Corporations Act.**



**Underwriter and Lead Manager**

## TABLE OF CONTENTS

<b>Important Information</b> .....	<b>2</b>
<b>Message from the Chairman</b> .....	<b>3</b>
<b>Key Features of the Entitlement Offer</b> .....	<b>6</b>
<b>1</b> Details of the Entitlement Offer.....	7
<b>2</b> How to participate .....	10
<b>3</b> Investor presentation .....	14
<b>4</b> Risk factors .....	15
<b>5</b> Additional information .....	23
<b>6</b> Definitions .....	30
<b>Corporate Directory</b> .....	<b>32</b>

## IMPORTANT INFORMATION

This Entitlement Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act 2001 (Cth) to shareholders with a registered address in Australia, New Zealand, Singapore and Hong Kong recorded in the register of members on 7pm (Sydney time) Tuesday, 1 May 2018 (**Record Date**).

This document is not a prospectus under Australian law or under any other law. Accordingly, this document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

This booklet may contain forward-looking statements, opinions and estimates. Forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this letter and the attached materials. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to the Company as of the date of this letter. Except as required by law or regulation (including the ASX Listing Rules) the Company undertakes no obligation to update these forward-looking statements.

Before making any decision to invest, Eligible Shareholders must make their own investigations and analyses regarding the Company, its business, financial performance, assets, liabilities and prospects, rely on their own inquiries and judgements in the light of their own personal circumstances (including financial and taxation issues) and seek appropriate professional advice.

This booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US person' (as defined in Regulation S under the US Securities Act of 1933, as amended (US Person)). Shares may not be offered or sold in the United States or to, or for the account or benefit of, any US Person absent registration or an exemption from registration. This booklet has been prepared for publication only in Australia, New Zealand, Hong Kong and Singapore and may not be released elsewhere.

Capitalised terms have the meaning given to them in section 6.

## MESSAGE FROM THE CHAIRMAN

26 April 2018

Dear Shareholder

Redflow has made significant progress in the last six months.

In particular, we have opened our new wholly owned manufacturing facility in Thailand which is making quality battery stacks. We also now have the ability to manufacture and supply quality batteries in predictable quantities. The current plan is to increase our manufacturing capacity in Thailand so we can manufacture up to 90 complete batteries a month by June 2018 and so that, subject to demand, we can further scale up to produce up to 250 complete batteries by December 2018.

We have also appointed a new Chief Executive Officer, Tim Harris. Tim has extensive international business experience in the telecommunications sector. Previous roles include Chief Commercial Officer for Chorus in New Zealand and senior leadership roles for the BT Group in Singapore and the UK.

The ability to manufacture quality batteries and the appointment of Tim permits Redflow to invest in the development of a well-articulated growth strategy focusing on the sales, marketing and support infrastructure required for Redflow to successfully penetrate the international energy storage market. This growth strategy will include the identification of potential sales, marketing and manufacturing joint venture partners.

We are also focused on the continued reduction in the manufacturing cost of the Redflow battery, to increase margin as we grow sales.

To permit Redflow to invest in manufacturing, raw materials, inventory, cost reduction and, most importantly, our growth strategy, we require additional working capital.

Accordingly, Redflow announced on 26 April 2018 that it was conducting a fully underwritten 1 for 5 pro-rata non-renounceable entitlement offer of new fully paid ordinary shares (**New Shares**) at an issue price of \$0.10 per New Share to raise approximately \$10.6 million before costs (**Entitlement Offer**).

The Entitlement Offer is part of a wider equity raising being undertaken by the Company comprising:

- a placement of approximately 75,000,000 Shares at \$0.10 per Share to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act, to raise up to \$7.5 million before costs (**Share Placement**). Details of the Placement were announced by the Company on 26 April 2018; and
- the Entitlement Offer.

The Redflow Board has decided to raise most of this proposed capital by way of an Entitlement Offer to permit our existing shareholders to participate in this growth phase of Redflow. This is a key reason the issue price has been set at the same price as the 2017 placement.

To date, shareholders have invested in the development of the Redflow battery and in the creation of a manufacturing facility. We believe we are positioned now to transition from a research and development company into a fully operational manufacturing, sales, marketing and product support organisation.

## Purpose of the Entitlement Offer

The net proceeds of the Entitlement Offer will be used to:

- fund supply chain raw materials and finished goods inventory;
- support sales and business development activities, including a review into the feasibility of the Chinese market;
- implement cost down projects; and
- implement process optimisation/line automation opportunities.

## Entitlement Offer

I am pleased to invite you to participate in the Entitlement Offer, further details of which are set out in section 1.

Eligible Shareholders are entitled to acquire 1 New Share for every 5 existing Shares held on the record date, being 7:00pm (Sydney time) on Tuesday, 1 May 2018 (**Record Date**).

## Additional New Shares

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**), with such oversubscriptions to be satisfied from Entitlements that were not taken up by other shareholders under the Entitlement Offer. The Directors reserve the right to allot and issue Additional New Shares in their absolute discretion. Please see section 1.3 for further details on how Additional New Shares will be allocated to Eligible Shareholders.

## Actions required to take up your Entitlement

Your entitlement to subscribe for New Shares under the Entitlement Offer is set out in your personalised Entitlement and Acceptance Form accompanying this Offer Booklet. Instructions on how to participate in the Entitlement Offer are set out in section 2.

The Entitlement Offer closes at 5:00pm (Sydney time) on Tuesday, 15 May 2018, unless extended. To participate, you need to ensure that either your completed Entitlement and Acceptance Form and Application Money or your Application Money paid by electronic funds transfer are received before this time in accordance with the instructions set out on the form and in section 2.

If you take no action or your application is not supported by cleared funds, you will be deemed to have renounced your Entitlement. You should note that if you renounce all or part of your Entitlement, then your percentage shareholding in the Company will be diluted by your non-participation in the Entitlement Offer.

## Further information

It is important that you carefully read this Entitlement Offer Booklet and the other publicly available information about the Company, including information on our website ([www.redflow.com.au](http://www.redflow.com.au)) and consider in particular the risk factors referred to in section 4 before making any investment decision.

The Redflow Board fully supports the Entitlement Offer. In particular, Redflow's largest shareholder (and non-executive director), Mr Simon Hackett has advised that he is fully participating in the Entitlement Offer, taking up his full allocation (\$1,832,910.90) and sub-underwriting a portion of the Entitlement Issue of up to \$100,000, resulting in a further investment of up to \$1,932,910.90 in Redflow. Redflow Chief Executive Officer, Mr. Tim Harris is also participating in the capital raising by committing \$50,000 as a sub-underwriter of the Entitlement Issue.

On behalf of the Directors, I invite you to consider this opportunity and thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Johnson", with a stylized flourish extending to the right.

**Brett Johnson**  
Chairman

## KEY FEATURES OF THE ENTITLEMENT OFFER

### Summary of Offer

Issue Price	\$0.10 per New Share
Discount	28.1% to the 1 month VWAP of Shares traded on ASX up to, and including, Friday, 20 April 2018 37.5% to the last price at which shares traded on Friday, 20 April 2018
Entitlement	1 New Share for every 5 Shares held on the Record Date of 7pm (Sydney time) on Tuesday, 1 May 2018
Additional New Shares available	Eligible Shareholders may apply for New Shares in excess of their Entitlement.  The Directors may scale back applications for Additional New Shares in their absolute discretion.
Maximum number of New Shares that can be issued under the Entitlement Offer	106,224,348 New Shares
Approximate number of Shares that will be on issue following the Entitlement Offer	712,346,086 Shares
Amount to be raised if the Entitlement Offer is fully subscribed (before costs)	Approximately \$10.6 million

### Key dates

Record Date to determine Entitlements	7pm (Sydney time) on Tuesday, 1 May 2018
This booklet and Entitlement and Acceptance Forms despatched	Friday, 4 May 2018
Notice of general meeting despatched	
Opening date of the Entitlement Offer	Friday, 4 May 2018
Closing Date — last date for lodgement of Entitlement and Acceptance Forms and payment of Application Money	5pm (Sydney time) on Tuesday, 15 May 2018
Trading of New Shares expected to commence on a deferred settlement basis	Wednesday, 16 May 2018
Issue of New Shares	Tuesday, 22 May 2018
Holding statements for New Shares expected to be despatched	
Normal trading of New Shares expected to commence on ASX	Wednesday, 23 May 2018

Eligible Shareholders that wish to participate in the Entitlement Offer are encouraged to subscribe for New Shares as soon as possible after the Entitlement Offer opens. The Company reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer (including extending the Entitlement Offer or accepting late applications) without notice.

## 1 Details of the Entitlement Offer

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### 1.1 The Entitlement Offer

Eligible Shareholders are invited to participate in a pro-rata non-renounceable Entitlement Offer to raise up to approximately \$10.6 million (before costs). The Entitlement Offer will be conducted on the basis of 1 New Share for every 5 Shares held on the Record Date, at an Issue Price of \$0.10 per New Share, which is payable in full on application. Fractional entitlements will be rounded up.

The Issue Price represents a discount of approximately:

- 28.1% to the 1 month VWAP of Shares traded on ASX up to and including Friday, 20 April 2018; and
- 37.5% to the last price at which shares traded on Friday, 20 April 2018.

The Entitlement Offer is fully-underwritten by Morgans Corporate Limited.

### 1.2 Eligible Shareholders

This booklet contains an offer of New Shares to Eligible Shareholders. Eligible Shareholders are those holders of Shares who:

- (a) are registered as a holder of Shares on the Record Date;
- (b) have a registered address in Australia, New Zealand, Hong Kong or Singapore;
- (c) are not in the United States, are not a US Person and are not acting for the account or benefit of a person in the United States or a US Person; and
- (d) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

The Entitlements of Eligible Shareholders who also hold options to subscribe for Shares will be calculated on the basis of the number of Shares they hold on the Record Date, disregarding any options which have not been exercised before that time.

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

### 1.3 Additional New Shares

Eligible Shareholders that have fully subscribed for their Entitlements under the Entitlement Offer will be able to subscribe for additional shares (**Additional New Shares**). Additional New Shares will be sourced from Entitlements that were not taken up under the Entitlement Offer.

Eligible Shareholders can subscribe for Additional New Shares by completing the relevant part of the Entitlement and Acceptance Form, or through BPAY<sup>®</sup>.

There is no guarantee that those Eligible Shareholders will receive the number of Additional New Shares applied for, or any. The number of Additional New Shares will not exceed the shortfall from the Entitlement Offer. The Directors reserve the right to allot and issue Additional New Shares in their absolute discretion.

To the extent that any of the Entitlements of Eligible Shareholders are not allocated as Additional New Shares, these Entitlements will be subscribed for by the Underwriter, subject to the terms of the Underwriting Agreement.

### 1.4 Ranking of New Shares

New Shares and Additional New Shares issued under the Entitlement Offer will rank equally with existing Shares.

### 1.5 **Withdrawal of Entitlement Offer**

The Board reserves the right to withdraw all or part of the Entitlement Offer at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest.

