

**Redflow Limited**

ABN 49 130 227 271

**Appendix 4E and Financial Report**

**For the year ended 30 June 2019**

## APPENDIX 4E

### ASX Preliminary Financial Report

|                                |                         |
|--------------------------------|-------------------------|
| Name of Entity:                | Redflow Limited         |
| ABN:                           | 49 130 227 271          |
| Reporting period:              | year ended 30 June 2019 |
| Previous corresponding period: | year ended 30 June 2018 |

#### Results for announcement to the market

| <b>Results</b>  |      | <b>%</b>   |    | <b>\$</b>           |
|---|------|------------|----|---------------------|
| Revenue from ordinary activities                                | down | <b>54%</b> | to | <b>800,072</b>      |
| Other income  | down | <b>10%</b> | to | <b>1,938,144</b>    |
| Loss from ordinary activities after tax attributable to members | down | <b>4%</b>  | to | <b>(11,569,996)</b> |
| Net loss for the year attributable to members                   | down | <b>3%</b>  | to | <b>(11,595,538)</b> |

#### Dividend Information

The directors do not recommend the payment of a dividend for the reporting year.

| <b>Net tangible assets per security</b> | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
| Net tangible asset per security         | <b>\$0.02</b>       | \$0.03              |

#### Commentary on results for the period

Refer to the consolidated financial statements, and Directors Report to the market with this Appendix 4E Preliminary Final Report for detailed explanation and commentary on results.

#### Compliance Statement

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in and should be read in conjunction with the notes to the consolidated financial statements and the Directors Report for the year ended 30 June 2019.

This report is based on the consolidated financial statements for the year ended 30 June 2019 which have been audited by PricewaterhouseCoopers with the Independent Auditor's Report included in the 2019 Annual Financial Report. The independent audit report for Redflow Limited and its controlled entities (the Group) for the year ended 30 June 2019 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 year ended 30 June 2019.

**Board of Directors**

Brett Johnson  
(Chairman)  
Timothy Harris  
(Managing Director and Chief Executive Officer)  
David Brant  
David Knox  
John Lindsay  
Jenny Macdonald

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**Company Secretary**

Trudy Walsh

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**Bankers**

Commonwealth Bank of Australia  
1/9 Brookfield Rd  
Kenmore Hills, QLD, 4069

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**Patent Attorneys**

Spruson & Ferguson  
Level 6, 175 Eagle Street  
Brisbane, QLD, 4000

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**Auditors**

PricewaterhouseCoopers  
480 Queen Street  
Brisbane, QLD, 4000

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**Contact Details**

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**Solicitors**

Thomson Geer Lawyers  
Level 28, Waterfront Place, 1 Eagle Street  
Brisbane, QLD, 4000

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**Principal registered office in Australia**

Redflow Limited  
ACN 130 227 271  
ABN 49 130 227 271  
1/27 Counihan Road  
Seventeen Mile Rocks  
Brisbane, QLD, 4073  
Australia

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**Share Registry**

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

## Message from the Chairman and CEO

Dear Shareholders

Over the 2019 financial year, Redflow achieved a number of significant milestones that have positioned us to be able to deliver on the many global opportunities we see ahead for our energy storage battery technology. These include:

- The successful launch and ramp-up in manufacturing of Redflow's zinc bromine (ZBM) flow batteries in our factory in Thailand. In December 2018, we manufactured 150 batteries in the month, proving our ability to manufacture quality batteries at volume. In July this year, our factory achieved ISO9001 quality certification;
- The development of a material portfolio of initial sales and opportunities, including significant progress in our global telco strategy. We have made sales to Optus, a leading South African mobile operator and a number of other Telco pilots are in progress;
- In addition, we have sold batteries for an off grid remote power system in Thailand and for a high-profile deployment in two childcare centres in Melbourne. We have entered new partnerships with Soul Energy in New Zealand and Mobax in South Africa and also commissioned a 100 kWh system in China for a demonstration project in partnership with Zbest Power;
- Enhancing our executive team, improving our sales and business development capabilities, as well as investing in supply chain and customer support that will allow us to manage our business more efficiently and effectively;
- Making significant progress in our product research and development programs, with several key projects principally designed to materially reduce the manufacturing cost of our ZBM batteries; and
- The completion of an \$8.4 million (before costs) Entitlement Offer in May 2019, providing the funds required to support the Company's business plan and execute on our sales strategy.

Given the substantial global opportunities available for Redflow's ZBM battery technology, your refreshed Board and executive team wanted to ensure that the right sustainable approach to the growth of our business was adopted.

We would have preferred to have already obtained significant sales volumes, but there was much work needed to put in place the right platform to underpin Redflow's future growth:

- After attempting to outsource Redflow's manufacturing to a third party manufacturer in Mexico over three years, it was critical, once manufacturing was relocated to our owned facility in Thailand, that relationships were re-established with target partners and end customers while rebuilding a quality sales pipeline;
- Significant partner and end customer engagement as well as activities such as Proof of Concepts have been required over the last 12 months to rebuild market credibility and demonstrate our technical solution and commercial value proposition;
- We established a clear focus on the markets and applications where our unique battery technology has the strongest customer value proposition. A significant amount of work was undertaken to ensure our partners and end customers understood the value and benefits of our energy storage battery technology;
- Delays by end customers in implementing their overall projects, which were outside of our control, had a material effect on the timing of orders received. With Redflow's batteries only one component part of a broader power solution, we are reliant on the

timing of the decision to implement an overall project to drive sales. Our pipeline of key opportunities continues to grow, with the timing of many projects in this pipeline delayed into FY20; and

- Over the last three years, the market for energy storage has matured and grown. At the same time, the intensity of competition – particularly from Lithium – has materially increased. To meet our competitive challenges, Redflow is focused closely on those applications and markets where we believe we have a compelling technical and commercial proposition, whilst also continuing with our cost down program.

Having addressed the issues faced in FY19, Redflow is now well positioned to leverage the progress we have made over the last 12 months with a unique technology that has been in development for over 15 years.

We are now manufacturing quality batteries and we clearly understand our short-term market opportunities, particularly in the telco market. We have made real inroads with our target markets and are engaged with a number of end customers that have the ability to order material battery volumes. We have moved several new business opportunities to the commercial negotiation stage which we hope will set the basis for a ramp up in sales over the next 12 months.

Continued progress on our cost down engineering program also means we are able to price aggressively for future selected strategic opportunities over the next six months, providing us with scale, gross margin and further market proof points. We have also significantly moderated our Thailand manufacturing to preserve working capital and have initiated cost control measures in our Australian operations.

We continue to be optimistic around the long-term potential for Redflow and its role in the global energy storage eco-system. However, there is no magic bullet or quick fix solution that will guarantee Redflow's success. It will take time, effort and clarity of focus. We will continue to need the runway to prove our technology, ensure we have the commercial capabilities to sell our battery in a competitive market and execute our key cost-down research and development activities.

The Board and executive team are excited by the many opportunities we see for Redflow. To successfully execute on these opportunities, the Board is conscious of the Company's capital needs and ensuring investment into the right areas of the business is progressed. We will continue to consider all available funding alternatives, including the option of a cornerstone shareholder who may provide not only additional capital but also industry knowledge and or access to target markets. We believe that the Redflow ZBM battery has the scope to deliver a key long-term energy storage solution globally.

We would like to thank Redflow's talented team for the effort and commitment they have shown over the past 12 months. In addition, we would like to thank our shareholders for their continued support.

It is rare that you can be involved with a company that can truly "change the world" and we are fortunate that the battery technology developed by Redflow can do just this. We are focused on delivering on the many growth opportunities we see for Redflow's unique battery technology and building a truly unique Australian technology company.



Brett Johnson  
Chairman



Tim Harris  
Chief Executive Officer

## Table of Contents

|  |    |
|--|----|
| Directors report .....                               | 5  |
| Remuneration report .....                            | 12 |
| Corporate governance report .....                    | 21 |
| Risk report .....                                    | 31 |
| Auditors independence declaration .....              | 37 |
| Consolidated statement of comprehensive income ..... | 38 |
| Consolidated balance sheet .....                     | 39 |
| Consolidated statement of changes in equity .....    | 40 |
| Consolidated statement of cash flows .....           | 41 |
| Notes to the consolidated financial statements ..... | 42 |
| Directors declaration .....                          | 78 |
| Independent auditor’s report to the members .....    | 79 |
| ASX additional information .....                     | 85 |

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 at the end of, or during, the year ended 30 June 2019.

