Redflow Limited

ABN 49 130 227 271

Appendix 4D and Interim Financial Report

For the half-year ended 31 December 2018

Contents

Appendix 4D

Name of Entity :	Redflow Limited
ABN :	49 130 227 271
Reporting Period :	Half-year Ended 31 December 2018
Previous Corresponding Period :	Half-year Ended 31 December 2017

Results for announcement to the market

Results		**%**		**$**
Revenue from ordinary activities	down	**58.1%**	to	**502,750**
Loss from ordinary activities after tax attributable to members	up	**27.0%**	to	(4,912,239)
Net loss for the half-year attributable to members	up	**27.5%**	to	(4,930,601)

Dividends	-	-

The Directors do not recommend the payment of a dividend for the reporting period.

Brief explanation of the figures reported above

Please refer to the review of operations on page.

Net tangible assets per security

	31 December 2018	**31 December 2017**
Net tangible assets per security	$0.021	$0.021

Other information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial report for the half-year ended 31 December 2018. The information should be read in conjunction with Redflow Limited's 2018 Annual Report and the attached Interim Financial Report. This report is based on the consolidated financial statements for the half-year ended 31 December 2018 which have been reviewed by PricewaterhouseCoopers.

Audit report or review with modified opinion, emphasis of matter or other matter paragraph.

The Group's independent review report for the half-year ended 31 December 2018 contains an emphasis of matter paragraph drawing members attention to the contents of Note 2(a) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent review report is included with the accompanying financial statements for the half-year ended 31 December 2018.

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Directors' report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Redflow Limited (the Company) and the entities it controlled for the half-year ended 31 December 2018.

Directors
The following persons were Directors of Redflow Limited during the half-year and up to the date of this report:

Directors	Position	Date of Appointment	Date of Resignation
Brett Johnson	Chairman (Non-Executive)	27 September 2017	
Timothy Harris	Managing Director & Chief Executive Officer (CEO)	2 July 2018	
Richard Aird *	Chief Operating Officer (COO)	5 March 2012	19 October 2018
Simon Hackett	Director (Non-executive)	21 November 2014	26 November 2018
David Knox	Director (Non-executive)	2 March 2017	
Jenny Macdonald	Director (Non-executive)	22 December 2017	
John Lindsay	Director (Non-executive)	11 September 2018	
David Brant	Director (Non-executive)	19 October 2018	

* On 19 October 2018 Richard Aird resigned from the board and continues as Chief Operating Officer.

Principle Activities

The principle activities of the Group consist of the development, manufacture and sale of its zinc-bromine flowing electrolyte battery module (ZBM).

Review of operations

In 2017 the Board and Management undertook a detailed strategic review of the Group. That review identified the need to prioritise investment to:

- ensure a consistent high-quality product can be manufactured in commercial quantities in our factory in Thailand;
- re-establish Redflow's sales and marketing, training and after sales support structure;
- establish the executive team capable of implementing the strategic plan; and
- focus research and development (R&D) resources on the next generation ZBM batteries and cost-downs.

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In the half year ended 31 December 2018 the Group has and continues to execute on these strategic priorities to ensure future growth. Milestones achieved during the half year period include:

- the Thailand factory produced 150 batteries in December, demonstrating our ability to produce quality product at higher volumes;
- a number of initial sales orders with strategic customers were announced across target customers and markets in Thailand, Australia and South Africa;
- continued investment in developing our Executive team to lead Redflow through the next growth phase, with the commencement of Trudy Walsh as CFO, Ben Shepherd as CCO and most recently Tim MacTaggart as Chief Deployment Officer; and
- a continuation of the R&D spend to further improve battery performance, reduce production costs and extend Intellectual Property leadership.

As with the relaunch of any major commercial product, it takes some time to gain traction but we are very pleased with progress to date.

The loss of the Group after income tax on a consolidated basis for the half-year ended 31 December 2018 was $4,912,239 (2017: $3,868,395).