### 1.6 **No cooling off rights**

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application or payment once it has been accepted, except as allowed by law.

### 1.7 **No Entitlements trading**

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements that they do not take up.

### 1.8 **Discretion to deal with shortfall**

To the extent there is any shortfall in subscriptions for New Shares and Additional New Shares under the Entitlement Offer, the Directors reserve the right to allocate top up Shares or place any shortfall at their discretion within three months of the close of the Entitlement Offer.

### 1.9 **Minimum subscription**

There is no minimum subscription for the Entitlement Offer.

### 1.10 **Purpose of the Entitlement Offer**

This Entitlement Offer, together with the recent Share Placement, will be applied to fund costs relating to the following activities.

<b>Use of funds</b>	<b>Amount (\$m)</b>
<b>Funding supply chain raw materials and finished goods inventory</b> – ongoing working capital will be required to provide the supply of raw materials and finished goods inventory levels through the sales and manufacturing ramp up.	4.0
<b>Invest in sales, business development, support infrastructure and general working capital activities</b> – working capital will be required to support the growth activities across the business and fund sales and business development activities, including the review of the Chinese market.	5.2
<b>Support cost down and product development activities</b> – existing cost down opportunities have been identified with the transfer of the manufacturing facility from Flex (Mexico) to Thailand. Additional design and engineering projects have been identified which will assist in the reduction in manufactured costs.	5.8
<b>Funding process optimisation/line automation opportunities</b> – capital invested in key product redesign opportunities and the automation of certain processes will assist in driving cost from the battery and assist in manufacturing ramp up.	2.0
<b>Offer costs</b>	1.1
<b>Total</b>	<b>18.1</b>



This table is illustrative only of the Company's present intention regarding use of funds. The precise activities that will be undertaken and the allocation of total funds raised may change without notice depending on market conditions and circumstances generally from time to time. There is no guarantee that funds raised will be applied precisely in the manner set out above or in the amounts described.

#### 1.11 **Underwriting**

The Entitlement Offer is fully-underwritten by Morgans Corporate Limited who will be paid:

- (a) a management fee of 2.0% of the Offer Amount;
- (b) an underwriting fee of:
  - (i) 3.0% of an amount equal to the Offer Amount less the amount subscribed by certain entities associated with the Directors, or introduced by the Directors, to take up their full entitlement;
  - (ii) 1.5% of an amount equal to the amount subscribed by certain entities associated with the Directors, or introduced by the Directors, to take up their full entitlement.

The Underwriting Agreement is in a market standard form for transactions of this size and type and contains customary covenants, indemnities and representations and warranties by the Company and terminating events which if they occur, will relieve the Underwriter of its underwriting obligations – a summary is set out in Section 5.

#### 1.12 **Related party sub-underwriting**

Mr Simon Hackett (non-executive director) through his nominee, will provide sub-underwriting of up to an additional \$100,000 and Mr Tim Harris (Chief Executive Officer) will provide sub-underwriting of up to \$50,000 – see section 5.12.

#### 1.13 **Opening and Closing Date for applications**

The Entitlement Offer opens for acceptances on **Friday, 4 May 2018** and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5pm (Sydney time) on **Tuesday, 15 May 2018**, subject to the Directors being able to vary the Closing Date in accordance with the Listing Rules.

#### 1.14 **Allotment of New Shares and ASX quotation**

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted no later than Tuesday, 22 May 2018. However, if the Closing Date is extended, the date for allotment may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX.

## 2 How to participate

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### 2.1 What you may do — choices available

Before taking any action you should carefully read this Entitlement Offer Booklet and the other publicly available information about the Company on our website ([www.redflow.com](http://www.redflow.com)) and consider the risk factors set out in section 4.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form. If you are an Eligible Shareholder you may:

<b>Alternatives</b>	<b>See section</b>
Take up your Entitlement in full or in part	2.2
Take up your Entitlement in full and apply for Additional New Shares	2.2 and 2.3
Allow your Entitlement to lapse	2.7

### 2.2 If you wish to accept your Entitlement in full or in part

Either:

#### **Payment by cheque or bank draft**

If you are paying for your New Shares by cheque, bank cheque or bank draft, complete and return the Entitlement and Acceptance Form with your payment. The Share Registry must receive your completed Entitlement and Acceptance Form together with full payment for the number of New Shares for which you are applying by no later than **5pm (Sydney time) on Tuesday, 15 May 2018**.

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to 'Redflow Limited' and crossed 'Not Negotiable'.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. We will not re-present any dishonoured cheques.

or:

#### **Pay by BPAY<sup>®</sup>**

If you are paying for your New Shares by BPAY<sup>®</sup>, please refer to your personalised instructions on your Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY<sup>®</sup>:

- you do not need to complete or return the Entitlement and Acceptance Form but are taken to have made the declarations on that personalised Entitlement and Acceptance Form;
- amounts received by the Company in excess of the Issue Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional Shares as your Excess Amount will pay for in full; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Money.

When completing your BPAY<sup>®</sup> payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form (i.e. where you have multiple holdings), please only use the reference number specific to the Entitlement on that form. If you inadvertently use the same reference number for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which the reference number applies.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY<sup>®</sup> are received by **5pm (Sydney time) on Tuesday, 15 May 2018**.

Excess Application Money that is not sufficient to subscribe for a number of New Shares or Additional New Shares multiplied by the Issue Price will be refunded to you except where that amount is less than \$2.00, in which case it will be retained by the Company. The method by which you receive the refund will be at the discretion of the Company. No interest will be paid to Eligible Shareholders on any Application Money received or refunded.

### 2.3 **Applying for Additional New Shares**

If you have applied to take up all of your Entitlement, you may also apply for Additional New Shares.

If you apply for Additional New Shares and your application is successful (in whole or in part) your Additional New Shares will be issued at the same time that other New Shares are issued under the Entitlement Offer. There is no guarantee that you will receive any Additional New Shares. The Directors reserve their right to allot and issue Additional New Shares in their absolute discretion.

### 2.4 **Acceptance of the Entitlement Offer**

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY<sup>®</sup>, you:

- (a) agree to be bound by the terms of this Entitlement Offer Booklet and the provisions of the Company's constitution;
- (b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- (c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;
- (d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;
- (e) acknowledge that once the Company receives the Entitlement and Acceptance Form or your payment by BPAY<sup>®</sup>, you may not withdraw it except as allowed by law;
- (f) agree to apply for, and be issued with up to, the number of New Shares that your payment will pay for at the Issue Price of \$0.10 per New Share;
- (g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (h) declare that you were the registered holder(s) at the Record Date (Tuesday, 1 May 2018) of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;

- (i) acknowledge that the information contained in this Entitlement Offer Booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- (j) represent and warrant that the law of any place (other than Australia, New Zealand, Hong Kong and Singapore) does not prohibit you from being given this Entitlement Offer Booklet or making an application for New Shares; and
- (k) represent and warrant that you are an Eligible Shareholder and have read and understood this Entitlement Offer Booklet and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this booklet and the Entitlement and Acceptance Form.

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY<sup>®</sup>, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are not in the United States and are not a US Person (see section 5.1(b) below), and are not acting for the account or benefit of, a US Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- (b) you acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia, New Zealand, Hong Kong and Singapore, and accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
- (c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or that is a US Person, or is acting for the account or benefit of a US Person.

## 2.5 Payment for New Shares

The Issue Price of \$0.10 per New Share is payable in full on application.

The Application Money payable for your Entitlement is set out on the Entitlement and Acceptance Form.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be for the benefit of the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

## 2.6 Address details and enquiries

Completed Entitlement and Acceptance Forms should be forwarded in the enclosed reply paid envelope to the Company's Share Registry by mail to the following address:

Redflow Limited  
 C/- Link Market Services Limited  
 GPO Box 3560  
 Sydney, NSW 2001

Please note that payment of Application Money by BPAY<sup>®</sup> does not require the return of the Acceptance Forms.

If you would like further information you can contact your stockbroker, accountant or other professional adviser or call the Redflow Entitlement Offer Information line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia) at any time from 8:30am to 5:30pm, Monday to Friday (excluding public holidays) during the Entitlement Offer period.

**2.7 If you do not wish to accept all or any part of your Entitlement**

To the extent you do not accept all or any part of your Entitlement, it will lapse.

Entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

### **3 Investor presentation**

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See attached.

## 4 Risk factors

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### 4.1 General

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its products, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Entitlement Offer Booklet and the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 4.2 Specific Risk Factors

In addition to the general risks set out in section 4.1, the Directors believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for Shares. Each of these factors could have a materially adverse impact on the Company, its expansion plans, operating and product strategies and its financial performance and position.

These include:

#### (a) Sales, revenue and funding risk

In 2017, the Board undertook a strategic review of the Company and decided to transition battery production from Flex in Mexico to Thailand. In December 2017, Redflow successfully started manufacturing core components for its zinc-bromine flow batteries at its new production facility in Thailand and in late January 2018, Redflow produced the first battery electrode stacks from its Thailand production facility.

As a result, the Company currently operates on a negative cash operating basis in that its operating expenses exceed its revenue.

Revenue will depend on the extent and timing of future product sales. Sales may take longer than expected to materialise or not be realised at all. For example, there are no guarantees that battery trials or system demonstrations will be successful or, even if successful, will convert into firm orders on a timely basis.

There is no guarantee that the monies raised under the Entitlement Offer will be adequate or sufficient to meet the ongoing funding requirements of the Company or to achieve a breakeven point.

If the Company requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions which are commercially acceptable to the Company.

(b) **Reliance on system integrators as strategic partners**

The Company relies on key system integrators as strategic partners providing channels to market. A key part of its business plan is predicated on a steady expansion of the customer bases through development of its strategic system integrator relationships.

There may be a materially adverse effect on the Company if one or more of these strategic system integrator relationships is lost and not replaced or if a dispute arises between the Company and a systems integrator.

There is also a risk associated with being one step removed from the ultimate customer and end user.

(c) **Product risk**

The Company's products are complex and now includes a range of battery products for various applications (including telecommunications, residential, small-scale and large-scale commercial use and application by utilities), a battery management system and a physical enclosure for its residential storage system.

There is an inherent risk that the products and enhancements will contain defects or otherwise do not perform as expected (for example in terms of battery life and reliability). The Company undertakes product testing under laboratory and simulated field conditions, which aims to identify such problems before their release for field trials or use. Even after pre-release testing, there remains the risk of manufacturing or design defects, errors or performance problems that may only emerge over time and use in the field under operating conditions.

The Company provides a 10 year battery performance warranty which is subject to a range of technical and operating conditions. However, the Company has not tested its battery over this operating life either in the field or in simulated conditions.

If the Company's products fail to perform as expected, it could lose existing and future business and its ability to develop, market and sell its batteries and energy storage systems could be harmed. Product defects or non-performance may also give rise to claims against the Company, diminish the brand or divert resources from other purposes, all of which could have a material adverse impact on the Company financially and reputationally.

The Company's products will frequently be deployed in remote locations where reliability is important and these problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which may adversely affect its business and the Company's operating results.