**Directors and company secretary**

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

| <b>Directors</b> | <b>Position</b>                                   | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|------------------|---|----------------------------|----------------------------|
| 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            |                            |

**Principal activities**

The principal activity of the Group consists of the development, manufacture and sale of its zinc-bromine flowing electrolyte battery module (ZBM).

A review of the operations of the Group for the financial year is included in the Directors Report.

**Dividends**

No dividend has been paid and the Directors do not recommend the payment of a dividend (2018: \$nil).

**Issue of shares**

During the year, contributed equity increased by \$8,285,334 (from \$111,300,911 to \$119,586,245). A total of 201,300,267 ordinary shares were issued during the year. Details of the changes in contributed equity are disclosed in note 20 of the financial statements.

**Review of operations and financial position**

The loss of the Group after income tax on a consolidated basis for the financial year ended 30 June 2019 was \$11,569,996 (2018: \$11,995,018). The FY19 loss was mainly attributable to the following factors:

- Lower sales due to the need to rebuild Redflow’s sales capability and pipeline as well as delayed lead times from customer battery trials to sales order commitments;
- Lower cost of sales and raw material costs by controlling production output to align with sales requirements at the Redflow operated production facility in Chonburi, Thailand;
- Higher payroll costs due to appointment of new CEO, CFO, CCO and CDO to enhance commercial delivery, increased commercial resources and impact from redundancies and reductions in non-strategic staff; and
- Continued spend on research and development offset by receipt of \$1,751,567 from the R&D tax refund for spend in the prior year.

During the year the Company executed on key elements of its turnaround program. Milestones achieved include:

- Demonstrated ability of the Redflow Thailand manufacturing facility to produce quality batteries at 150 batteries per month;
- Achievement of ISO 9001 accreditation for Redflow Thailand facility;

- Renewing the Board during the year with the appointment of CEO Tim Harris as Managing Director, David Brant as an Independent Non Executive Director, John Lindsay as a Non-Executive Director and the resignation of Richard Aird and Simon Hackett as Directors.
- Renewal of the Redflow management team with the appointment of Trudy Walsh as Chief Financial Officer (CFO), Ben Shepherd as Chief Commercial Officer and Tim McTaggart as Chief Deployment Officer;
- Ongoing activities in product cost down engineering and research and development activities which will have a material impact on our battery cost structure. This investment will be offset by a research and development credit towards the end of 2019;
- Successful sale and deployment of key reference sites and customers; and
- Investment in further sales and business development capability to align focus on key target markets and applications in Australasia, Asia Pacific and South Africa.

In May 2019 the Company successfully raised in total \$8,395,499 in capital on the completion of the Rights Issue at 1 for 2 at issue price of 4.2cents.

This capital injection has positioned the Company to execute further on its growth strategy. The Company is committed to prudently investing its scarce resources in opportunities which will provide the best shareholder return.

The Group's independent auditor's report for the year ended 30 June 2019 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 year ended 30 June 2019.

#### **Material risks**

The Company, like all companies, faces risks inherent in its business and the stage of development of its core product. 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 can guarantee the performance of the Company. A detailed review of the Company's risks is outlined in the Risk report of the Annual Report.

#### **Significant changes in the state of affairs**

Significant changes in the state of affairs of the Company during the year are outlined in the Review of operations and financial position.

#### **Matters subsequent to the end of the financial year**

Subsequent to the end of the financial year, the following event has occurred:

- Achievement of ISO 9001 accreditation for Redflow Thailand facility on 3 July 2019.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

#### **Likely developments and expected results of operations**

The Company will build on the momentum achieved over the past 12 months with the business strategy focused on the following opportunities and objectives:

- Convert current initial orders, current and new sales opportunities into material battery orders;
- Align Thailand manufacturing capability to emerging customer demand. Improving core processes, quality system and undertaking necessary maintenance to ensure the plant is ready for production ramp up;
- Ensure quality metrics remain very strong, Redflow Australia and Thailand management and staff remain highly engaged and the Company's health and safety metrics are robust;
- Continue focus on enhancing sales opportunities with a focus on key applications in Telecommunications, followed by Commercial and Industrial and Remote Power System markets and support selected residential opportunities;



- Ensure our deployment and operational support capabilities are fit for purpose and can support an increasing deployment and operational support requirements;
- Continue to review the Company's capabilities and resources to ensure they are aligned with the Company's core strategy and priorities;
- Explore alternative collaboration opportunities, through which the Company can accelerate market penetration, develop additional capabilities, and improve raw material and supply chain quality;
- Strengthen and grow the Company's integrator eco-system both in Australia and other target international markets;
- Work with state and federal governments to secure further research and development, participation in various renewable energy programs and other funding sources; and
- Explore potential strategic partnerships which provide Redflow with additional capabilities which may also include investment in the Company to secure Redflow's long term future.

Redflow expects to receive a research and development tax cash credit towards the end of 2019.

**Environmental regulation**

The Company and its subsidiaries are subject to the environmental regulations of the countries in which it operates or has activities. The Company currently operates facilities in Australia and Thailand and complies with Environmental and Workplace Health & Safety regulations of both countries and closely monitors the requirements around chemical storage and handling. Based on the results of enquires made, the Board is not aware of any significant breaches during the period covered in this report.

**Greenhouse gas and energy data reporting requirements**

The group is not subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

### Information on Directors and company secretary

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Brett Johnson LLB, FAICD**

#### **Independent Non-Executive Chairman**

##### *Experience and Expertise*

Brett Johnson has more than 14 years' experience as a director of listed companies, including Scott Corporation Limited and Helloworld Limited. At Scott, Brett was the only Independent Non-Executive Director representing minority shareholders and chaired the Audit Committee. At Helloworld, he was a member of the Audit Committee and Remuneration & Nominations Committee. He was also Chairman from August 2014 to December 2015. Brett also has more than 25 years' experience as General Counsel of listed Australian companies, including Qantas Airways Limited (1995-2012). Brett was appointed Non-Executive Chairman on 27 September 2017.

##### *Former Directorships*

*(of listed entities) in the last three years:-*

*Other Current Directorships:-*

*Special Responsibilities:-*

Helloworld Limited

Allotrac Limited Advisory Board (Chair)

Chair of the Board & Member of Audit & Risk Committee

#### **Timothy Harris BA, LLB, MBA**

#### **Managing Director (CEO)**

##### *Experience and Expertise*

Tim Harris is a seasoned business executive with extensive experience working for international companies. Prior to joining Redflow, Tim was Chief Commercial Officer for Chorus, New Zealand's largest telecommunications infrastructure company. Prior to that, Tim spent a decade in senior executive roles with BT, the British multinational telecommunications company that is the UK's largest provider of fixed-line, mobile, broadband and media services, which has operations in 180 countries. Tim was appointed CEO 27 March 2018 and Managing Director 02 July 2018.

*Special Responsibilities:-*

CEO

#### **David Knox BSc, MBA, FIEAust, FTSE, GAICD**

#### **Independent Non-Executive Director**

##### *Experience and Expertise*

David Knox is an experienced executive in the energy sector, most notably as MD & CEO of Santos Limited from 2008 - 2015. He was previously Managing Director for BP Developments in Australasia from 2003 – 2007 and has held management and engineering positions at BP, ARCO and Shell in the USA, Australia, Netherlands, United Kingdom, Pakistan and Norway. He is currently MD & CEO of Australian Naval Infrastructure.

David is originally from Edinburgh, Scotland and has a BSc Hons in Mechanical Engineering and an MBA. He is a fellow of the Australian Academy of Technology and Engineering and the Institution of Engineers Australia and a graduate of the Australian Institute of Company Directors.

David currently serves as a Non-Executive Director on a number of Boards including CSIRO, i3 Energy, Migration Council Australia, TACSI and the Adelaide Festival. He also a member of the Council of RiAus. He was appointed Non- Executive Director of Redflow Limited in March 2017.

##### *Former Directorships*

*(of listed entities) in the last three years:-*

*Other Current Directorships:-*

*Special Responsibilities:-*

Managing Director and CEO of

Santos Limited

Botanic Gardens of South Australia

i3 Energy (Non-Executive Chair)

CSIRO

TACSI (Chair)

Migration Council of Australia

Adelaide Festival

Australian Naval Infrastructure (MD & CEO)

Member of the Audit Committee.

**David Brant BEng, PgDBA, FAICD**

**Independent Non-Executive Director**

*Experience and Expertise*

David Brant has more than 20 years of Managing Director experience running a number of businesses in Asia for IMI plc, a UK based FTSE 200 company. This included 13 years at Executive Board level for the Norgren Group of companies focused on manufacturing automation and included establishing a global manufacturing and technology design centre based in China. David then worked for Redflow as Vice President Strategy and Corporate Development from 2010-12 and ran his own start-up energy storage business Energy 365 from 2014-17.