The results were driven primarily by:

- the time to ramp up sales as the result of the transfer of manufacturing to Thailand and having batteries for delivery;
- initial orders by customers over the period which have not yet been delivered due to customer readiness;
- ramp up of production and material costs for our Thailand battery manufacturing to achieve 150 batteries manufactured in December 2018, and associated costs incurred during the ramp up process;
- the investment in key personnel to drive the next stage of business growth; and
- continued investment in R&D to ensure market leadership.

The Group's independent auditor's report for the half-year ended 31 December 2018, contains an emphasis of matter paragraph drawing members attention to the contents of Note 2(a) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent audit report is included with the accompanying financial statements for the half-year ended 31 December 2018.

Other developments

As we continue to execute on Redflow's long term growth strategy, we are developing our sales pipeline, ramping up production and executing on our projects to reduce the cost of our batteries. This will see the business continue to be cash-flow negative for some time. While we forecast that with continued prudent cost management and increase in sales, our cash burn will reduce, the business will need additional working capital this year. As noted in the 2018 AGM Chairman's address, Management and the Board have been evaluating potential sources of working capital to support Redflow's long term growth strategy.

Auditors independence declaration

A copy of the Auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the Directors.

Brett Johnson
Non-Executive Chairman
Brisbane
26 February 2019.

Auditor's Independence Declaration

As lead auditor for the review of Redflow Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Redflow Limited and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
26 February 2019

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Consolidated statement of comprehensive income
For the half-year ended 31 December 2018

	Note	31 December 2018 $	31 December 2017 $
Revenue from continuing operations			
Sale of goods		**376,144**	1,162,838
Other revenue from ordinary activities		**126,606**	36,089
		502,750	1,198,927
Other income	4	**1,751,567**	2,131,434
Expenses			
Raw materials and consumables used		**(1,469,858)**	(2,609,247)
Other expenses from ordinary activities:			
Payroll expenses		**(3,955,358)**	(2,638,726)
Administrative expenses		**(286,617)**	(302,092)
Depreciation and amortisation	5	**(305,866)**	(240,007)
Manufacturing transition costs		**-**	(342,353)
Professional fees		**(305,732)**	(501,181)
Business development		**(156,841)**	(171,926)
Travel and accommodation expense		**(246,536)**	(175,266)
Rent, storage and utilities expense		**(231,061)**	(176,633)
Interest and finance expense		**(12,588)**	(11,713)
Other expenses		**(196,099)**	(16,474)
Loss before income tax		**(4,912,239)**	(3,855,257)
Income tax expense		**-**	(13,138)
Loss for the half-year		**(4,912,239)**	(3,868,395)
Other comprehensive income/(loss) for the half-year		**(18,362)**	1,897
Total comprehensive loss for the half-year		**(4,930,601)**	(3,866,498)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		**Cents**	*Cents*
Basic earnings per share	14	**(0.69)**	(0.78)
Diluted earnings per share	14	**(0.69)**	(0.78)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	6	**7,856,784**	17,732,832
Trade and other receivables		**69,654**	253,933
Inventories	7	**7,012,993**	4,066,227
Other current assets		**2,322,467**	520,642
Total current assets		**17,261,898**	22,573,634
Non-current assets			
Property, plant and equipment	8	**1,213,813**	1,024,240
Intangible assets	9	**617,904**	629,091
Total non-current assets		**1,831,717**	1,653,331
TOTAL ASSETS		**19,093,615**	24,226,965
LIABILITIES			
Current liabilities			
Trade and other payables		**857,866**	848,065
Other current liabilities		**474,493**	465,136
Provisions	10	**1,615,872**	1,938,937
Total current liabilities		**2,948,231**	3,252,138
Non-current liabilities			
Provisions	10	**226,438**	187,779
Total non-current liabilities		**226,438**	187,779
TOTAL LIABILITIES		**3,174,669**	3,439,917
NET ASSETS		**15,918,946**	20,787,048
EQUITY			
Contributed equity	11	**111,305,543**	111,300,911
Reserves		**3,354,353**	3,314,848
Accumulated losses		**(98,740,950)**	(93,828,711)
TOTAL EQUITY		**15,918,946**	20,787,048

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the half-year ended 31 December 2018