The Company is dependent on the supply of raw materials for a number of different parts and components. While the Company follows a quality control process there are possible situations where the quality of raw materials supplied will adversely affect the performance of the product.

For example, Redflow experienced various technical defects in 2017 – see ASX announcements dated 24 April 2017, 8 May 2017 and 29 June 2017. Those specific issues have been addressed. Subsequent technical issues have emerged affecting performance of some deployed batteries in the field. Redflow has made provision for the repair or replacement of defective batteries sold. There is no guarantee that there will not be further technical defects or that the provision made will be adequate or sufficient to repair or replace defective batteries.



**(d) Commercialisation risk**

Rapid and ongoing changes in technology and product standards could quickly render the Company's products less competitive, or even obsolete if it fails to continue to improve the performance of its battery, its chemistry and battery management systems.

The Company continues to research, develop and manufacture zinc bromide flow batteries. The market for advanced rechargeable batteries is at a relatively early stage of development, and the extent to which the Company's zinc bromide batteries will be able to meet its customers' requirements and achieve significant market acceptance is uncertain.

One or more new, higher energy rechargeable battery technologies could be introduced which could be directly competitive with, or superior to, the Company's technology. Competing technologies that outperform the Company's batteries could be developed and successfully introduced, and as a result, there is a risk that the Company's products may not be able to compete effectively in its target markets.

If the Company's battery technology is not adopted by its customers, or if its battery technology does not meet industry requirements for power and energy storage capacity in an efficient and safe design the Company's batteries will not gain market acceptance.

Many other factors outside of the Company's control may also affect the demand for its batteries and the viability of adoption of advanced battery applications, including:

- (i) performance and reliability of battery power products compared to conventional and other non-battery energy sources and products;
- (ii) success of alternative battery chemistries; and
- (iii) cost-effectiveness of the Company's products compared to products powered by conventional energy sources and alternative battery chemistries.

**(e) Residential product risk**

The Company has developed a residential product. This is a maturing and price sensitive market, and the ongoing uptake in this market will depend upon the residential demand for green low carbon electricity generation and storage, which will in part be driven by the winding down of government subsidies.

There is a commercial risk that the residential demand will not be as strong as expected and that changes in government policy will have an adverse impact on that demand.

**(f) Manufacturing risk - general**

There are risks which are inherent in manufacturing operations including machinery breakdowns, damage from flood and fire, below standard workmanship or materials, employee issues (including accidents), workplace health and safety and so on. Any adverse impact on production could have a materially adverse impact on the Company's ability to meet customer needs and the risk of customer claims and the Company's ability to achieve its expansion plans or its financial performance.

**(g) Manufacturing risks - specific****(i) Manufacturing capacity risk**

As the Company will build its manufacturing capacity based on its projection of future supply agreements, its business revenue and profits will depend upon its ability to enter into and complete these agreements, achieving competitive manufacturing yields and drive volume sales consistent with its demand expectations.

In order to fulfill the anticipated product delivery requirements of its potential customers, the Company will invest in capital expenditures in advance of actual customer orders, based on estimates of future demand. If market demand for the Company's products does not increase as quickly as it has anticipated and align with the Company's manufacturing capacity, or if the Company fails to enter into and complete projected development and supply agreements, the Company may be unable to offset these costs and to achieve economies of scale, which could materially affect its business and operating results.

Alternatively, if the Company experiences sales in excess of its estimates, it may be unable to support higher production volumes, which could harm customer relationships and overall reputation. The Company's ability to meet such excess customer demand could also depend on its ability to raise additional capital and effectively scale its manufacturing operations.

If the Company is unable to achieve and maintain satisfactory production yields and quality, its relationships with certain customers and overall reputation may be harmed, and its sales could decrease.

(ii) **Manufacturing production and outsourcing risk**

The manufacturing and assembly of safe, high-power batteries is a highly complex process that requires extreme precision and quality control throughout a number of production stages. Improving manufacturing processes will be an ongoing requirement both to reduce cost and improve battery performance and reliability by minimizing manufacturing errors.

The Company has adopted a strategy of outsourced component manufacturing of its battery parts to achieve the benefits of scalability, quality control, cost efficiencies and to reduce its overall manufacturing risks (including the risk of damage to finished products when they are delivered from the factory to the customer).

Outsourcing has associated risks. It means the Company is unable to directly control delivery schedules, quality assurance, manufacturing yields and production costs.

Any defects in battery packaging, impurities in the electrolyte or electrode materials used, contamination of the manufacturing environment, incorrect welding, excess moisture, equipment failure or other difficulties in the manufacturing process could cause batteries to be rejected, thereby reducing yields or failing in the field and affecting the Company's ability to meet customer expectations.

Problems in the Company's manufacturing and assembly processes could limit its ability to produce sufficient batteries to meet the demands of potential customers.

(iii) **Regulatory risk**

The Company uses hazardous substances including zinc bromide, zinc chloride and hydrochloric acid in the manufacture of its ZBMs. Various regulatory requirements apply to the storage, handling and disposal of such chemicals. There is a risk that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Company.

(iv) **Sovereign risk**

The Company's manufacturing operations in Thailand are subject to the risks associated in operating in foreign emerging countries. These risks may include economic, social or political instability or change, hyperinflation, or changes of law affecting foreign ownership, government participation,

taxation, working conditions, rates of exchange, exchange control, export duties, repatriation of income or return of capital, environmental protection, labour relations and government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. No assurances can be given that the co-operation of such authorities, if sought by the Company, will be obtained, and if obtained, maintained.

It cannot be ruled out that the government of Thailand may adopt substantially different laws, policies and conditions relating to foreign investment and taxation. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future material adverse changes in government policies or legislation in Thailand in relation to foreign investment and ownership may affect the viability and profitability of the Company.

(v) **Supply risk**

The Company's manufacturing operations depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies including services from reliable suppliers in adequate quality and quantity in a timely manner.

It may be difficult for the Company to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply or increased industry demand. This may adversely affect the Company's operations.

The prices of raw materials, parts and components and manufacturing equipment may increase due to changes in supply and demand. In addition, currency fluctuations and the continued weakening of the Australian dollar against foreign currencies may adversely affect the Company's purchasing power for raw materials, parts and components and manufacturing equipment from foreign suppliers.

If the Company is unable to secure key supply inputs in a timely and economically acceptable manner, it could have a materially adverse effect on its ability to meet customer demand and sell batteries profitably.

(h) **Warranty risk, product liability and extended life cycle testing risk**

There is an inherent risk of defective workmanship or materials in the manufacture of the Company's products and for exposure to product liability for damages suffered by third parties attributable to the use of the product.

Defective products may have a materially adverse impact on the Company's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. It may also give rise to product liability claims. The Company will mitigate this risk via the usual contractual provisions which exclude liability for consequential loss and so on, but it is not possible to protect the Company against reputational loss.

The Company is currently offering its latest model batteries for sale with a battery life warranty of 10 years. The expected battery life is based on tests conducted on earlier models of the battery, laboratory tests of the current model of the battery, technical data from past experience and professional judgement. The batteries have not however been fully tested in field operating conditions. Accordingly, there is a risk that the actual battery life will be less than the warranted battery life and that the Company may be exposed to significant warranty claims, contractual damages and the cost of replacing non-performing batteries.

(i) **Intellectual property and patent risk**

The ability of the Company to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of the Company's business.

To protect its proprietary intellectual property, the Company has applied for patents through its wholly owned subsidiary Redflow R&D Pty Ltd. The patent applications are at various stages of the examination process. There is a risk that some or all of the patent applications not be accepted, either in Australia or overseas and that other persons may be able to commercially exploit the proprietary intellectual property.

The granting of protection such as a registered patent does not guarantee that the rights of third parties are not infringed or that competitors will not develop technology to avoid the patent. Patents are territorial in nature and patents must be obtained in each and every country where protection is desired. There can be no assurance that any patents which the Company may own or control will afford the Company significant protection of its technology or its products have commercial application.

Competition in obtaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to disputes. The Company has, and may in the future, enter into commercial agreements under which intellectual property relevant to the Company and its ZBMs, and which is created by the counterparty or jointly created by the Company and the counterparty, will not be owned exclusively by the Company. In these circumstances the Company will seek to negotiate an appropriate licence to use any such intellectual property.

There is a risk that such newly created intellectual property not exclusively owned by the Company, will be material to the Company and there is no guarantee that the Company will be able to enter into appropriate agreements to use it either at all or on commercially acceptable terms and conditions, or on a timely basis. The inability to secure rights to use such intellectual property could have a material impact on the Company's ability to sell or otherwise commercialise its products, and its financial performance.

(j) **Reverse engineering risk and trade secret risk**

There is a risk of the Company's products and battery management system being reverse engineered or copied. Redflow relies on trade secrets to protect its proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, contractors, consultants, outside scientific collaborators and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

(k) **Personnel risk**

Redflow may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals.

The Company believes that its future success will depend in large part on its ability to attract and retain highly skilled technical, managerial and marketing personnel who are familiar with its key customers and are experienced in the battery industry. Industry demand for employees with experience in battery chemistry and battery manufacturing processes exceeds the number of personnel available, and the competition for attracting and retaining these employees is intense. This competition will intensify if the advanced battery market continues to grow, possibly requiring increases in compensation for current employees over time.

The Company cannot be certain that it will be successful in attracting and retaining the skilled personnel necessary to operate its business effectively in the future. Due to the highly technical nature of its batteries, the loss of any significant number of the Company's existing engineering and project management personnel could have a material adverse effect on its business and operating results.

The Company relies heavily on its senior executives and engineering team, in particular, Chief Engineer, Dr Alexander Winter. There can be no assurance that the Company will be able to retain its key personnel or recruit suitable technical staff as replacements. The loss of key personnel could have a materially adverse impact on the Company.

(l) **Information technology**

The Company relies heavily on its computer hardware, software and information technology systems. Should these not be adequately maintained secured or updated or the Company's disaster recovery processes not be adequate, system failures may negatively impact on its performance.

(m) **Dividends**

There is no guarantee as to future earnings of the Company or that the Company will be profitable at any time in the future and there is no guarantee that the Company will be in a financial position to pay dividends at any time in the future.

(n) **Exchange rates**

The Company is potentially exposed to movements in exchange rates. The Company's financial statements are expressed and maintained in Australian dollars. However, a portion of the Company's income and costs are earned in foreign currencies and this proportion may increase materially. Exchange rate movements affecting these currencies may impact the profit and loss account or assets and liabilities of the Company, to the extent the foreign exchange rate risk is not hedged or not appropriately hedged.

#### 4.3 **General Risk Factors**

(a) **Share market**

On completion of the Entitlement Offer, the New Shares may trade on the ASX at higher or lower prices than the Issue Price. Investors who decide to sell their New Shares after the Entitlement Offer may not receive the amount of their original investment. The price at which the New Shares trade on the ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

(b) **Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

(c) **Tax risk**

Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

(d) **Legislative and regulatory changes**

Legislative or regulatory changes in jurisdiction in which the Company operates, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

## 5 Additional information

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### 5.1 Shareholders outside Australia, New Zealand, Hong Kong and Singapore general restrictions

This Entitlement Offer Booklet and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares, outside Australia, New Zealand, Hong Kong and Singapore. The New Shares may not be offered in a jurisdiction outside Australia, New Zealand, Hong Kong or Singapore where such an offer is not made in accordance with the laws of that place, unless otherwise determined by the Directors.