David is a Fellow of the Australian Institute of Company Directors, has a Bachelor of Engineering and a Post Graduate Diploma of Business Administration. David is currently not a director of any other listed companies. He was appointed as a Non-Executive Director on 19 October 2018.

*Other Current Directorships:-*

Loddon Mallee Housing Services Ltd  
Nillumbik Community Health Services Ltd

**Jenny Macdonald BCom, CA, MEI, GAICD**

**Independent Non-Executive Director**

*Experience and Expertise*

Jenny Macdonald is a professional company director currently serving on the board and audit committee of ASX-listed Australian Pharmaceuticals Ltd (ASX:API) and Redbubble Ltd (ASX:RBL) and is the Audit Chair for Bapcor Ltd (ASX:BAP). She also has extensive experience working for ASX-listed and floral companies at the CFO and general management level, including as CFO and interim CEO at Helloworld Ltd (ASX:HLO), and CFO and General Manager International with REA Group (ASX:REA). Jenny was appointed as a Non-Executive Director on 22 December 2017.

*Other Current Directorships:-*

Australian Pharmaceuticals Industries Ltd  
Redbubble Ltd  
Bapcor Ltd  
Chair of the Audit Committee

*Special Responsibilities:-*

**John Lindsay GAICD**

**Non-Executive Director**

*Experience and Expertise*

John Lindsay has been a Director of Uniti Group Ltd (formerly Uniti Wireless Ltd) since May 2018 where he serves on the Audit and Risk Committee and the Remuneration Committee. John is also a director of the Telecommunications Industry Ombudsman Ltd, the external dispute resolution body for the telecommunications industry. He serves on the TIO Audit, Finance and Risk Committee and on the Nominations Committee.

John has previously held senior technology leadership roles as Chief Technology Officer (CTO) at iiNet Limited, CTO at Internode and General Manager of Chariot Internet. John is a graduate member of the Australian Institute of Company Directors. He was appointed as a Non-Executive Director on 11 September 2018.

*Other Current Directorships:-*

Uniti Group Ltd  
TIO Ltd

**Trudy Walsh BBus, CPA, MBA, GAICD**

**Company secretary**

*Experience and Expertise*

Trudy Walsh is an experienced Finance Executive with over 15 years' experience as Country CFO/Senior Business Unit Executive for global companies Bucyrus, Caterpillar Global Mining, Ansaldo, ABB and several privately held companies. She has worked in high growth businesses in the manufacturing, engineering and mining industries and has been company secretary in several of the forementioned companies. Trudy commenced as CFO on 21 August 2018 and was appointed company secretary on 28 August 2018.

**Directors' interest in Shares and Options**

As at the date of this report, the interests (direct and/or beneficial) of the Directors in the shares and options of Redflow Limited were:

|                        | Number of<br>ordinary shares | Number of<br>Performance<br>Rights |
|------------------------|------------------------------|------------------------------------|
| <b>Brett Johnson</b>   | 1,251,670                    | 2,500,000                          |
| <b>David Knox</b>      | 1,629,059                    |                                    |
| <b>Jenny Macdonald</b> | 1,052,208                    |                                    |
| <b>John Lindsay</b>    | 684,308                      |                                    |
| <b>David Brant</b>     | 866,221                      |                                    |
| <b>Tim Harris</b>      | 750,000                      | 5,000,000*                         |

\* Performance Rights approved at the AGM held on 26 November 2018 however not yet issued as at 30 June 2019.

**Meetings of Directors**

The numbers of meetings of the Group's Board of Directors and Audit Committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

|                        | Full meeting of<br>Directors |    | Meetings<br>of Audit<br>committee |   |
|------------------------|------------------------------|----|-----------------------------------|---|
|                        | A                            | B  | A                                 | B |
| <b>Brett Johnson</b>   | 17                           | 17 | 6                                 | 6 |
| <b>Tim Harris</b>      | 17                           | 17 | *                                 | * |
| <b>Simon Hackett</b>   | 7                            | 7  | *                                 | * |
| <b>Richard Aird</b>    | 6                            | 6  | *                                 | * |
| <b>Jenny Macdonald</b> | 17                           | 17 | 6                                 | 6 |
| <b>David Knox</b>      | 15                           | 17 | 4                                 | 6 |
| <b>John Lindsay</b>    | 13                           | 13 | *                                 | * |
| <b>David Brant</b>     | 11                           | 12 | *                                 | * |

**A** = Number of meetings attended

**B** = Number of meetings held during the time the Director held office or was a member of the committee during the year. All Directors were eligible to attend all meetings held during their tenure.

\* = Not a member of the committee

**Shares Issued on the exercise of options**

There were no ordinary shares of Redflow Limited issued during the year ended 30 June 2019 on the exercise of options granted under the Redflow Limited Employee Option Plan. The options do not entitle the holder to participate in any share issue of the Company.

**Performance Rights issue**

The Company has established a Performance Rights Plan in lieu of a share option plan. Performance rights will be issued to executive and key management from time to time, aligning management objectives with shareholders. During the year ended 30 June 2019, there were no ordinary shares of Redflow Limited issued as a result of the vesting of any performance rights.

**Shares under option**

Unissued ordinary shares of Redflow Limited under option at the date of this report are as follows:

| <i>Grant Date</i> | <i>First<br/>Exercise<br/>Date</i> | <i>Expiry date</i> | <i>Exercise<br/>price</i> | <i>Balance at date<br/>of report</i> | <i>Vested and<br/>exercisable at<br/>date of report</i> |
|-------------------|------------------------------------|--------------------|---------------------------|--------------------------------------|---|
|                   |                                    |                    |                           | Number                               | Number  |
| 18/05/2015        | 30/06/2015                         | 30/06/2018         | \$0.19                    | 100,000                              | -   |
| 18/05/2015        | 30/06/2016                         | 30/06/2019         | \$0.19                    | 550,000                              | -   |
| 18/05/2015        | 31/12/2016                         | 31/12/2019         | \$0.19                    | 300,000                              | 300,000   |
| 18/05/2015        | 30/06/2017                         | 30/06/2020         | \$0.19                    | 100,000                              | 100,000   |
| 28/11/2016        | 14/07/2018                         | 28/11/2022         | \$0.34                    | 2,000,000                            | -   |
| 28/11/2016        | 14/07/2018                         | 28/11/2022         | \$0.34                    | 3,000,000                            | -   |
|                   |                                    |                    |                           | 6,050,000                            | 400,000   |

**Insurance of Officers**

During the financial year, Redflow Limited paid a premium of \$63,207 (2018: \$47,257) to insure the Directors and Secretaries of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be bought against the officers in their capacity as officers in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

**Non-Audit Services**

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and, in accordance with a resolution of the Directors of the Company, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality or objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year \$15,055 in fees were paid or payable for non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

|  | 30 June 2019  | 30 June 2018 |
|--|---------------|--------------|
|  | \$            | \$           |
| <b>Other services</b>                            |               |              |
| <b>PricewaterhouseCoopers Australian firm:</b>   |               |              |
| R&D claim services                               | <b>15,055</b> | -            |
| <b>Total remuneration for non audit services</b> | <b>15,055</b> | -            |

#### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 37.

#### **Remuneration Report (Audited)**

The Directors of Redflow Limited present the Remuneration Report for the Company and the Group for the year ended 30 June 2019 accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") of the Group, which comprises all Directors (Executive and Non-Executive) and those Executives who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly.

For the purposes of this Remuneration report, the term "Executive" includes the Chief Executive Officer (CEO), Executive Directors, Senior Executives, General Managers and Secretaries of the Parent and the Group and the term "Director" refers to Independent and Non-Executive Directors only.

The remuneration report is presented under the following sections:

- (a) Remuneration overview
- (b) Remuneration at a glance
- (c) Overview of executive remuneration
- (d) Executive performance agreements
- (e) Performance and executive remuneration outcomes in FY19
- (f) Non-Executive Directors (Directors) remuneration disclosure
- (g) Share-based compensation
- (h) Equity instruments held by key management personnel
- (i) Other transactions with key management personnel
- (j) Securities Trading Policy

**(a) Remuneration overview**

The following table details the Group's KMP during the 2019 financial year and up to the date of this report.