		Attributable to owners of Redflow Limited			
	Note	*Contributed equity*	*Reserves*	*Accumulated losses*	*Total*
		$	$	$	$
Balance at 1 July 2018		**111,300,911**	**3,314,848**	**(93,828,711)**	**20,787,048**
Loss for the half-year		**-**	**-**	**(4,912,239)**	**(4,912,239)**
Other comprehensive income		**-**	**(18,362)**	**-**	**(18,362)**
Total comprehensive loss for the half-year		**-**	**(18,362)**	**(4,912,239)**	**(4,930,601)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	11	**4,632**	**-**	**-**	**4,632**
Employee share options - value of employee services		**-**	**57,867**	**-**	**57,867**
		4,632	**57,867**	**-**	**62,499**
Balance at 31 December 2018		**111,305,543**	**3,354,353**	**(98,740,950)**	**15,918,946**
Balance at 1 July 2017		80,328,589	3,351,821	(81,833,693)	1,846,717
Loss for the half-year		-	-	(3,868,395)	(3,868,395)
Other comprehensive income/(loss)		-	1,897	-	1,897
Total comprehensive loss for the half-year		-	1,897	(3,868,395)	(3,866,498)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		13,396,080	-	-	13,936,080
Employee share options - value of employee services		-	(30,575)	-	(30,575)
		13,936,080	(30,575)	-	13,905,505
Balance at 31 December 2017		94,264,669	3,323,143	(85,702,088)	11,885,724

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the half-year ended 31 December 2018

	31 December 2018	31 December 2017
	$	*$*
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**613,102**	929,506
Payments to suppliers and employees (inclusive of goods and services tax)	**(10,200,339)**	(6,858,164)
Grants/R&D Tax Incentive received (exclusive of goods and services tax)	**-**	-
Interest received	**125,447**	36,089
Interest and finance charges paid	**(9,310)**	(11,713)
Income tax paid	**-**	(13,138)
Net cash (outflow) from operating activities	**(9,471,100)**	(5,917,420)
Cash flows from investing activities		
Payment for property, plant and equipment	**(351,903)**	(62,122)
Purchase of intangible assets	**(73,264)**	(56,868)
Net cash (outflow) from investing activities	**(425,167)**	(118,990)
Cash flows from financing activities		
Proceeds from capital raising	**-**	9,855,979
Net cash inflow from financing activities	**-**	9,855,979
Net increase / (decrease) in cash and cash equivalents	**(9,896,267)**	3,819,569
Effects of currency translation on cash and cash equivalents	**20,219**	(11,945)
Cash and cash equivalents at beginning of half-year	**17,732,832**	2,699,521
Cash and cash equivalents at end of half-year	**7,856,784**	6,507,145

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 CORPORATE INFORMATION

The financial report of Redflow Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 26 February 2019. The Directors have the power to amend and reissue the financial statements.

Redflow Limited is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is 1/27 Counihan Road, Seventeen Mile Rocks, Brisbane, QLD 4073.

2 BASIS OF PREPARATION

This general purpose condensed consolidated financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report.

Accordingly, this financial report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Redflow Limited during the interim reporting period in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2018 and corresponding interim financial reporting period with the exception of the following accounting standards which the Group has applied for the first time for their half year reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 , AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)
- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarification of AASB 15

The adoption of AASB 9 and AASB 15 resulted in changes to accounting policies. There was no material impact on the financial statements and no adjustments have been recognised in this half year report.

Comparative information has been reclassified where appropriate to enhance comparability.

(a) Going concern

The Group made an operating loss after income tax of $4,912,239 (2017: $3,868,395) and an operating cash outflow of $9,471,100 (2017: $5,917,420) for the half-year ended 31 December 2018. Cash held at bank as at 31 December 2018 was $7,856,784 (30 June 2018: $17,732,832).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities in accordance with its comprehensive business and strategic plan. The Group has been successful in further advancing the technology to a stage which has generated commercial interest in the Group's products. Nevertheless, the ability to fund development, production and marketing of the Group's products is dependent upon its ability to transition to a positive cash flow from operations and raising further funding from existing and new investors as well as other governmental incentive and grant programs where available and applicable.