The distribution of this Entitlement Offer Booklet in jurisdictions outside Australia or New Zealand, Hong Kong and Singapore may be restricted by law and therefore persons who come into possession of this document outside Australia, New Zealand, Hong Kong and Singapore should seek advice on, and observe, any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in Australia, New Zealand, Hong Kong or Singapore.

#### (a) New Zealand securities law requirements

The New Shares are not being offered or sold to the public in New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the *Financial Markets Conduct Act 2013* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*.

This Entitlement Offer Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Entitlement Offer Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

#### (b) Hong Kong

**WARNING:** the contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong (**C(WUMP)O**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and New Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO and any rules made under that ordinance) or in circumstances which do not result in this document being a 'prospectus' as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong, or elsewhere that is directed at, or the contents of which are likely to be accessed and read by, the public of Hong Kong (except if permitted to do so under the securities law of Hong Kong) other than with respect to Entitlements or New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

(c) **Singapore**

This document and other material relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore (**MAS**) and the MAS assumes no responsibility for the contents of this document and other material relating to the Entitlements and the New Shares. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or may be made the subject of an invitation for subscription or purchase whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Future Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's Shares and a person to whom no prospectus disclosure is required. In the event that you are not such a person, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements and New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(d) **United States**

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

This Entitlement Offer Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act. The Entitlement Offer is not being made to US persons or persons in the United States.

## 5.2 **Ineligible Shareholders**

The Company is not extending the Entitlement Offer to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia, New Zealand, Hong Kong and Singapore, the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Entitlement Offer Booklet has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.



### 5.3 **Taxation consequences**

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

### 5.4 **Privacy**

The information about Eligible Shareholders included on an Entitlement and Acceptance Form is used for the purposes of processing the Entitlement and Acceptance Form and to administer the Eligible Shareholder's holding of New Shares. By submitting an Entitlement and Acceptance Form, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the form for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Link Market Services Limited  
Locked Bag A14  
Sydney NSW 2001  
Ph: 1300 554 474

### 5.5 **Not investment advice**

The Entitlement Offer complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

This Entitlement Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not investment advice and does not take into account your investment objectives, financial situation, tax position and particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest.

### 5.6 **Future performance and forward looking statements**

Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Entitlement Offer.

Past Share price performance provides no guidance as to future Share price performance.

### 5.7 **Governing law**

This Entitlement Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of applications are governed by the laws applicable in Queensland, Australia.

## 5.8 Interpretation

Some capitalised words and expressions used in this Entitlement Offer Booklet have meanings which are explained in section 6.

A reference to time in this Entitlement Offer Booklet is to the local time in Brisbane, Australia, unless otherwise stated. All financial amounts in this Entitlement Offer Booklet are expressed in Australian dollars, unless otherwise stated.

## 5.9 Disclaimer of representations

No person is authorised to provide any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Entitlement Offer Booklet.

Any information or representation that is not in this booklet may not be taken as having been authorised by the Company or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, none of Redflow Limited, or any other person, warrants or guarantees the future performance of Redflow Limited or any return on any investment made in connection with this Entitlement Offer.

## 5.10 No handling fees

There will be no handling fees payable to brokers for Entitlement and Acceptance Forms lodged by them on behalf of Eligible Shareholders.

## 5.11 Underwriting Agreement

### (a) General

The Company entered into an Underwriting Agreement with Morgans Corporate Limited (**Underwriter**) on 24 April 2018. Under the Underwriting Agreement, the Underwriter agrees to underwrite the issue of up to 106,224,348 New Shares to be offered at \$0.10 per New Share by subscribing or procuring the subscription to any shortfall. The Underwriter may nominate any persons to sub-underwrite such portion of the New Shares as the Underwriter, in its absolute discretion, thinks fit.

### (b) Fees and expenses

The Underwriter is entitled to receive:

- (i) a management fee of 2.0% of the Offer Amount; and
- (ii) an underwriting fee of:
  - (A) 3.0% of an amount equal to the Offer Amount less the amount subscribed by certain entities associated with the Directors, or introduced by the Directors, to take up their full entitlement; and
  - (B) 1.5% of an amount equal to the amount subscribed by certain entities associated with the Directors, or introduced by the Directors, to take up their full entitlement.

The Underwriter is also entitled to receive all costs and expenses of and incidental to the Entitlement Offer.

### (c) Termination events

The Underwriting Agreement contains a number of termination events. The Underwriter may terminate the Underwriting Agreement prior to the allotment of New Shares if any of the following occurs:

- (i) **(market fall)** prior to Completion, the S&P/ASX200 Index closes 10% or more below its level at the close of normal trading on the trading day before the date of this document;

- (ii) **(market conditions)** any adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter, it is impracticable to market the offer or to enforce contracts to issue and allot the offer shares or that the success of the offer is likely to be adversely affected;
- (iii) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into any Federal, State or Territory Parliament in Australia a new law or ASIC adopts or announces a proposal to adopt a regulation or policy (other than a law or policy which has been announced before the date of this document), any of which does or is likely to prohibit, restrict, regulate or otherwise have a material adverse effect on the success of the offer or which could result in the Underwriter becoming liable under any such law or regulation;
- (iv) **(Quotation Approval)** Quotation approval is refused or not granted, other than subject to customary conditions, on or before the allotment and issue of all offer shares or, if granted is subsequently withdrawn or qualified;
- (v) **(No Listing Rule Waivers or Approvals)** the Company fails to obtain or procure from ASX any waivers or approvals required under the Listing Rules before the lodgement date;
- (vi) **(ASX suspension)** ASX suspends quotation of the Company's shares;
- (vii) **(Default)** any representation or warranty contained in this document on the part of the Company is not true or correct when given or if there is any other breach by the Company of its obligations under this document, which is either incapable of remedy or, if able to be remedied, is not remedied within five Business Days;
- (viii) **(failure to comply)** the Company fails to comply with its constitution, the Corporations Act or any other applicable law or regulation, including any policy, guideline, order or request made or issued by ASIC or any government agency;
- (ix) **(material contracts)** the Company fails to comply with a material contract or any such contract is either terminated or materially amended without the prior written approval of the Underwriter;
- (x) **(change to capital structure or constitution)** prior to completion, the Company changes its capital structure or its constitution without the prior written consent of the Underwriter;
- (xi) **(financial assistance)** the Company passes or takes any steps to pass a resolution under section 260B of the Corporations Act or engages in any conduct which would require such a resolution, without the prior written consent of the Underwriter;
- (xii) **(business)** without the prior written consent of the Underwriter, the Company:
  - (A) disposes or agrees to dispose of the whole or a substantial part of its business or assets; or
  - (B) ceases or threatens to cease to carry on its business in its normal and usual manner;

- (xiii) **(hostilities)** hostilities not presently existing commence (whether war has been declared or not) or a material escalation in existing hostilities occurs (whether war has been declared or not) or political or civil unrest involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, the Peoples Republic of China, Indonesia or North or South Korea or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (xiv) **(adverse change)** any actual or potential adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed to the ASX before the opening date, including any:
  - (A) change in the earnings, future prospects or forecasts of the Company;
  - (B) change in the nature of the business conducted by the Company; or
  - (C) insolvency (within the meaning of the Corporations Act) or deemed insolvency under the Corporations Act, voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (xv) **(new circumstance)** any new circumstance arises that would, in the reasonable opinion of the Underwriter, have been required to be disclosed if it had arisen before this Offer Booklet was issued;
- (xvi) **(prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) of the Corporations Act occurs, but replacing 'target' with 'Company';
- (xvii) **(Due Diligence Program)** any information supplied by or on behalf of the Company to the Underwriter in relation to the Company or the offer as part of the Company's due diligence program is misleading or deceptive;
- (xviii) **(disclosures)** a statement contained in the Offer Booklet or cleansing statement is misleading or deceptive in a material respect;
- (xix) **(withdrawal of offer)** the Company withdraws the offer;
- (xx) **(Closing Certificate)** the Company does not provide the Closing Certificate when it is required to be provided under the underwriting agreement or a statement in the Closing Certificate is untrue, incorrect or misleading or deceptive, including by omission;
- (xxi) **(withdrawal or repayment)** any circumstance arises after the Offer Booklet is issued that results in the Company being required to either repay the money received from Eligible Shareholders or offer them an opportunity to withdraw their valid acceptances for offer shares or valid applications for additional shares and be repaid their application money;
- (xxii) **(change in management)** a change in the Board of Directors, Chief Executive Officer (Tim Harris), Chief Operating Officer (Richard Aird) or Chief Engineer (Dr Alexander Winter) of the Company occurs without the prior written consent of the Underwriter;

- (xxiii) **(legal proceedings and offence by Directors)** any of the following occurs:
  - (A) a Director is charged with an indictable offence;
  - (B) the commencement of legal proceedings against the Company or any Director; or
  - (C) any Director is disqualified from managing a corporation under section 206A of the Corporations Act;
- (xxiv) **(Listing Rules)** the Company commits a material breach of the Listing Rules; or
- (xxv) **(Timetable)** an event specified in the timetable is delayed for more than two Business Days.

(d) **Other**

The Underwriting Agreement otherwise contains covenants, indemnities and representations and warranties by the Company which are customarily found in underwriting agreements for transactions of this size and type.

#### 5.12 **Sub-underwriting and participation by related parties**

Mr Simon Hackett, a non-executive director, holds a relevant interest in 91,645,545 Shares (representing approximately 17.3% of the total issued share capital of the Company).

Hackett CP Nominees Pty Ltd (an entity associated with Mr Hackett) has agreed to sub-underwrite up to 1,000,000 shortfall shares at the Issue Price in consideration for a sub-underwriting fee equal to 1.5% (GST inclusive) of the sub-underwritten shares taken up. The sub-underwriting will otherwise be on the Master ECM Terms dated 23 October 2017 available on the AFMA website at <http://www.afma.com.au/standards/documentation.html>.

If:

- (a) entities associated with Mr Hackett take up their Entitlements in full;
- (b) Hackett CP Nominees Pty Ltd is issued the maximum number of Shares it is entitled to under the sub-underwriting agreement; and
- (c) Mr Hackett does not obtain a relevant interest in any other shortfall shares,

then Mr Hackett will hold a relevant interest in approximately 110,974,654 Shares (representing approximately 15.6% of the Shares following completion of the Capital Raising).

Chief Executive Officer, Mr Tim Harris, currently does not hold any Shares and has agreed to sub-underwrite up to 500,000 shortfall shares on the same terms and conditions as Hackett CP Nominees Pty Ltd.

If:

- (a) Mr Harris is issued the maximum number of Shares he is entitled to under the sub-underwriting agreement; and
- (b) Mr Harris does not obtain a relevant interest in any other shortfall shares,

then Mr Harris will hold a relevant interest in 500,000 Shares (representing approximately 0.07% of the Shares following completion of the Capital Raising).