*Non-Executive and Executive Directors (see pages 8 to 9 for details about each Director)*

|                 |   |
|-----------------|---|
| Brett Johnson   | Independent Non-Executive Chairman  |
| Tim Harris      | Managing Director (appointed 2 July 2018) and CEO (appointed 27 March 2018) |
| David Knox      | Independent Non-Executive Director  |
| Jenny Macdonald | Independent Non-Executive Director  |
| John Lindsay    | Non-Executive Director (appointed 11 September 2018)                        |
| David Brant     | Independent Non-Executive Director (appointed 19 October 2018)              |

*Key management personnel*

|                       |  |
|-----------------------|--|
| Richard Aird          | Chief Operating Officer  |
| Dr Michele Giulianini | Chief Technology Officer   |
| Trudy Walsh           | Chief Financial Officer (commenced 21 August 2018); and Company Secretary (commenced 28 August 2018) |

**(b) Remuneration at a glance**

*(i) Remuneration strategy*

The Group's remuneration strategy is designed to attract, motivate and retain Employees, Executives and Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

Four principles are used when determining employee remuneration. They are:

1. Fairness: provide a fair level of reward to all employees;
2. Transparency: build a culture of achievement by transparent links between reward and performance;
3. Alignment: Align Employees and Shareholders interests through share ownership; and
4. Culture: drive leadership performance and behaviours that creates a culture that promotes safety, high performance, diversity and employee satisfaction.

*(ii) Use of remuneration consultants*

External specialist remuneration advice is sought on an as-needs basis in respect of remuneration arrangements for KMP of the Group. General remuneration advice is sought on an ad-hoc basis. No external advisors were used during the current year.

*(iii) Board oversight of remuneration – Remuneration Committee*

The Group's remuneration function is overseen and approved by the Non-Executive Directors. The Company currently has five Non-Executive Directors. This is considered appropriate given the size and stage of development of the Group.

**(c) Overview of executive remuneration**

*(i) Executive remuneration arrangements*

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. As such, the Group rewards each Executive with a fixed remuneration package, the value of which is determined by the Board acting as the Remuneration Committee based on the remuneration policy noted above. In the 2019 financial year, remuneration of Executives included the issue of performance rights and performance based remuneration incentive schemes consisting of a performance based bonus.

(ii) *Structure*

In the 2019 financial year, the Executive remuneration framework consisted of the following components:

(1) *Fixed remuneration*: This component has been negotiated by each Executive with the Board or Chief Executive Officer as appropriate, based on their experience and duties. The remuneration of Executives for the year ended 30 June 2019 is disclosed in Table 1.

(2) *Bonus scheme*: Employees are eligible to participate in a short term bonus incentive (STI) scheme as agreed and reviewed annually in line with specific short term performance indicators. The short term performance indicators are a mixture of financial and non financial targets with a combination of personal and Group performance.

(3) *Share based incentives*: The Board may, at any time, make invitations to Eligible Persons (being Directors, Officers, Employees or Contractors of Redflow) to participate in the Redflow Performance Rights Plan ('Plan') specifying the total number of rights being made available, the exercise period and exercise conditions. Performance is measured over the term of the rights based on the achievement of key performance measures. These include an element of loyalty and retention, operational performance hurdles and share price performance. The Board is satisfied that the selected performance measures are appropriate given the alignment with the objectives of the Group. The Board exercises discretion to determine the outcomes taking into account the impact of conditions outside the control of the Chief Executive Officer and executives. The Company replaced the Shares and Options Plan with a Performance Rights Plan during the year ended 30 June 2018.

**(d) Executive performance agreements**

*KMP employment contracts and notice periods are set out below*

|                                       | <b>Term</b>                 | <b>Start of contract</b> | <b>Basic salary including superannuation</b> | <b>Termination benefit</b> |
|---------------------------------------|-----------------------------|--------------------------|--|----------------------------|
| <b>Executive Directors</b>            |                             |                          |  |                            |
| Tim Harris                            | Indefinite, 3 months notice | 27/03/2018               | \$455,000                                    | 3 months                   |
| <b>Other key management personnel</b> |                             |                          |  |                            |
| Richard Aird                          | Indefinite, 6 months notice | 02/02/2016               | \$340,000                                    | 6 months                   |
| Dr Michele Giulianini                 | Indefinite, 2 months notice | 25/11/2013               | \$208,050                                    | 2 months                   |
| Trudy Walsh                           | Indefinite, 3 months notice | 21/08/2018               | \$300,000                                    | 3 months                   |



**(e) Performance and executive remuneration outcomes for the year ended 30 June 2019**

The actual remuneration earned by Executives during the year ended 30 June 2019 is set out in Table 1 below. This provides shareholders with a view of the remuneration expense attributable to executives for performance during the year.

Table 1 **Details of Remuneration**

|                                       | <b>Short-Term</b>        |               | <b>Post employment</b> | <b>Long term<sup>6</sup></b>         |                    | <b>Share based Payment<sup>7</sup></b> |                  | <b>Performance related</b> |
|---------------------------------------|--------------------------|---------------|------------------------|--------------------------------------|--------------------|--|------------------|----------------------------|
|                                       | <i>Salary &amp; fees</i> | <i>Bonus</i>  | <i>Super-annuation</i> | <i>Annual and Long service leave</i> | <i>Termination</i> | <i>Shares and options</i>              | <i>Total</i>     |                            |
| <b>30 June 2019</b>                   | \$                       | \$            | \$                     | \$                                   | \$                 | \$                                     | \$               | %                          |
| <b>Executive Directors</b>            |                          |               |                        |                                      |                    |  |                  |                            |
| Tim Harris                            | <sup>1,4</sup> 431,921   | -             | 25,000                 | 15,430                               | -                  | 121,083                                | 593,434          | 20%                        |
| <b>Other key management personnel</b> |                          |               |                        |                                      |                    |  |                  |                            |
| Richard Aird                          | <sup>2,5</sup> 314,423   | 18,900        | 25,000                 | (1,415)                              | -                  | (22,290)                               | 334,618          | -1%                        |
| Dr Michele Giulianini                 | <sup>5</sup> 194,038     | 7,500         | 19,146                 | (3,599)                              | -                  | -                                      | 217,085          | 3%                         |
| Trudy Walsh                           | <sup>3,5</sup> 219,054   | 13,750        | 22,116                 | 7,567                                | -                  | -                                      | 262,487          | 5%                         |
| <b>Total executive KMP</b>            | <b>1,159,436</b>         | <b>40,150</b> | <b>91,262</b>          | <b>17,983</b>                        | <b>-</b>           | <b>98,793</b>                          | <b>1,407,624</b> |                            |

1. Appointed Executive Director 2 July 2018.

2. Resigned as Executive Director 19 October 2018.

3. Appointed 21 August 2018.

4. The CEO has elected to forego payment of any bonus awarded for year ended 30 June 2019.

5. These KMPs short term bonuses will be paid in shares rather than cash for the year ended 30 June 2019.

6. Movement in provisions, does not have a cash implication.

7. Movement in provisions, does not have a cash implication.

|                                       | <b>Short-Term</b>        |                | <b>Post employment</b> | <b>Long term<sup>3</sup></b>         |                    | <b>Share based Payment<sup>4</sup></b> |                  | <b>Performance related</b> |
|---------------------------------------|--------------------------|----------------|------------------------|--------------------------------------|--------------------|--|------------------|----------------------------|
|                                       | <i>Salary &amp; fees</i> | <i>Bonus</i>   | <i>Super-annuation</i> | <i>Annual and Long service leave</i> | <i>Termination</i> | <i>Shares and options</i>              | <i>Total</i>     |                            |
| <b>30 June 2018</b>                   | \$                       | \$             | \$                     | \$                                   | \$                 | \$                                     | \$               | %                          |
| <b>Executive Directors</b>            |                          |                |                        |                                      |                    |  |                  |                            |
| Richard Aird                          | 263,560                  | 150,000        | 39,288                 | 13,661                               | -                  | 57,602                                 | 524,112          | 40%                        |
| <b>Other key management personnel</b> |                          |                |                        |                                      |                    |  |                  |                            |
| Tim Harris                            | <sup>1</sup> 108,815     |                | 10,337                 | 9,569                                | -                  | -                                      | 128,721          | 0%                         |
| Dr Alexander Winter                   | <sup>2</sup> 196,154     | 16,500         | 20,202                 | (47,566)                             | -                  | -                                      | 185,290          | 9%                         |
| Dr Michele Giulianini                 | 170,000                  | 25,000         | 18,525                 | 11,159                               | -                  | -                                      | 224,684          | 11%                        |
| <b>Total executive KMP</b>            | <b>738,529</b>           | <b>191,500</b> | <b>88,353</b>          | <b>(13,176)</b>                      | <b>-</b>           | <b>57,602</b>                          | <b>1,062,808</b> |                            |

1. Appointed 27 March 2018.

2. Resulting from a review of the organisation decision making delegations and reporting lines Alex Winter ceased to be a KMP at 29 March 2018.