2. BASIS OF PREPARATION (continued)

The following events and strategies have occurred or have been initiated by the Directors to secure the Group's going concern status during the 2019 financial year and for at least the 12 months after the date of the Director's declaration:

- Subsequent to the balance date, on 26 January 2019, the Group received $1,751,567 for the 30 June 2018 Research and Development Tax refund;
- Reinvigorated the sales process after the establishment of the battery production facility in Thailand with the appointment of a Chief Commercial Officer and commenced recruiting additional sales person in target markets and regions;
- Proven the Thailand production facility can manufacture at reasonable volume with the manufacture of 150 batteries in December 2018;
- Announced sales of batteries in strategic target markets and regions, with expectations there are other opportunities in these markets, and
- Undertaken various activities to source additional funding including discussions with potential investors, pursuing funding facilities to support Redflow's growth strategy.

However, taking into account the above matters, there remains a material uncertainty which may cast significant doubt over whether the Group can continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

The Directors believe that the Group will be successful in the above matters. In addition, the Directors believe Redflow will be able to raise additional equity or debt finance and, accordingly, have prepared this financial report on a going concern basis.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the interim financial report as at 31 December 2018.

Accordingly, no adjustments have been made to the interim financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company and its controlled entities not continue as a going concern.

(b) Impact of standards issued not yet applied by the entity
(*i*) *AASB16 Leases*

AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The new Standard introduces three main changes: Enhanced guidance on identifying whether a contract contains a lease; A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and Enhanced disclosures. Lessor accounting will not significantly change. This standard applies to annual reporting periods beginning on or after 1 January 2019.

The Group will adopt this standard in the period commencing 1 July 2019.

The Group has assessed the impact of this new standard and expects a change in the accounting for operating leases. The actual impact of applying AASB16 on the financial statements in the period of initial application will depend on future economic conditions including the Group's borrowing rate, the composition of the Group's lease portfolio at that date and the Group's latest assessment of whether it will exercise any lease renewal options. The most significant impact identified is that the Group will need to recognise a lease liability and a right-of-use asset on the balance sheet for its operating leases of premises. Previously expensed lease payments will be replaced with interest expense on the lease liability and depreciation on the right-of-use asset.

The Group expects to apply the Simplified approach whereby the retrospective cumulative effect will be adjusted in the opening balance of retained earnings and this adjustment is expected to be immaterial.

3 SEGMENT REPORTING

Management provide oversight of the business by reviewing and reporting financial results on a consolidated basis to the board of Directors.

The Group manufactures predominantly one product with varying levels of customisation and has commenced sales to customers around the world. However due to the preliminary stage of commercial operations, the Group does not report on an individual product or geographical basis.

Given the conditions stated above management has determined that there are no separately reportable operating segments. The Group operates as one reportable segment and the segment results are the same as those reported in the financial statements. The Group is not reliant on one single customer.

4 OTHER INCOME

	31 December 2018 $	*31 December 2017 $*
Other Income		
Other revenue (R&D Tax Claim)	**1,751,567**	2,112,280
Net gain on foreign exchange	**-**	19,154
Total other income	**1,751,567**	2,131,434

5 DEPRECIATION AND AMORTISATION

	31 December 2018 $	*31 December 2017 $*
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation	**219,826**	172,910
Amortisation	**86,040**	67,097
Total depreciation and amortisation	**305,866**	240,007

6 CASH AND CASH EQUIVALENTS

	31 December 2018 $	*30 June 2018 $*
Cash at bank and in hand	**7,856,784**	17,732,832
	7,856,784	17,732,832

7 INVENTORIES

	31 December 2018 $	*30 June 2018 $*
At cost		
Raw Materials	**5,217,436**	4,681,419
Finished goods	**2,748,002**	308,066
Provision for diminution in value	**(952,445)**	(923,258)
	7,012,993	4,066,227

The increase in the provision for diminution in value amounted to $29,187. This was recognised as an expense during the half-year ended 31 December 2018 and included in ‘raw materials and consumable used’.