## 6 Definitions

---

<b>Additional New Shares</b>	New Shares you apply for in excess of your Entitlement
<b>Application Money</b>	Money paid by you for New Shares and Additional New Shares
<b>ASIC</b>	The Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable
<b>Board</b>	The board of Directors from time to time
<b>Capital Raising</b>	The Entitlement Offer and Share Placement
<b>Closing Date</b>	5pm (Sydney time) on Tuesday, 15 May 2018
<b>Company or Redflow</b>	Redflow Limited ACN 130 227 271
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Director</b>	A director of the Company
<b>Eligible Shareholder</b>	A Shareholder on the Record Date and who is not an Ineligible Shareholder
<b>Entitlement</b>	The entitlement to 1 New Share for every 5 Shares held on the Record Date. The entitlement of each Eligible Shareholder is shown on the personalised Entitlement and Acceptance Form
<b>Entitlement Offer</b>	The offer of New Shares made in this Entitlement Offer Booklet
<b>Entitlement Offer Booklet</b>	This booklet as varied, supplemented or replaced from time to time.
<b>Entitlement and Acceptance Form</b>	The entitlement and acceptance form accompanying this Entitlement Offer Booklet
<b>Ineligible Shareholder</b>	A Shareholder with an address in the Register outside Australia, New Zealand, Hong Kong and Singapore.
<b>Issue Price</b>	\$0.10 per New Share
<b>Listing Rules</b>	The official listing rules of ASX, as amended or waived by ASX from time to time
<b>New Shares</b>	Shares to be allotted and issued offered under the Entitlement Offer including, as the context requires, any additional shares issued under any shortfall.
<b>Offer Amount</b>	The aggregate number of New Shares for which Eligible Shareholders may accept their entitlement multiplied by the Issue Price.
<b>Record Date</b>	7pm (Sydney time) on Tuesday, 1 May 2018
<b>Register</b>	The register of Shareholders required to be kept under the Corporations Act
<b>Share</b>	A fully paid ordinary share in the Company

<b>Share Placement</b>	The share placement announced to the ASX on Thursday, 26 April 2018
<b>Share Registry</b>	Link Market Services Limited
<b>Shareholder</b>	A holder of Shares
<b>Underwriter</b>	Morgans Corporate Limited
<b>US or United States</b>	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
<b>US Person</b>	The meaning given in Regulation S under the US Securities Act
<b>US Securities Act</b>	The <i>United States Securities Act of 1933</i> , as amended
<b>VWAP</b>	Volume weighted average price

## **CORPORATE DIRECTORY**

### **Directors**

Mr Brett Johnson – Non-executive Chairman  
Mr David Knox – Non-executive Director  
Mr Simon Hackett – Non-executive Director  
Mr Howard Stack – Non-executive Director  
Ms Jenny MacDonald – Non-executive Director  
Mr Richard Aird – Executive Director & Chief Operating Officer

### **Senior management**

Mr Tim Harris - Chief Executive Officer  
Dr Alexander Winter – Chief Engineer  
Dr Michael Giulianini – Chief Technology Officer  
Mr Andrew Kempster – Global Sales Manager

### **Registered office**

1/27 Counihan Road  
Seventeen Mile Rocks  
Brisbane, QLD 4073  
Telephone: +61 7 3376 0008  
Facsimile: +61 7 3376 3751

### **Underwriter**

Morgans Corporate Limited  
Level 29, Riverside Centre  
123 Eagle St  
Brisbane QLD 4000

### **Website**

<http://www.redflow.com>

### **Share Registry**

Link Market Services Limited  
Level 21, 10 Eagle Street  
Brisbane QLD 4000

### **Legal advisors**

Thomson Geer Lawyers  
Level 16, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

### **Auditor**

PricewaterhouseCoopers  
480 Queen Street  
Brisbane QLD 4000





# INVESTOR PRESENTATION APRIL 2018

## Ready for Growth

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redflow

sustainable energy storage

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# TABLE OF CONTENTS



Section	Summary	Page
1	Investment Overview	4
2	Technology & Integration	8
3	Sales	11
4	Manufacturing & Operations	18
5	Additional Growth Opportunities	21
6	Board & Management	24
7	Capital Raising	26
8	Summary	29
9	Risks	31
10	Appendices	35

# INVESTMENT OVERVIEW



# CORPORATE SNAPSHOT



## Corporate Information

ASX		RFX
Share price <sup>1</sup>	A\$	0.16
Issued shares <sup>2</sup>	m	531.1
Enterprise value	A\$m	81.7
Cash <sup>1</sup>	A\$m	3.3
Debt outstanding <sup>1</sup>	A\$m	-
Market cap	A\$m	85.0

## Major Shareholders<sup>3</sup>

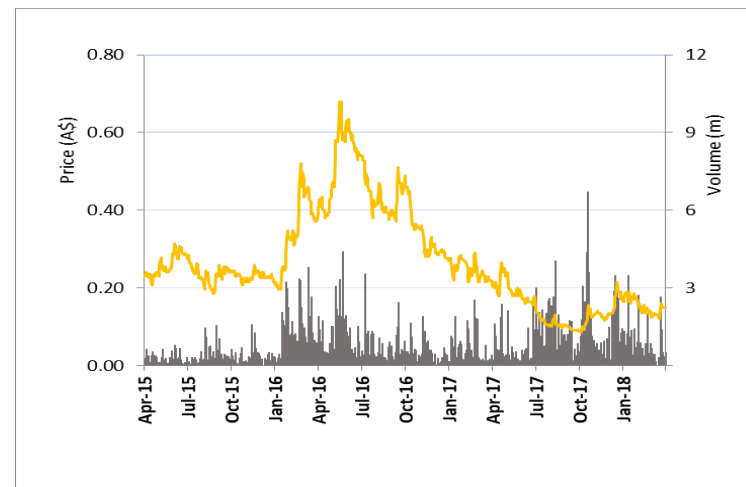
Simon Hackett ( <i>Non-Executive Director</i> )	17.3%
Graeme Wood	4.3%
MFS Fund	4.0%
<b>Total</b>	<b>25.6%</b>

### Notes:

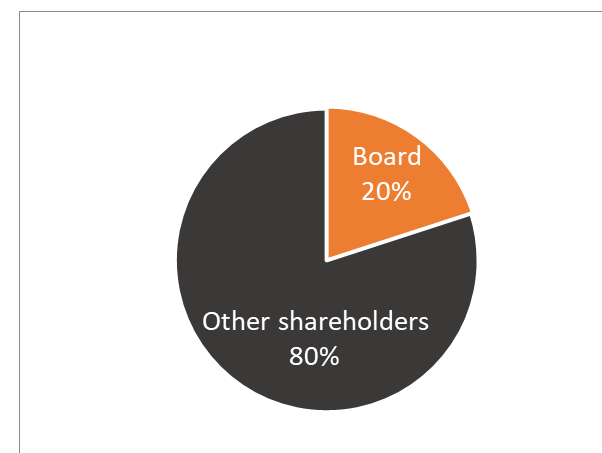
- As at 20 April 2018.
- Shares on issue at 20 April 2018. Excludes 7.55m out-of-the-money options and 7.5m performance rights.
- Pre Equity Raising shareholders.

Sources: Company Announcements; Company Share registry; ASX Data.

## Share Price Performance



## Share Register – 20 April 2018<sup>3</sup>



# THE REDFLOW STORY Executive Summary



Redflow has developed, commercialised and commenced manufacturing a smart energy storage flow battery to address a number of market segments in the rapidly growing energy storage market

## Technology

- ✓ World-leading patent protected zinc-bromine flow battery with distinct customer benefits
- ✓ Size advantage relative to other flow batteries in applications and locations difficult for other flow batteries to exploit

## Integration

- ✓ Battery Management System (BMS) – management, monitoring and optimisation of battery operation
- ✓ Deployments integrated and operational in all target market sectors

## Manufacturing

- ✓ New manufacturing facility established in Thailand
- ✓ Providing high quality product (stacks & assembly) - scalable model for immediate demand
- ✓ Production ramp-up and cost-down program underway

## Customer & Markets

- ✓ Energy storage market growing rapidly
- ✓ Initial customers & partners using Redflow products in the field in target markets
- ✓ Secured and delivering existing commercial orders
- ✓ Interest from customers for Redflow battery solution in new applications
- ✓ Multiple parties now approaching Redflow in key markets including China

Redflow is now well positioned to focus on growing the business

# MILESTONES

## We have delivered on our transition commitments from 2017



As Redflow committed in 2017, funds raised were allocated to manufacturing and corporate milestones.

These milestones were:

- Initiate cost down opportunities in the products bill of material and manufactured cost
- Align sales and marketing focus to key temperate markets in Asia Pacific and Africa
- Identify suitable manufacturing alternatives to provide high quality batteries closer to the target sales markets
- Maintain consistent R&D and product development activities with product and process design improvements and next generation design
- Acquire raw materials from Flex (previous contract manufacturer)
- Recruitment of key management and board personnel

2017 Funds allocation and Milestone Objectives	Current Status
Withdrawal from EU and US markets to focus on warmer-climate areas (Asia Pacific and Africa) that suit ZBM2 operating conditions	Completed October 2017
Relocation and transfer of manufacturing closer to core markets: establishing a manufacturing facility in Thailand	Completed November 2017
Purchase and transfer of raw material inventory from Flex	Completed December 2017
Commencement of component manufacturing in Thailand	December 2017
Commenced battery stack manufacturing from Thailand facility	January 2018
Recruitment and restructuring senior management and board capabilities	On Track
Maintaining development investments in product cost-down engineering and research and development activities	In progress
Cost-down activities to reduce unit production cost by 30%	Program continuing to be delivered throughout 2018 & 2019

# TECHNOLOGY & INTEGRATION

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# REDFLOW TECHNOLOGY

Redflow has a unique product with a clear market differentiation



- **Small flow battery** - able to be installed in sites that are challenging for other flow batteries
- Technology is protected by a **combination of patents in multiple countries and trade-secret technology**
- The Redflow battery is designed for **stationary electricity storage applications**
- **Optimised for applications** that require:
  - Constant energy delivery rates & daily deep cycling
  - Tolerance for high ambient temperatures without external cooling
  - Applications where remote or difficult access makes replacement costly
- **Output capacity** does not materially reduce with age or daily deep cycling
- **Scalable storage** - link units in parallel for high availability power system with energy delivery sequenced under software control
- **Redflow Battery Management System (BMS)** with internet based remote performance, monitoring, diagnostics and firmware updates
- **Recyclable HDPE plastic and re-usable electrolyte**
- **Smart** – built in battery self-protection features
- **10 years or 36,500 kWh delivered energy warranty**, subject to standard warranty conditions

## Stationary Energy Storage Comparison

	ZBM2	Lithium-ion	Lead-acid
Competitive total cost of ownership	✓	✓	✓
No material loss of output capacity with age or exposure to high ambient temperatures	✓	✗	✗
Total battery discharge without damage	✓	✗	✗
Low risk of thermal runaway in a fire	✓	✗	✓