3. Movement in provisions, does not have a cash implication.

4. Movement in reserves, does not have a cash implication.

The following table shows for each executive KMP how much of their STI bonus was awarded and how much was forfeited. It also shows the value of performance rights that were granted, exercised and forfeited during the year ended 30 June 2019. The number of options and performance rights vested/forfeited for each grant are disclosed in section (g) of the remuneration report.

| 30 June 2019                          |                       | Total STI bonus   |         |           | LTI Performance Rights |                 |                 |           |
|---------------------------------------|-----------------------|-------------------|---------|-----------|------------------------|-----------------|-----------------|-----------|
|                                       |                       | Total opportunity | Awarded | Forfeited | Value granted          | Value exercised | Value forfeited |           |
|                                       |                       | \$                | %       | %         | \$                     | \$              | \$              |           |
| <b>Executive Directors</b>            |                       |                   |         |           |                        |                 |                 |           |
|                                       | Tim Harris            | 1,2               | 90,000  | -         | 100                    | 288,500         | -               | -         |
| <b>Other key management personnel</b> |                       |                   |         |           |                        |                 |                 |           |
|                                       | Richard Aird          | 3                 | 83,000  | 23        | 77                     | -               | -               | (303,266) |
|                                       | Dr Michele Giulianini | 3                 | 25,000  | 30        | 70                     | -               | -               | -         |
|                                       | Trudy Walsh           | 3,4               | 45,833  | 30        | 70                     | -               | -               | -         |

1. Performance Rights granted but not yet issued.

2. The CEO has elected to forego payment of any bonus awarded for year ended 30 June 2019.

3. These KMPs short term bonuses will be paid in shares rather than cash for the year ended 30 June 2019.

4. Eligible to participate from 21 August 2018.

#### **(f) Non-Executive Directors (NED) remuneration disclosure**

##### *(i) Director fee policy*

The Group's NED fee policy is designed to attract and retain high calibre Directors, who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity.

The Group rewards each Director with a fixed remuneration package. In the year ended 30 June 2019 remuneration of Directors was not dependant on sales performance or any other financial measures. There are no short term incentive or bonus scheme in place. At the Annual General Meeting (AGM) held on 26 November 2018, shareholders approved to pay Directors fees in shares in lieu of cash, when the Directors elected this form of payment, for services provided to the Group.

##### *(ii) Maximum aggregate NED fee pool*

The total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by shareholders in a general meeting. At the Annual General Meeting on 24 November 2017 shareholders approved an aggregate amount of \$400,000 per annum for Director fees. Any changes to this amount in future will require approval by shareholders in a general meeting in accordance with ASX listing rules.

Statutory Non-Executive Director fees for the year ended 30 June 2019 were:

|                                      |       | Short-Term                  |          | Post employment | Long term <sup>8</sup>        | Termination | Share <sup>9</sup> based Payment | Total          |
|--------------------------------------|-------|-----------------------------|----------|-----------------|-------------------------------|-------------|----------------------------------|----------------|
|                                      |       | Salary & <sup>10</sup> fees | Bonus    | Super-annuation | Annual and Long service leave |             | Shares and options               |                |
| 30 June 2019                         |       | \$                          | \$       | \$              | \$                            | \$          | \$                               | \$             |
| <b>Non-Executive Directors</b>       |       |                             |          |                 |                               |             |                                  |                |
| Brett Johnson                        | 1,6   | 90,000                      | -        | 8,550           | -                             | -           | 21,903                           | 120,453        |
| David Knox                           | 1,6,7 | 53,280                      | -        | 5,062           | -                             | -           | -                                | 58,342         |
| Simon Hackett                        | 1,2   | 22,200                      | -        | 2,109           | -                             | -           | -                                | 24,309         |
| Jenny Macdonald                      | 5,6   | 63,280                      | -        | 6,012           | -                             | -           | -                                | 69,292         |
| John Lindsay                         | 3,5,6 | 42,920                      | -        | 4,077           | -                             | -           | -                                | 46,997         |
| David Brant                          | 4,5,6 | 37,444                      | -        | 3,557           | -                             | -           | -                                | 41,001         |
| <b>Total Non-Executive Directors</b> |       | <b>309,124</b>              | <b>-</b> | <b>29,367</b>   | <b>-</b>                      | <b>-</b>    | <b>21,903</b>                    | <b>360,394</b> |

1. At their option, these Directors have received approval at the AGM held on 24 November 2017 to receive their fees in a combination of cash and/or shares.
2. Resigned from Non-Executive Director role 26 November 2018.
3. Appointed 11 September 2018.
4. Appointed 19 October 2018.
5. At their option, these Directors have received approval at the AGM held on 26 November 2018 to receive their fees in a combination of cash and/or shares.
6. At the Board meeting held on 14 March 2019, to preserve cash, it was approved that all Non-Executive Directors have elected to take their salary and fees as shares rather than cash for the period 1 April 2019 to 30 June 2019.
7. David Knox has elected to take 50% of his salary and fees as shares rather than cash for the period 1 July 2018 to 31 March 2019.
8. Movement in provisions, does not have a cash implication.
9. Movement in reserves, does not have a cash implication.
10. Salary and fees include any amounts salary sacrificed during the year.

Statutory Non-Executive Director fees for the year ended 30 June 2018 were:

|                                      |      | Short-Term                  |          | Post employment | Long term <sup>8</sup>        | Termination | Share <sup>9</sup> based Payment | Total          |
|--------------------------------------|------|-----------------------------|----------|-----------------|-------------------------------|-------------|----------------------------------|----------------|
|                                      |      | Salary & <sup>10</sup> fees | Bonus    | Super-annuation | Annual and Long service leave |             | Shares and options               |                |
| 30 June 2018                         |      | \$                          | \$       | \$              | \$                            | \$          | \$                               | \$             |
| <b>Non-Executive Directors</b>       |      |                             |          |                 |                               |             |                                  |                |
| Brett Johnson                        | 1,2  | 68,538                      | -        | 6,511           | -                             | -           | 12,482                           | 87,531         |
| Howard Stack                         | 5,11 | 53,280                      | -        | 5,062           | -                             | -           | -                                | 58,342         |
| Bruce Brown                          | 5,3  | 26,640                      | -        | 2,531           | -                             | -           | -                                | 29,171         |
| Patrick Tapper                       | 4    | 22,200                      | -        | 2,109           | -                             | -           | -                                | 24,309         |
| David Knox                           | 2    | 53,280                      | -        | 5,062           | -                             | -           | -                                | 58,342         |
| Simon Hackett                        | 6    | 66,736                      | -        | 6,140           | (1,048)                       | -           | (118,656)                        | (46,828)       |
| Jenny Macdonald                      | 7    | 33,341                      | -        | 3,167           | -                             | -           | -                                | 36,508         |
| <b>Total Non-Executive Directors</b> |      | <b>324,015</b>              | <b>-</b> | <b>30,582</b>   | <b>(1,048)</b>                | <b>-</b>    | <b>(106,175)</b>                 | <b>247,375</b> |

1. Appointed 27 September 2017.
2. These Directors have elected not to receive these fees in cash and received approval for the issue of shares in lieu of this cash payment at the AGM held on 24 November 2017.
3. Resigned 22 December 2017.
4. Resigned 24 November 2017.
5. These Directors have elected to receive fees in a combination of cash and shares and received approval for the issue of shares in lieu of cash payment at the AGM held on 25 November 2016.
6. Resigned from Executive Director role 27 September 2017. Total includes fees for Executive and Non-Executive Director roles.
7. Appointed 22 December 2017.
8. Movement in provisions, does not have a cash implication.
9. Movement in reserves, does not have a cash implication.
10. Salary and fees include any amounts salary sacrificed during the year.
11. Resigned 28 June 2018.

**(g) Share based compensation**

Long term incentives provided to executives under a share rights issue include performance based measures such as the achievement of key performance indicators specific to the executive's role. These align with the objectives, goals and strategy of the Company, and the role of the individual. Achievement of these key performance indicators is ultimately determined at the discretion of the Board.