8 PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 $	*30 June 2018 $*
Plant and equipment		
At cost	**4,522,130**	4,103,945
Accumulated depreciation	**(3,349,431)**	(3,128,278)
Net carrying amount	**1,172,699**	975,667
Leasehold improvements		
At cost	**611,685**	611,685
Accumulated depreciation	**(570,571)**	(563,112)
Net carrying amount	**41,114**	48,573
Total property, plant and equipment		
At cost	**5,133,815**	4,715,630
Accumulated depreciation	**(3,920,002)**	(3,691,390)
Net carrying amount	**1,213,813**	1,024,240

(a) Reconciliation of carrying amount at beginning and end of the period

	31 December 2018 $	*30 June 2018 $*
Plant and equipment		
Carrying amount - opening	**975,667**	952,746
Additions	**381,544**	462,083
Disposal	**-**	(64,435)
Depreciation charge	**(212,367)**	(374,727)
Foreign exchange movement	**27,855**	-
Carrying amount - closing	**1,172,699**	975,667
Leasehold improvements		
Carrying amount - opening	**48,573**	92,862
Depreciation charge	**(7,459)**	(44,289)
Carrying amount - closing	**41,114**	48,573
Total Property, plant and equipment		
Carrying amount - opening	**1,024,240**	1,045,608
Additions	**381,544**	462,083
Disposal	**-**	(64,435)
Depreciation charge	**(219,826)**	(419,016)
Foreign exchange movement	**27,855**	-
Carrying amount - closing	**1,213,813**	1,024,240

9 INTANGIBLE ASSETS

	31 December 2018 $	*30 June 2018 $*
Patents, trademarks and designs		
Cost (gross carrying amount)	**1,314,751**	1,239,897
Accumulated amortisation	**(720,318)**	(645,084)
Net carrying amount	**594,433**	594,813
Capitalised lease surrender		
Cost (gross carrying amount)	**163,350**	163,350
Accumulated amortisation and impairment	**(163,350)**	(163,350)
Net carrying amount	**-**	-
Software		
Cost (gross carrying amount)	**161,786**	161,786
Accumulated amortisation	**(138,315)**	(127,508)
Net carrying amount	**23,471**	34,278
Total intangible assets		
Cost (gross carrying amount)	**1,639,887**	1,565,033
Accumulated amortisation and impairment	**(1,021,983)**	(935,942)
Net carrying amount	**617,904**	629,091

(a) Reconciliation of carrying amount at beginning and end of the period

	31 December 2018 $	30 June 2018 $
Patents, trademarks and designs		
Carrying amount - opening	**594,813**	600,427
Additions	**74,853**	132,959
Amortisation charge	**(75,233)**	(138,573)
Carrying amount - closing	**594,433**	594,813
Capitalised lease surrender		
Carrying amount - opening	**-**	272
Amortisation charge	**-**	(272)
Carrying amount - closing	**-**	-
Software		
Carrying amount - opening	**34,278**	420
Additions	**-**	43,225
Amortisation charge	**(10,807)**	(9,367)
Carrying amount - closing	**23,471**	34,278
Total intangible assets		
Carrying amount - opening	**629,091**	601,119
Additions	**74,853**	176,184
Amortisation charge	**(86,040)**	(148,212)
Carrying amount - closing	**617,904**	629,091

10 PROVISIONS

	31 December 2018	*30 June 2018*
	$	*$*
Current		
Annual leave liability	**362,164**	320,031
Warranty claims provision	**1,253,708**	1,618,906
	1,615,872	1,938,937
Non-current		
Long service leave	**226,438**	187,779
	226,438	187,779

11 CONTRIBUTED EQUITY

	31 December 2018	*30 June 2018*	***31 December 2018***	*30 June 2018*
	Shares	*Shares*	***$***	*$*
(a) Share capital				
Ordinary shares				
Fully paid	**712,513,168**	712,471,737	**111,305,543**	111,300,911
	712,513,168	712,471,737	**111,305,543**	111,300,911

(b) Movements in ordinary share capital:

Date	Details	No. of shares	Issue price	$
1-Jul-18	Opening balance	712,471,737		111,300,911
3-Aug-18	Issue of ordinary shares (i)	41,431	$0.1118	4,632
31-Dec-18	Balance	712,513,168		111,305,543

(i) On August 3 2018, Redflow Limited issued 41,431 ordinary shares to Mr David Knox , being a Directors fee payment in lieu of cash for services provided to the company as approved at the Annual General Meeting held on 25 November 2017. These shares rank equally with the existing shares of the Company.