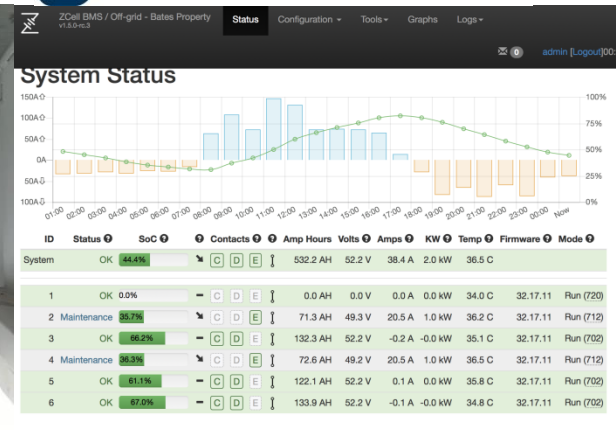
# REDFLOW BATTERY MANAGEMENT SYSTEM

## The key to seamless energy system integration



- **Seamless and effective integration** of our battery with energy systems that expect 'conventional' batteries
- Embodies know-how in the **efficient and effective real-world operation** of our unique battery into software
- **Rapid on-site commissioning** with just the BMS and any smartphone
- **Secure remote access** via any Internet path to the Redflow battery management cloud service
- Supports **remote system performance monitoring, alarm monitoring, diagnostics, performance optimization, software updates**
- Integrators obtain **fleet-wide view of their customer sites**
- Redflow can **cooperatively optimize sites with integrators**

Redflow BMS leverages modern cloud infrastructure for remote battery management and optimisation. It is a major competitive advantage which may be offered in the future as a paid service.



# SALES



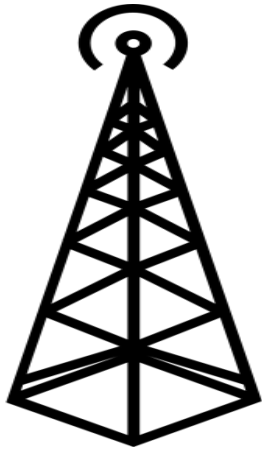
# REDFLOW SALES STRATEGY

## Target sales focus to deliver results in proven demand area



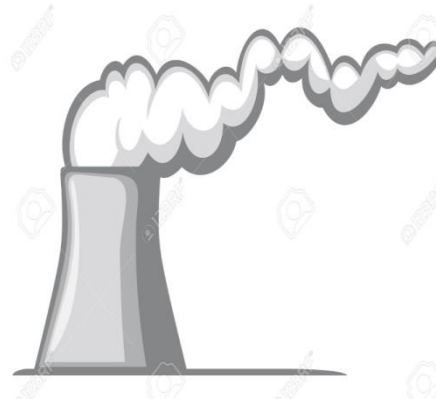
1. Target sectors where Redflow products can replace conventional batteries - especially lead-acid

2. Prioritise market development and sales to mature segments with a large, proven and ongoing demand for energy storage



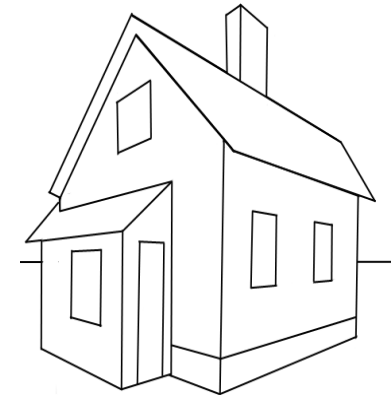
### **Telecommunications and Network Power**

Weak-Grid and Off-Grid focus



### **Commercial & Industrial / Mining / Micro-Grid / Remote Power**

Diesel run-time reduction,  
renewable energy integration



### **Residential** On-Grid and Off-Grid

## MARKET GROWTH

The energy storage market is large with significant growth in Asia Pacific

# \$25bn

Value of deployment of energy storage globally by 2025

# 9000 MW

Expected growth in energy storage deployment in China from today to 2025 - 37% CAGR

# 2.7 million

Existing telecommunications tower sites in Asia Pacific; many new deployments are in weak-grid or off-grid environments



Australia



South Africa



South East Asia



China

Sources: Energy Storage Trends & Opportunities in Emerging Markets, IFC & ESMAP (2017)  
- TowerXchange Website

# RESIDENTIAL



Redflow launched its residential / Small-Office/Home-Office (SOHO) market sales strategy in 2016, targeting early adopters and tech-savvy customers, to provide the broader market with a third party endorsement of its zinc-bromide technology. The ZCell is the ZBM2 product specifically packaged for residential use.

## On-Grid

- Redflow batteries have been installed in residential and SOHO environments in multiple states for solar-self-consumption and grid backup applications.
- Redflow's installer channel has deployed products to customers who appreciate the inherent technical and safety attributes of the product.



## Off-Grid

- Off-grid deployments typically occur where the grid is not available or where the cost to install a grid connection is in excess of the cost of creating an off-grid energy system.
- Redflow's ZCell value proposition and technical advantages have shown suitability to meeting the needs of off-grid and weak-grid energy storage customers - including at fringe, rural and remote locations.
- Typical installations range from 2-6 installed ZCell batteries.



6 x Zcell off-grid installation in SW Queensland

Redflow is positioned to take advantage of increased adoption of energy storage in Commercial and Industrial market segment (both in Australia and globally).

## Increasing battery storage uptake has largely been driven by:

- Increasing cost of electricity including punitive peak-time/demand charges
- Unreliable energy supply interrupting business operations
- Increasing affordability of solar PV energy generation to offset grid supply costs
- Increasing deployment of self-contained/micro-grid energy systems to communities with no access to a conventional energy grid for example:
  - Developing nation electrification
  - Remote mining facilities
  - Offshore platforms

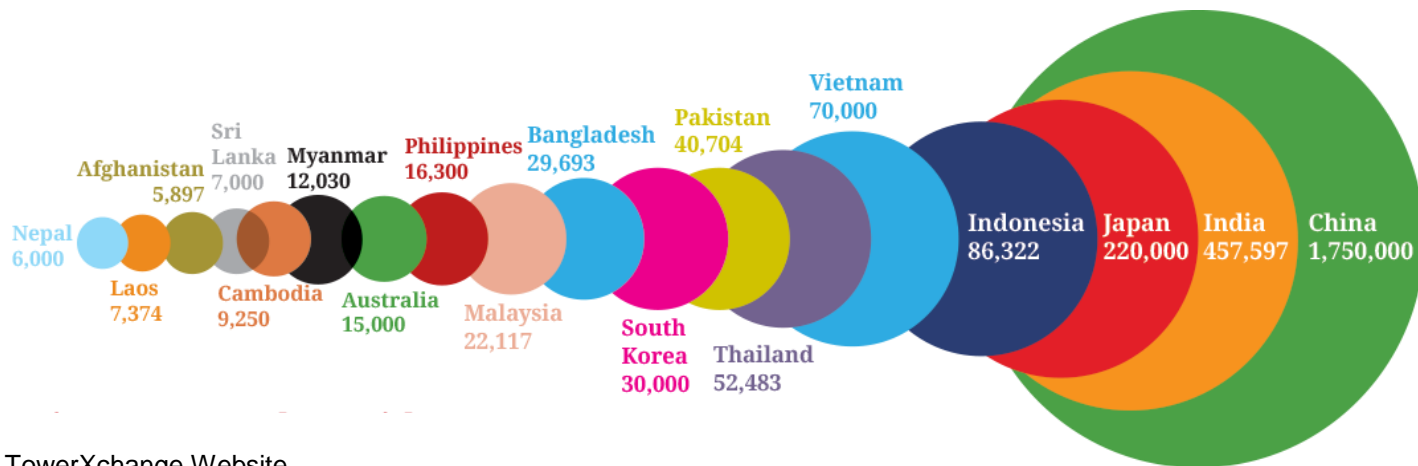


# TELECOMMUNICATIONS IN ASIA PACIFIC

With a growing requirement for battery systems in telecommunication towers globally, Redflow has the opportunity to displace competing products.

- Telecommunication tower sites are growing globally year on year
- Asia alone has more than 2.7 million telecommunications tower sites
- Redflow batteries are well suited to weak-grid or off-grid environments (including in developing countries) where frequent and deep cycling of batteries is required.
- Telecommunication towers have historically used lead-acid battery systems. An entry-level site could typically use 2-4 ZBMs as a replacement.

## Tower Sites in Asia Pacific, Sept. 2017



Source: TowerXchange Website



# FIELD DEPLOYMENTS

Redflow has a number of solutions successfully implemented in target markets



## Telecommunications and Network Power

Weak-grid and off-grid focus



- Hybrid energy system for Mobile Network Operator (MNO) in New Zealand
- Integrator: Vertiv (Emerson Network Power)
- Solar, wind, diesel genset
- 5 x ZBM2 (50kWh) storage
- **Longest running commercial site – installed in June 2016, delivered 32,953kWh from battery storage over 659 full cycles (11 April 2018)**

## Commercial & Industrial

Commercial renewable energy storage



- “Base64”: Multi-tenanted office
- Integrator: The Solar Project
- Scalable Victron Energy AC inverter/charger cluster
- 98kWp solar
- 45 x ZBM2 (450kWh) capacity (15 x ZBM2 installed)
- Seamless integration
- Supports daily 100% discharge
- **HiTech has indicated that it intends to adopt this architecture for major Pacific Islands rollout**

## Residential

On-Grid and Off-Grid



- Suburban house
- Integrator: Off-Grid Energy Australia
- Renewable energy time-shifting to minimise grid use
- 7kWp solar array
- 2 x ZCell (20kWh) storage
- ~79% reduction in grid power usage
- Backup power during grid failures
- Exports far more solar energy than it imports from grid
- Power bill reduced to ~\$27 per month

# MANUFACTURING & OPERATIONS



## THAILAND MANUFACTURING

### Redflow now has scalable quality manufacturing capability

Redflow has completed its relocation of its manufacturing operations to Chonburi Province Free Trade Zone, Thailand. This has delivered immediate operational and supply chain benefits.