**Table 3 Details of Options awarded and/or vested during the year (consolidated)**

| <i>Terms and conditions for each Grant</i> |  |            |                     |             |                 |                |                           |                        |    |  |
|--|--|------------|---------------------|-------------|-----------------|----------------|---------------------------|------------------------|----|--|
| Options awarded                            | Fair value of option at date of award (\$) | Award date | Exercise price (\$) | Expiry date | First test date | Last test date | Forfeited during the year | Vested at 30 June 2019 |    |  |
|  |  |            |                     |             |                 |                |                           | Number                 | %  |  |
| <b>30 June 2019</b>                        |  |            |                     |             |                 |                |                           |                        |    |  |
| <b>Non-Executive Directors</b>             |  |            |                     |             |                 |                |                           |                        |    |  |
| Simon Hackett                              |  |            |                     |             |                 |                |                           |                        |    |  |
| 3,000,000                                  | 657,600                                    | 28/11/2016 | 0.340               | 28/11/2022  | 14/07/2018      | 28/11/2022     | (3,000,000)               | -                      | 0% |  |
| <b>Other key management personnel</b>      |  |            |                     |             |                 |                |                           |                        |    |  |
| Richard Aird                               |  |            |                     |             |                 |                |                           |                        |    |  |
| 2,000,000                                  | 438,400                                    | 28/11/2016 | 0.340               | 28/11/2022  | 14/07/2018      | 28/11/2022     | (2,000,000)               | -                      | 0% |  |
| <b>Total</b>                               | <b>5,000,000</b>                           |            |                     |             |                 |                | <b>(5,000,000)</b>        |                        |    |  |

**Table 4 Details of Performance Rights awarded and/or vested during the year (consolidated)**

| <i>Terms and conditions for each Grant</i> |                                  |            |             |                 |                |                           |                        |          |    |  |
|--|----------------------------------|------------|-------------|-----------------|----------------|---------------------------|------------------------|----------|----|--|
| Performance Rights awarded                 | Fair value at date of award (\$) | Award date | Expiry date | First test date | Last test date | Forfeited during the year | Vested at 30 June 2019 |          |    |  |
|  |                                  |            |             |                 |                |                           | Number                 | %        |    |  |
| <b>30 June 2019</b>                        |                                  |            |             |                 |                |                           |                        |          |    |  |
| <b>Non-Executive Directors</b>             |                                  |            |             |                 |                |                           |                        |          |    |  |
| Brett Johnson                              |                                  |            |             |                 |                |                           |                        |          |    |  |
| Tranch 1                                   | 833,333                          | 66,417     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | -                      | -        | 0% |  |
|  | 833,333                          | 58,467     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | -                      | -        | 0% |  |
|  | 833,334                          | 46,167     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | -                      | -        | 0% |  |
|  | 2,500,000                        |            |             |                 |                |                           |                        |          |    |  |
| <b>Executive Directors</b>                 |                                  |            |             |                 |                |                           |                        |          |    |  |
| Tim Harris                                 |                                  |            |             |                 |                |                           |                        |          |    |  |
| Tranch 1                                   | 1,000,000                        | 84,000     | 26/11/2018  | 25/11/2024      | 30/06/2021     | 30/06/2021                | -                      | -        | 0% |  |
| Tranch 2                                   | 1,500,000                        | 126,000    | 26/11/2018  | 25/11/2024      | 30/06/2019     | 30/06/2021                | -                      | -        | 0% |  |
| Tranch 3                                   | 833,333                          | 32,083     | 26/11/2018  | 25/11/2024      | 30/06/2020     | 30/06/2021                | -                      | -        | 0% |  |
|  | 833,333                          | 28,000     | 26/11/2018  | 25/11/2024      | 30/06/2021     | 30/06/2021                | -                      | -        | 0% |  |
|  | 833,334                          | 18,417     | 26/11/2018  | 25/11/2024      | 30/06/2021     | 30/06/2021                | -                      | -        | 0% |  |
|  | 5,000,000                        |            |             |                 |                |                           |                        |          |    |  |
| <b>Other key management personnel</b>      |                                  |            |             |                 |                |                           |                        |          |    |  |
| Richard Aird                               |                                  |            |             |                 |                |                           |                        |          |    |  |
| Tranch 1                                   | 1,000,000                        | 125,000    | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | -                      | -        | 0% |  |
| Tranch 2                                   | 666,666                          | 83,333     | 4/12/2017   | 28/11/2023      | 30/06/2018     | 30/06/2020                | (666,666)              | -        | 0% |  |
|  | 666,666                          | 83,333     | 4/12/2017   | 28/11/2023      | 30/06/2019     | 30/06/2020                | (666,666)              | -        | 0% |  |
|  | 666,667                          | 83,333     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | -                      | -        | 0% |  |
| Tranch 3                                   | 666,666                          | 53,133     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | (666,666)              | -        | 0% |  |
|  | 666,667                          | 46,533     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | (666,667)              | -        | 0% |  |
|  | 666,668                          | 36,933     | 4/12/2017   | 28/11/2023      | 30/06/2020     | 30/06/2020                | (666,668)              | -        | 0% |  |
|  | 5,000,000                        |            |             |                 |                |                           |                        |          |    |  |
| <b>Total</b>                               | <b>12,500,000</b>                |            |             |                 |                |                           | <b>(3,333,333)</b>     | <b>-</b> |    |  |

*Fair value of options included as a part of remuneration*

For details on the valuation of performance rights and options, including models and assumptions used, please refer to Note 32. There were no alterations to the terms and conditions of performance rights and options granted as remuneration since the grant date.

**(h) Equity instruments held by key management personnel**

Shares held by key management personnel are outlined in Table 5 below. Options and Performance Rights are outlined in Table 3 and Table 4 above.

**Table 5 Shares held by key management personnel**

| <b>30 June 2019</b>                   | <i>Balance at start<br/>of year</i> | <i>Granted during<br/>the year as<br/>compensation</i> | <i>Other changes<br/>during the year <sup>1</sup></i> | <i>Balance at end<br/>of year</i> |
|---------------------------------------|-------------------------------------|--|---|-----------------------------------|
|                                       | <i>Number</i>                       | <i>Number</i>  | <i>Number</i>   | <i>Number</i>                     |
| <b>Ordinary shares</b>                |                                     |  |   |                                   |
| <b>Non-Executive directors</b>        |                                     |  |   |                                   |
| Brett Johnson                         | 600,000                             | 351,670  | 300,000   | 1,251,670                         |
| David Knox                            | 763,190                             | 409,061  | 456,808   | 1,629,059                         |
| Simon Hackett                         | 1 110,228,920                       | -  | (110,228,920)   | -                                 |
| Jenny Macdonald                       | 550,000                             | 227,208  | 275,000   | 1,052,208                         |
| John Lindsay                          | 2 -                                 | 193,403  | 490,905   | 684,308                           |
| David Brant                           | 2 -                                 | 226,221  | 640,000   | 866,221                           |
| <b>Executive directors</b>            |                                     |  |   |                                   |
| Tim Harris                            | 500,000                             | -  | 250,000   | 750,000                           |
| <b>Other key management personnel</b> |                                     |  |   |                                   |
| Richard Aird                          | 1,358,907                           | -  | 137,510   | 1,496,417                         |
| Dr Michele Giulianini                 | 228,000                             | -  | 292,000   | 520,000                           |
| Trudy Walsh                           | -                                   | -  | 100,000   | 100,000                           |
| <b>Total</b>                          | <b>114,229,017</b>                  | <b>1,407,563</b>                                       | <b>(107,286,697)</b>                                  | <b>8,349,883</b>                  |

1. Directors and KMPs who ceased to be a Director or KMP during the year have been adjusted down to a nil balance.

2. Shares owned by Directors and KMPs prior to becoming a Director or KMP during the year, are included in 'Other changes during the year'.

**(i) Other transactions with key management personnel**

Mr Simon Hackett who was a Non-Executive Director until 26 November 2018, is a beneficiary of Hackett CP Nominees, the Hackett Family Trust and Director of Base64 Pty Ltd.

The aggregate amounts of each of the above types of other transactions with key management personnel of Redflow Ltd are set out below.

|  | <b>30 June 2019</b> | 30 June 2018 |
|--|---------------------|--------------|
|  | <b>\$</b>           | <b>\$</b>    |
| Professional Fees paid by the Company                | -                   | 43,246       |
| R&D expenses paid by the Company                     | -                   | 100,202      |
| Payroll expenses paid by the Company                 | -                   | 82,050       |
| Expenses/purchases recharged and paid by the Company | 4,183               | 55,264       |

Prior to Simon Hackett resigning as a Director on 26 November 2018, a number of Mexican manufactured batteries were replaced under warranty reducing the warranty provision by \$248,104.

**(j) Security Trading Policy**

All Directors and employees are required to comply with the Group's Securities Trading policy in undertaking any trading in the Group shares and may not trade if they are in possession of any inside information. Unless otherwise permitted by the policy, Directors and employees can only trade during the specified trading windows immediately following the release of the half year and full year results and the AGM. Employees who participate in any equity-based plans are prohibited from entering into any transactions in relation to invested securities which would have the effect of limiting the economic risk of an invested security.