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

12 CONTINGENCIES

The Group had no contingent liabilities at 31 December 2018 (2017: $nil).

13 COMMITMENTS

The Group has $21,204 additional commitments at 31 December 2018 (2017 : $nil) in committed capital for Plant & Equipment purchases.

14 EARNINGS PER SHARE

	31 December 2018 Cents	31 December 2017 Cents
(a) Basic and dilutive earnings per share		
Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group		
From continuing operations	**(0.69)**	(0.78)

(b) Reconciliation of earnings used in calculating earnings per share

	31 December 2018 $	31 December 2017 $
Basic and dilutive earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating earnings per share:-		
From continuing operations	**(4,912,239)**	(3,868,395)

(c) Weighted average number of shares used as the denominator

	31 December 2018 Number	31 December 2017 Number
Basic and dilutive earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**712,505,697**	495,776,624

For half-year ended 31 December 2018, options granted to employees and external parties are not considered to be potential ordinary shares as including such securities in the calculation would result in a decreased loss per share therefore being anti-dilutive. Options issued have not been included in the determination of basic earnings per share.

15 EVENTS AFTER BALANCE DATE

Subsequent to balance date on 26 January 2019 the Group has received the R&D tax refund of $1,751,567 which is included in Other current assets at 31 December 2018.

Except for the event listed above, there has been no other matter or circumstance after balance date not otherwise dealt with in the interim financial report that has significantly affected the Group.

16 RELATED PARTY TRANSACTIONS

A Director, Mr Simon Hackett, is a beneficiary of Hackett CP Nominees, the Hackett Family Trust and Director of Base64 Pty Ltd. On 26 November 2018 Mr Simon Hackett ceased to be a Director and key management personnel.

There were no related party transactions during the half-year ended 31 December 2018.

During the prior period, Hackett CP Nominees was issued shares on conversion of Convertible Notes provided as working capital funding during the financial year ended 30 June 2017. The Notes were converted to shares on the same terms as the capital raising completed in August 2017.

In 2016 and 2017, Base64 Pty Ltd was contracted to develop the BMS and ZCell enclosure for the launch of the ZCell residential offer. Professional Fees charged under this contract include pass-through costs for enclosure engineering design and analysis services from subcontractors, costs to construct a battery inverter integration, testing and training lab in Adelaide, and prototype enclosure tooling and manufacturing expenses. Expenses and purchases recharged for the period to 31 December 2017 include the cost of travel and accommodation expenses associated with employees of Base64 Pty Ltd. During the year an employee of Base64 Pty Ltd was seconded to Redflow as Global Sales Manager.

All of these contracts were delivered at arm's length under normal terms and conditions.

The aggregate amounts of each of the above types of related party transactions are set out below.

	31 December 2018 $	31 December 2017 $
Shares issued for Convertible Notes	-	4,000,000
Professional Fees paid by the Company	-	42,400
R&D expenses paid by the Company	-	100,202
Payroll expenses paid by the Company	-	82,049
Expenses/purchases recharged and paid by the Company	-	37,386

The closing balance in Provision for warranty specifically relating to entities controlled by key management personnel was $112,046 (2017: $264,858).

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 18 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Redflow Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Brett Johnson
Non-Executive Chairman

Brisbane
Date 26 February 2019

Independent auditor's review report to the members of Redflow Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redflow Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Redflow Limited Group. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redflow Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Redflow Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the half-year financial report, which indicates that the Group incurred an operating loss after income tax of $4,912,239 during the half-year ended 31 December 2018 and an operating cash outflow from operating activities of $9,471,100 and highlights that the ability to fund development, production and marketing of the Group's products is dependent on its ability to generate positive cash flow from operations and raise funding from investors and government incentive programs. These conditions, along with other matters set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
26 February 2019