Thailand provides a robust and stable manufacturing advantage achieving:

- Integration of lessons from past manufacturing arrangements
- Rigorous control of supply chain, raw materials, incoming goods, IP and trade secrets
- Quality assurance of production 'end to end'
- Scalability and flexibility to adjust manufacturing capacity to ensure alignment with demand
- Retention and development of technical management
- Build, train and retain a skilled and effective labour force
- Ownership retention of specialist capital equipment
- Execution of sustainable cost out activities

*\* Currently the battery stack is produced in Thailand. Complete batteries will be manufactured from the facility in May. Production rate dependant on future sales and demand.*

First delivery of Thai stacks to customers now underway

On track for 40 Thai stack batteries to be delivered to customers in April 2018

Ability to ramp up production to 90 units per month by June 2018 \*

Ability to ramp up production to 250 units per month by December 2018\*

Ability to further scale capacity before mass production requirements

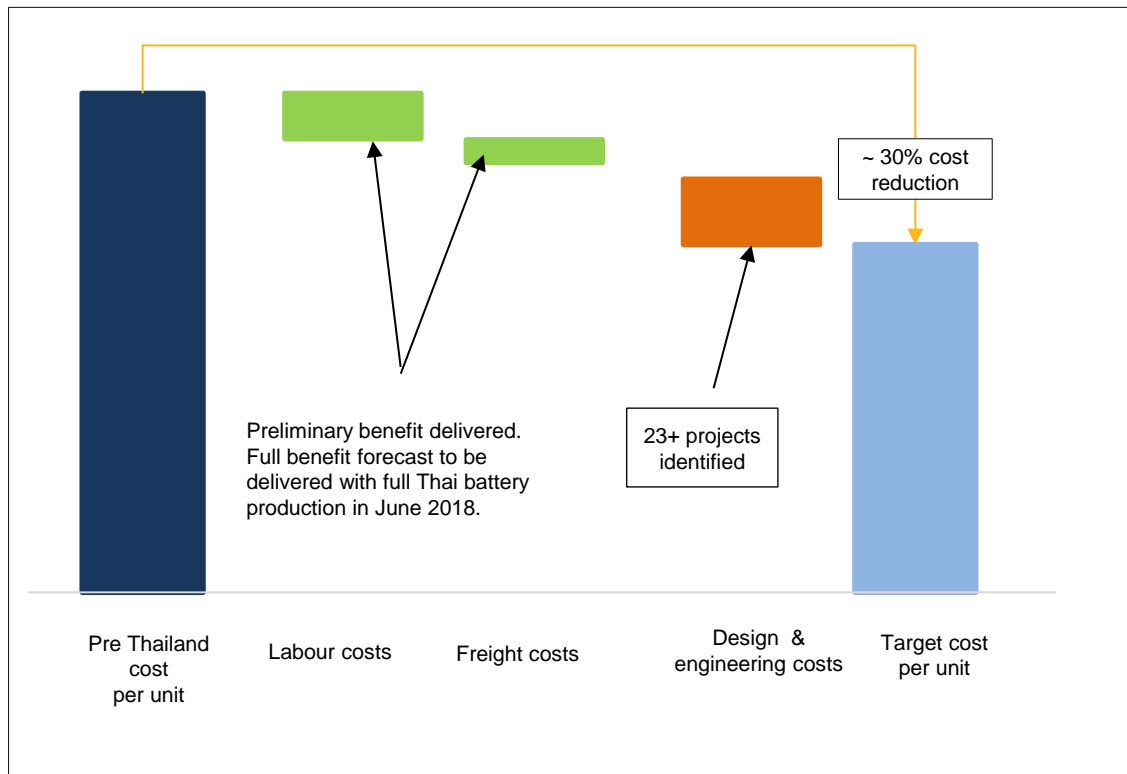


# COST PROGRAM

## Redflow is committed to its cost down program



- Redflow is executing on a cost-down program to remove ~30% of pre Thailand manufacturing costs
- The program will be delivered throughout 2018 & 2019



Additional cost down opportunities expected from scalability, automation of parts production and volume purchases pricing

# ADDITIONAL GROWTH OPPORTUNITIES



# SPOTLIGHT ON CHINA

## China is a strategic opportunity we are actively pursuing



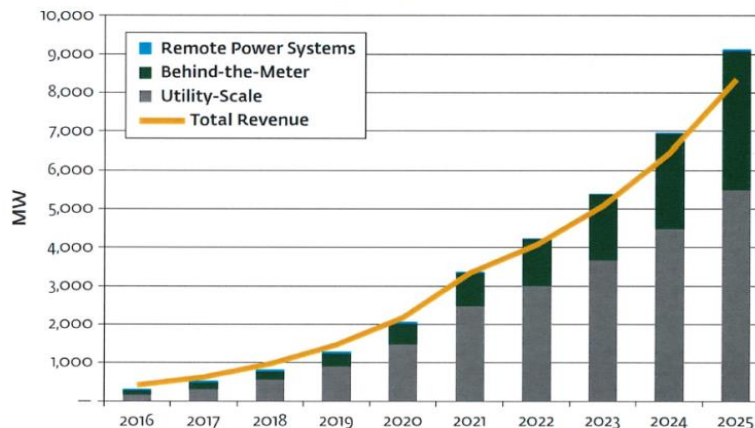
### Market Opportunity

- China is forecast to be one of the largest single markets for energy storage - accounting for up to 70% of the Asia Pacific market
- 1.7 million cell towers in China – 63% of AsiaPac
- In October 2017, China released its national energy policy - energy storage identified as a key economic target
- Redflow has been approached by a number of Chinese entities in the last six months seeking to partner on a strategic basis

### Our Activities

- Retained China based consultant to assist strategy development and market engagement
- Commenced China product verification
- Commenced China specific IP protection
- We will continue to engage with selected parties to assess potential partnerships options
- Strategic options include manufacturing (incl. JV), licensing, strategic investor and partnerships with Chinese Systems Integrators

Projected Annual Energy Storage Deployments: China (2016-2025)



e: Energy Storage Trends & Opportunities in Emerging Markets, IFC & ESMAP (2017)

Source: Energy Storage Trends & Opportunities in Emerging Markets, IFC & ESMAP (2017)

# REDFLOW INNOVATION

## Redflow has a number of opportunities in adjacent markets



### Redflow ZBM2 offers unique capabilities

- The Redflow ZBM2 is an active and smart energy storage device, not a 'dumb' battery
- In Standby Power System (SPS) Mode the ZBM2 can be fully charged and then switched off
- Minimal energy consumption & self discharge in SPS Mode
- Return to full operation in 60 seconds in SPS Mode

### We are partnering across our ecosystem to create new solutions

- Partnership approach to understand customer requirements
- Joint activity to rapidly develop, test and validate potential solutions



*Redflow is working with our end customers and partners to develop new solutions*

## POTENTIAL REDFLOW SOLUTIONS

### ZBM2 BASED STANDBY POWER SYSTEM

Replace diesel genset with a non-fossil-fuel alternative

- ✓ No diesel to handle or store
- ✓ No risk of the genset failing to start
- ✓ Avoid lithium fire, diesel fire/pollution risks
- ✓ No exhaust emissions or noise when running
- ✓ No genset maintenance costs and test run requirement

### ZBM2 ONLINE UPS BATTERY

Add an Ultracapacitor bank to create an online UPS battery solution

- ✓ Replacement for lead-acid in online UPS applications
- ✓ Avoids lithium fire risks
- ✓ Regular ZBM2 discharge cycles no longer required
- ✓ When external power fails, immediate load support is provided by the Ultracapacitor while the ZBM2 returns from standby mode to full operation

# BOARD & MANAGEMENT





# EXPERIENCED BOARD AND MANAGEMENT



**BRETT JOHNSON**  
Chairman & Non-Executive  
Director

- Joined Redflow in September 2017, having previously held directorship roles at Scott Corporation Limited and Helloworld Limited
- Has more than 25 years experience as General Counsel of listed Australian companies, including Qantas Airways Limited



**TIM HARRIS**  
Chief Executive Officer

- Joined Redflow in March 2018 having extensive international business experience in the telecommunications sector
- Previous roles include Chief Commercial Officer for Chorus in New Zealand and senior leadership positions for BT Group in Singapore and the UK



**RICHARD AIRD**  
COO & Executive Director

- Joined Redflow in 2009
- Has over 20 years experience as an operations manager and has been instrumental in the development and manufacture of the Redflow flow battery



**SIMON HACKETT**  
Non-Executive Director

- Joined the Redflow Board in November 2014 and is Redflow's largest cornerstone shareholder, architect of the Battery Management System and its "technology evangelist"
- Founder and managing director of national ISP Internode until its sale to iiNet limited in 2012. Subsequently served as a Non-Executive Director with iiNet Limited and with NBNetCo Limited



**DAVID KNOX**  
Non-Executive Director

- Joined Redflow in May 2017. Holds a number of positions including MD & CEO for Australian Naval Infrastructure and Director of CSIRO.
- Previously held roles include MD and CEO of Santos and MD BP Developments in Australia and engineering and management positions with ARCO and Shell in UK, Norway, Netherlands, USA and Pakistan.



**JENNY MACDONALD**  
Non-Executive Director

- Joined Redflow in December 2017 and chairs the Audit Committee, Jenny also currently serves on the board and audit committee of Red Bubble and API, the parent company of among other, Priceline Pharmacy
- Previous roles include non-executive for Hipages and Fitted for Work, CFO and interim CEO at Helloworld Limited, and CFO and General Manager International with REA Group



**HOWARD STACK**  
Non-Executive Director

- Joined Redflow in February 2012, and currently serves as Chairman on the Magnetica Limited Board of Directors and Brisbane Grammar School Board of Trustees
- Previous roles include director at Bow Energy, Flight Centre and Australian National Industries and partner at a leading national law firm Allen & Hemsley

# CAPITAL RAISING



# CAPITAL RAISING OVERVIEW



Offer Structure & Size	<ul style="list-style-type: none"><li>▪ Equity Raising to raise ~A\$18.1 million comprising:<ul style="list-style-type: none"><li>• Placement to raise \$7.5 million (Placement); and</li><li>• 1 for 5 non-renounceable entitlement offer of \$10.6 million (Entitlement Offer).*</li></ul></li><li>• Approximately 156,000,000 new shares issued (New Shares)</li></ul>
Offer Pricing	<ul style="list-style-type: none"><li>▪ Offer Price \$0.10 per New Share, which as of 20 April 2018 represents:<ul style="list-style-type: none"><li>• 37.5% discount to last closing price of \$0.16;</li><li>• 32.9% discount to 5 day VWAP of \$0.149;</li><li>• 33.3% discount to TERP of \$0.15.</li></ul></li></ul>
Use of Proceeds	<ul style="list-style-type: none"><li>▪ Invest in sales, business development, support infrastructure and general working capital activities (~\$5.2m)</li><li>▪ Support cost down and product development activities(~\$3.8m)</li><li>▪ Funding supply chain raw materials and finished goods inventory (~\$4.0m)</li><li>▪ Capital for 'cost down' project (~\$2.0m)</li><li>▪ Capital for process optimisation and line automation opportunities (~\$2.0m)</li><li>▪ Transaction costs (~\$1.1m)</li></ul>
Lead Manager & Underwriter	<ul style="list-style-type: none"><li>▪ Morgans Corporate Limited.</li></ul>
Ranking	<ul style="list-style-type: none"><li>▪ New Shares issued will rank equally with existing shares.</li></ul>

\* Simon Hackett, Redflow director and largest shareholder, has committed to take up 100% of his rights, and to sub-underwrite an additional portion, of the entitlement offer. Mr Tim Harris, Chief Executive Officer, has agreed to sub-underwrite a portion of the entitlement offer.