This report is made in accordance with a resolution of Directors on 30 August 2019.



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Brett Johnson  
Chairman

Redflow Limited (the 'Company') and its associated entities (the 'Group') are committed to achieving best practice across the Group in all that we do, which we believe is fundamental to the long-term performance and sustainability of the Group and the delivery of our strategic objectives.

The Group believe corporate governance is central to its business objectives and a critical element contributing to the preservation of shareholder value.

The Board has adopted a suite of charters and key corporate governance documents which define the policies and procedures followed by the Group. These documents are reviewed as required to address changes in governance practices and the law.

The Directors are responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition) (the "Principles"). The Board guides and monitors the business and the affairs of Redflow Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Principles are outlined on the following pages, with the corresponding section of this Corporate Governance Report addressing the Group's practices.

This report provides an outline of the main corporate governance policies and practices the Group had in place during FY19 and how the Group's framework aligns with the Principles (unless otherwise noted).

This report has been approved by the Board of Directors of the Group and the information contained herein is correct as of 30 August 2019.

You can find further information on the structure of our business, our Board and management team on our website.

**Website Links:**

**Company information**

[www.redflow.com/about-us/board-management/](http://www.redflow.com/about-us/board-management/)

**Recommendations**

**Compliance with recommendations**

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**Principle 1 – Lay solid foundations for management and oversight**

- |   |  |
|---|--|
| <b>1.1 Role of Board and management</b>   | <p>The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Group’s Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, Directors and Executives.</p> <p>A copy of the Charter can be viewed on the corporate governance page of the company’s website.</p>  |
| <b>1.2 Information regarding election or re-election of Director candidates</b> | <p>The Group carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate prior to their election.</p> <p>Comprehensive biographical information is provided to shareholders in the notice of meetings to enable them to make an informed decision on whether to elect or re-elect a Director.</p> <p>The Group has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders.</p>   |
| <b>1.3 Written contracts to appointment</b>                                     | <p>In addition to being set out in the Charter, all Directors and senior executives have a written agreement which formalises the terms of their appointment. Each Director commits to a letter of appointment which specifies the term of their appointment, the envisaged time commitment, expectations and duties relating to the position, remuneration, disclosure and confidentiality obligations, insurance and indemnity entitlements, details of the Group’s corporate governance policies, and reporting lines.</p> <p>Each senior executive enters into an employment contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives who are key management personnel can be found on page 14 of the 2019 Annual Report.</p> |
| <b>1.4 Company Secretary</b>  | <p>The Group has a Board-appointed company secretary. You can view the biographical details and qualifications on page 9 of the 2019 Annual Report.</p> <p>The Group company secretary has overall responsibility for the Group secretariat function and is directly accountable to the Board, through the chairman, on all matters to do with the proper functioning of the board. This includes advising the Board and its committees on governance matters, coordinating Board business and providing a point of reference for dealings between the Board and management.</p> <p>All Directors have access to the advice and services of the company secretary.</p>   |



**Recommendations**

**Compliance with recommendations**

**Principle 1 – Lay solid foundations for management and oversight (continued)**

**1.5 Diversity and inclusion**

The Group’s Diversity Policy sets out its objectives and reporting practices regarding diversity. A copy of the diversity policy is available from the Company’s website.

The Company recognises the value contributed to the organisation by employing people with skills, cultural backgrounds, ethnicity and experience. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The Company actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

**Gender diversity statistics as at 30 June 2019 are outlined in the table below.**

| <b>Item</b>   | <b>Men</b> | <b>Women</b> |
|---|------------|--------------|
| Number of total permanent employees                   | 71         | 23           |
| Percentage of total permanent employees               | 75.5%      | 24.5%        |
| Number of employees in senior management positions*   | 8          | 1            |
| Percentage of employees in senior executive positions | 87.5%      | 12.5%        |
| Number of total NED Board members                     | 4          | 1            |
| Percentage of NED Board members                       | 80%        | 20%          |

\* For the purpose of determining the above statistics, the Group considers “Senior Management” to include those individuals who are either heads of lines of business, functions or regions.

**Recommendations**

**Compliance with recommendations**

**Principle 1 – Lay solid foundations for management and oversight (continued)**

**1.5 Diversity and inclusion (continued)**

FY2019 Measure

| <b>Targets</b>  | <b>Objective</b>   | <b>Progress</b> |
|---|--|-----------------|
| Ensure against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimization and vilification).                               | Build and maintain safe work environment                           | Achieved        |
| Develop and ensure flexibility in the work place to meet the differencing needs of employees at different stages of their life cycle.   | Flexible work practices  | Achieved        |
| Ensure recruitment practices, policies and procedures give everyone equal opportunity to employment, training, promotion and compensation regardless of gender and ethnicity. | Equal opportunity employment                                       | Achieved        |
| 20%   | Percentage of Non-Executive board positions filled by women        | Achieved        |
| 20%   | Percentage of Senior Management roles filled by women              | Ongoing         |
| 22.5%   | Percentage of roles across the entire organisation filled by women | Achieved        |
| 15%   | Percentage of the total remuneration of the Company paid to women  | Achieved        |

**1.6 Board reviews**

The full Board led by the Chairman, Brett Johnson, formally evaluates its performance on an ongoing basis assessing the needs of the Group and ensuring the Board has the required skills to support the executive team and meet its obligations. The full Board self assess their skills as required during the year with any gaps addressed when evaluating key attributes of Board replacements.

**Recommendations**

**Compliance with recommendations**

**Principle 1 – Lay solid foundations for management and oversight (continued)**

**1.7 Management reviews**

The Board is responsible for evaluating the performance of the Executive Management Team. At least annually, the Board formally evaluates the performance of the Executive Management Team against their previously approved KPIs. The Chair of the Board, with input from the other Non-Executive Directors, is also responsible for periodically reviewing the performance of the Managing Director and CEO. These reviews are documented.

**Principle 2 – Structure the Board to add value**

**2.1 Nominations committee**

The full Board carries out the nomination function which forms part of the Directors established charter. The chair of the Company, Brett Johnson, is an Independent Non-Executive Director. Due to the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the Principle to be materially detrimental to the Company.

**2.2 Board skills matrix**

Further details regarding the skills and experience of each Director are included in the 2019 Annual Report on page 8 and 9. Details of the Board skills matrix can be viewed on the corporate governance page of the Company's website. As part of the Board's Charter the Board periodically reviews the skills of the Board and aligns these with the needs of the business.

**2.3 Disclose independence and length of service**

The Group currently has a six member Board, of which four are Independent Non-Executive Directors. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Group and its business. Details of their length of service, individual skills and experience are set out on pages 5, 8 and 9 of the 2019 Annual Report.

**Board composition**

| Board   | Audit & Risk Committee |
|---|------------------------|
| <b>Tim Harris</b> (Appointed 2 July 2018) Managing Director                           | A                      |
| <b>Brett Johnson</b> (Appointed 27 September 2017) Independent Non-Executive Chairman | M                      |
| <b>David Knox</b> (Appointed 23 Jun 2010) Independent Non-Executive Director          | M                      |
| <b>Jenny Macdonald</b> (Appointed 22 Dec 2017) Independent Non-Executive Director     | C                      |
| <b>John Lindsay</b> (Appointed 11 September 2018) Non-Executive Director              | A                      |
| <b>David Brant</b> (Appointed 19 October 2018) Independent Non-Executive Director     | A                      |
| <b>C – Chairman, M – Member, A – Attendee</b>   |                        |

**Recommendations**

**Compliance with recommendations**

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**Principle 2 – Structure the Board to add value (continued)**

**2.4 Majority of Directors independent**

In accordance with the Board Charter, a Director is considered independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning the Group.

Four of the six Board members are considered to be independent – Brett Johnson, David Knox, Jenny Macdonald and David Brant. John Lindsay is not considered an Independent Director. Tim Harris is an Executive Director and therefore not considered independent.

The decision as to whether a Director is independent is a decision made by the Board. The Board will continue to assess the needs of the Board and the level of independence across the Board.

**2.5 Chair Independent**

The Chairman, Brett Johnson, is an Independent Non-Executive Director.

Further details regarding the Chairman are set out on page 8 of the 2019 Annual Report and also available on the Group's website.

**2.6 Induction and professional development**

An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new members of the Board.