# EQUITY RAISING TIMETABLE



Event	Time / Date
Trading Halt	23 April 2018
Announcement of the Offer	26 April 2018
Record Date for Rights Issue	7.00pm, 1 May 2018
Settlement and allotment of Placement Shares	2 May 2018
Information Booklet and Entitlement & Acceptance Form Dispatched	4 May 2018
Offer Opens	4 May 2018
Closing Date of Acceptances Under the Offer	5:00pm, 15 May 2018
Company Notifies ASX of Under Subscriptions	18 May 2018
Allotment of New Shares Under the Rights Issue	22 May 2018
Dispatch of Holdings Statements for Rights Issue Shares, normal ASX Trading Commences for Rights Issue Shares	23 May 2018

# SUMMARY



# REDFLOW LOOK AHEAD

## Key activities over the next 12 Months



Redflow will build on the momentum achieved over the past 12 months, delivering on its corporate and manufacturing milestones and maximising shareholder value.



- Ramp up production at the Thai facility to accommodate demand
- Focus on delivering high quality products
- Deliver cost down program
- Pursue large scale sales contracts across all market segments
- Develop new application solutions for key market segments
- Invest in infrastructure to support execution
- Expand partnership eco-system with system integrators both nationally and internationally
- Progress offshore market development opportunities
- Develop new product opportunities using existing IP
- Improve gross profit margins
- Investigate scale opportunities
- Explore alternative collaboration / shareholder / licencing strategies

# RISKS



## **General**

An investment in any Company is not risk free. These risks are both specific to the Company and also relate to general business and economic climate. Neither the directors, the Company nor any person associated with the Company guarantee the performance of the Company. The following is not intended to be an exhaustive list of risk factors to which the Company is exposed.

## **Sales, revenue and funding risk**

The company currently operates on a negative cash operating basis. Revenue will be depended on future sales. Sales may take longer than expected to materialise or not be realised at all. There is no guarantee the funds raised will be sufficient to meet the funding requirements of the Company or to achieve a breakeven point. There is no assurance that additional funds will be available in the future.

## **Reliance on system integrators as strategic partners risk**

The Company relies on key system integrators as strategic partners providing channels to market. There may be a materially adverse effect on the

Company if one or more of these strategic system integrator relationships is lost, not replaced or if a dispute arises between both parties.

## **Product risk**

The Company's products are complex and there is an inherent risk that the products and enhancements will contain defects or otherwise do not perform as expected. If this occurs it could lose existing and future business and its ability to develop, market and sell batteries and energy storage systems could be harmed, potentially giving rise to a claim against the company.

For example, Redflow experienced various technical defects in 2017 – see ASX announcements dated 24 April 2017, 8 May 2017 and 29 June 2017. Subsequent technical issues have emerged affecting performance of deployed batteries in the field. The extent of these technical issues is uncertain. Redflow has made provision for the repair or replacement of defective batteries sold. There is no guarantee that there will not be further technical defects or that the provision made will be adequate or sufficient to repair or

replace defective batteries.

## **Commercialisation risk**

Rapid and ongoing changes in technology and product standards could render the Company's products less competitive or obsolete if it fails to continue to improve performance. If the Company's battery technology is not adopted by its customers, or does not meet industry requirements for power and energy storage in efficient and safe design then the Company's batteries will not gain market acceptance.

## **Residential product risk**

There is a commercial risk that the residential demand will not be as strong as expected and that changes in government policy will have an adverse impact on that demand.

## **Manufacturing risks - general**

Any adverse impact on production could have a materially adverse impact on the Company's ability to meet customer needs and the risk of customer claims and the Company's ability to achieve its expansion plans or its financial performance



## **Manufacturing capacity risk**

In order to fulfil the anticipated product delivery requirements of its potential customers, the Company will invest in capital expenditures in advance of actual customer orders, based on estimates of future demand. If market demand for the Company's products does not increase as quickly as it has anticipated and align with the Company's manufacturing capacity, or if the Company fails to enter into and complete projected development and supply agreements, the Company may be unable to offset these costs and to achieve economies of scale, which could materially affect its business and operating results. .

## **Manufacturing outsourcing risk**

The Company outsources component manufacturing of some of its battery parts. Outsourcing has associated risks of supply schedules, quality assurance, manufacturing yields and production costs. Problems in the Company's outsourcing could limit its ability to produce sufficient batteries to meet the demand of potential customers and the quality of products supplied.

## **Manufacturing regulatory risk**

The Company uses hazardous chemicals which have various regulatory

requirements apply to the storage, handling and disposal of such chemicals. There is a risk that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Company.

## **Manufacturing supply risk**

The Company's manufacturing operations depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies to operate. An interruption in supply may adversely affect the Company's operations and ability to supply demand and sell batteries profitably.

## **Manufacturing cost reductions**

The sustainability of the Company's business depends on its ability to reduce the cost of production of its batteries. The Company has identified a number of opportunities in its manufacturing and production processes to achieve cost reductions. There is no guarantee however that these opportunities will be successfully implemented or that the necessary cost reductions will be achieved. If the Company is unable to reduce its cost of production sufficiently, the Company may not achieve profitability.

## **Warranty risk, product liability and extended life cycle testing risk**

There is an inherent risk of defective workmanship or materials in the manufacture of the Company's products and for exposure to product liability for damages suffered by third parties attributable to the use of the product. Defective products may have a materially adverse impact on the Company's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. It may also give rise to product liability claims. There is a risk that the actual battery life will be less than the warranted battery life and that the Company may be exposed to significant warranty claims, contractual damages and the cost of replacing non-performing batteries.

## **Reverse engineering risk and trade secret risk**

There is risk of the Company's products being reverse engineered or copied. Redflow relies on trade secrets to protect its proprietary technologies, where patent protection is not obtainable.

## **Information technology**

The Company relies heavily on its computer hardware, software and IT systems. Failure in these systems may negatively impact on its performance.

## **Intellectual property and patent risk**

The ability of the Company to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of the Company's business.

## **Personnel Risk**

The Company relies heavily on its senior executives and engineering team. There can be no assurance that the Company will be able to retain its key personnel or recruit suitable replacement personnel, having a materially adverse impact on the Company.

## **Dividends**

There is no guarantee as to future earnings or profitability of the Company and the ability to pay dividends any time in the future.

## **Exchange rates**

The Company is potentially exposed to movements in exchange rates. The

Company's financial statements are expressed and maintained in Australian dollars. However, a portion of the Company's income and costs are earned in foreign currencies and this proportion may increase materially.

## **Share market**

On completion of the Entitlement Offer, the New Shares may trade on ASX at higher or lower prices than the Issue Price. The price at which the New Shares trade on ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

## **Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business decisions which could be expected to have a material adverse impact on the Company's business or financial condition.

## **Tax risk**

Any change to the rate of company income tax or change to the tax

arrangements between Australia and other jurisdictions in which the Company operates could have an adverse impact on future earnings and the level of dividend franking.

## **Legislative and regulatory changes**

Legislative or regulatory changes, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

# APPENDICES



# ZBM2 TECHNICAL SPECIFICATIONS



## ZBM2 Technical Specifications

Voltage	48 Volt DC nominal batteries (typical operating range 40-60V)
Capacity	Maximum 10kWh energy output per daily cycle No reserved battery capacity requirement – full 10kWh cycle depth available
Dimensions	845 L x 823 H x 400 W (mm) 33 L x 32 H x 16 W (in)
Weight	240 kg (530 lb) with electrolyte 90 kg (198 lb) without electrolyte
Electrolyte volume	100 L (26Gal)
Energy efficiency	80% DC-DC Max
Internal (electrolyte) operating temperature	Operating electrolyte temperature range of 15°C to 50°C (59°F to 122°F), ZBM2 can typically operate at ambient temperatures outside this range for extended periods
Communication	MODBUS RS485
Safety data sheet	DG Class 8 for electrolyte
Power rating	3kW (5kW peak) 3kW continuous: current up to 75A (40V disconnection point) *1 5kW duration depending on the State of Charge (SOC): current up to 125A (40V disconnection point) *1, 2
Regulatory compliance marks	CE and RCM
Warranty	36,500 kWh of energy delivered or 10 years (whichever comes first) *3 No cycle depth limitations – battery performance and lifetime is not sensitive to cycle depth



\* 1 Values reported for ZBM2 at 100% state of health (SOH) and room temperature

\* 2 Redflow internal testing shows a 5kW supply for approximately 45 minutes before disconnection, for a ZBM2 starting at 100% state of charge (SOC)

\* 3 See full warranty document for details, Terms and Conditions apply

Source: <https://redflow.com/products/redlow-zbm2/>

# REFERENCES



CNESA Storage Market Analysis, Q3 2017 (December, 2017)

Energy Storage Trends & Opportunities in Emerging Markets,  
IFC & ESMAP (2017)

<https://redflow.com/products/redflow-zbm2>

TowerXchange Website

Redflow Company Announcements

Company Share registry

ASX Data



Telecommunication  
Application



Renewables  
Integration



On and Off Grid  
Remote Power



Micro Grid and  
Smart Grid



Transmission and  
Distribution Deferral



**RedFlow Limited**  
ABN 49 130 227 271

All Registry communications to:  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia  
Telephone: 1300 554 474  
From outside Australia: +61 1300 554 474  
ASX Code: RFX  
Website: www.linkmarketservices.com.au

**SRN/HIN:**

**Entitlement Number:**

**Number of Eligible Shares held as at the Record Date, 7:00pm (AEST) on 1 May 2018:**

**Entitlement to New Shares (on a 1 New Share for 5 basis):**

**Amount payable on full acceptance at A\$0.10 per Share:**

<b>Offer Closes 5:00pm (AEST):</b>	<b>15 May 2018</b>
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### ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 1 New Share for every 5 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.10 per New Share. You may also apply for New Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** The Offer is being made under the Offer Booklet dated 26 April 2018. The Offer Booklet contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Offer Booklet. This Entitlement and Acceptance Form should be read in conjunction with the Offer Booklet.

If you do not have a paper copy of the Offer Booklet, you can obtain a paper copy at no charge, by calling the Redflow Limited Offer Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (from outside Australia).

### PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

#### OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 15 May 2018. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

#### OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 15 May 2018.



**Billers Code:** 868224  
**Ref:**

#### Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

**THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.**

*Please detach and enclose with payment*



**RedFlow Limited**  
ABN 49 130 227 271



**SRN/HIN:**

**Entitlement Number:**

**A** Number of New Shares accepted (being not more than your Entitlement shown above)

**B** Number of additional New Shares

**C** Total number of New Shares accepted (add Boxes A and B)

**D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS** – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Redflow Limited” and crossed “Not Negotiable”.

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

**E CONTACT DETAILS – Telephone Number**

Telephone Number – After Hours

Contact Name

# REDFLOW LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia, New Zealand, Hong Kong or Singapore. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Offer Booklet and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Offer Booklet and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Redflow Limited.

## HOW TO APPLY FOR NEW SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.10.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Redflow Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

#### C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

#### D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Redflow Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Redflow Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

#### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

## 3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Offer Booklet electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

#### Mailing Address

Redflow Limited  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

#### Hand Delivery

Redflow Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 15 May 2018. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Redflow Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Redflow Limited Offer Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.**