Directors are encouraged to undertake continuing professional development activities each year and to join appropriate professional associations in order to continually develop and enhance their respective levels of industry knowledge, technical knowledge and other skills required to discharge their role effectively.

**Principle 3 – Act ethically and responsibly**

**3.1 Code of conduct**

The Group has a Code of Conduct for Directors, senior executives, employees, consultants and contractors, which set out the fundamental principles of business conduct expected by the Group. The Code of Conduct, can be viewed on the corporate governance page of the company's website.

**Recommendations**

**Compliance with recommendations**

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**Principle 4 – Safeguard integrity in corporate reporting**

**4.1 Audit committee**

The Group has an established Audit and Risk Committee which is comprised of three Independent Non-Executive Directors and is chaired by Independent Non-Executive Director, Jenny Macdonald. Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are detailed in the Annual Report.

The Audit and Risk Committee Charter can be viewed on the corporate governance page of the company's website. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report.

**4.2 MD and CFO certification of financial statements**

The Managing Director and Chief Financial Officer provide a statement to the Board and Audit and Risk Committee in advance of seeking approval of any financial report to the effect that the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. In accordance with the above, the Board has received a written assurance that the declaration provided under section 295A Corporations Act is based on a sound system of internal control and risk management, which is operating effectively in all respects in relation to material business risks and financial reporting.

**4.3 External auditor attends AGM**

The Group's auditor, PricewaterhouseCoopers ('PwC') attends the AGM each year and is available to answer questions.

**Principle 5 – Make timely and balanced disclosure**

**5.1 Disclosure policy**

The Group has adopted a Continuous Disclosure Policy which sets out the processes and practices to ensure compliance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act. A copy of the policy can be viewed on the corporate governance page of the company's website.

The company secretary is responsible for communications with the ASX including responsibility for ensuring compliance with the Continuous Disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties. All such communication is circulated to the Chairman for approval, or in his absence another Non-Executive Director.

**Recommendations**

**Compliance with recommendations**

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**Principle 6 – Respect the rights of the security holders**

- |   |  |
|---|--|
| <b>6.1 Publicly available information accessible on website</b>     | <p>The Group’s website contains extensive information on the Group, its history and business activities and information relevant to investors as set out in the guidelines. Investors may access copies of ASX announcements, notices of meeting, investor presentations and annual reports, as well as general information about the Group, on the Group’s website.</p>   |
| <b>6.2 Investor relations programs</b>                              | <p>The Group recognises the value of providing current and relevant information to its shareholders and aims to provide information that will enable existing and potential shareholders to make informed decisions about the Group’s value.</p> <p>The Directors aim to ensure that all shareholders are informed of information necessary to assess the performance of the Group and its Directors. Information on major developments affecting the Company are communicated to the shareholders through the annual and half yearly reports, quarterly operational reports accompanying Appendix 4C cash flow statement releases, market updates and ASX announcements released at the time of key developments (for example, relating to material sales of batteries and strategic partnerships).</p> <p>Investor briefings are provided on the day of the half and full year results releases, providing investors with the opportunity to ask questions to Executive Management and investor roadshows are periodically conducted to keep investors informed of developments. Additionally, shareholders are kept informed via general meetings, notices of the general meetings and by general correspondence from the Board.</p> <p>Contact details are provided on ASX releases allowing investors to contact the company representative with any queries they have related to the releases.</p> <p>All presentation material is provided to the ASX and subsequently uploaded to the Group’s website to ensure that all shareholders have timely access to information. The Group aims to ensure that all shareholders are well informed of all major developments affecting the Group through its ongoing commitment to continuous disclosure obligations.</p> |
| <b>6.3 Facilitate participation at meetings of security holders</b> | <p>Shareholders are encouraged to attend and participate in the Group’s Annual General Meeting and any other general meeting and to ask questions of Directors. The notice of meeting provides background information on the business of the meeting and the resolutions being put to shareholders.</p>  |
| <b>6.4 Facilitate electronic communication</b>                      | <p>The Group provides its investors the option to receive communications from, and send communications to, the Group and the share registry electronically.</p>  |

**Recommendations**

**Compliance with recommendations**

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**Principle 7 – Recognise and manage risk**

**7.1 Risk committee**

The Group manages risk through its Audit and Risk Committee. The Audit and Risk Committee is comprised of three Independent Non-Executive Directors and is chaired by Jenny Macdonald. Further details about the membership of the Audit and Risk Committee, including the names and qualifications of its members, are set out on pages 8 and 9 of the 2019 Annual Report.

The Charter of the Audit and Risk Committee can be viewed on the corporate governance page of the company's website. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report.

**7.2 Annual risk review**

The Board is responsible for the oversight and management of risk, including the identification of material business risks on an ongoing basis and will be assisted by the Audit and Risk Committee where required.

A review of material business risks has been conducted in the current period, which concluded that controls over risk management processes were adequate and effective. Risk is formally reviewed at least quarterly by the Audit and Risk Committee.

**7.3 Internal audit**

The Group does not have a formal internal audit function. To ensure compliance with the Group's published policies and procedures and its legal and regulatory obligations, the Group continually review and refine processes and policies to enhance the effectiveness of the Group's internal controls. Any identified control and process issues are formally reported to the Audit and Risk Committee and formalised action plans are put in place to address the issues.

**7.4 Sustainability risks**

The Group has determined there is a level of exposure to economic risk and the impact of economic conditions upon the Group may be either specific, or of a more general nature. Economic downturns may have an adverse impact on the Group's operating performance. Other factors include general outlook for economic growth and its impact on business confidence.

The Group continues to actively monitor and manage all perceived economic risks to the business through monitoring the financial, economic and industry data available to the Company from internal and external sources.

For further information relating to the Group's exposure to various risks, with explanations as to how this impacts the Group please refer to the Risk Report located on pages 31 to 36 of the 2019 Annual Report.

The Directors advise the Group has no material exposure to environmental or social sustainability risks.

**Recommendations**

**Compliance with recommendations**

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**Principle 8 – Remunerate fairly and responsibly**

**8.1 Remuneration committee**

The Group's remuneration function is overseen and approved by the Non-Executive Directors. The Company currently has 5 Non-Executive Directors. Whilst the ASX Principles suggest a remuneration committee be established comprising at least three Directors, a majority of whom are independent, with an independent chair, they recognise that for smaller boards the same efficiencies may not be obtained through establishing a separate committee. Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the ASX Principles to be materially detrimental to the Company.

**8.2 Disclosure of Executive and Non-Executive Director remuneration policy**

The Group seeks to attract and retain high performing Directors and Executives with appropriate skills, qualifications and experience to add value to the Group and fulfil the roles and responsibilities required. Further details of the Group's remuneration methodologies are set out on pages 12 to 20 of the 2019 Annual Report.

Executive remuneration is designed to reflect performance and accordingly, remuneration is structured with a fixed component and performance-based component split across short term performance goals and long term incentives. The long term plan is designed to focus executives on delivering long term shareholder return. Under the Plan, participants will be granted rights only if performance conditions pertaining to loyalty, share price and operational performance hurdles are met and the employee is still employed at the end of the three years vesting period.

Non-Executive Directors are paid fixed fees for their services in accordance with the Group's Constitution. Fees paid cover Board and Committee responsibilities and where applicable additional fees for chairing any committees and any contributions by the Group to a fund for the purposes of superannuation benefits for a Director. The Chairman has been awarded performance rights as approved by shareholders at the 2017 AGM.



As outlined in the Directors Report the Company has a number of specific risks which it must manage as outlined in this report.

**Sales, revenue risk**

The Company currently operates on a negative cash operating basis. Revenue will be dependent 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, system demonstrations or initial deployments will be successful or, even if successful, will convert into firm orders on a timely basis.

**Funding risk**

There is no guarantee the funds raised will be adequate or sufficient to meet the ongoing funding requirements of the Company under its current business plan 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. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

**Reliance on system integrators as strategic partner's risk**

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.

**Product risk**

The Company's products are complex and now include 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. However, there can be no assurance that further technical issues will not emerge, which affect battery performance.

**Customer and Commercialisation risk in target sectors**

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 bromine 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 bromine 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.

**Manufacturing risks - 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.

**Manufacturing capacity risk**

In December 2018, the Company manufactured 150 batteries from its Thai facility. As the Company will build its manufacturing capability 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 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 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.

**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 that 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 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 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.

**Manufacturing cost reductions**

The Company's business prospects are dependent on its ability to ramp up manufacturing capability and reduce the production costs of its batteries. In April 2018, the Company completed the relocation of its battery production facilities to Thailand. The Company is undergoing a cost reduction program targeting 30% reduction of pre-Thailand manufacturing costs via reductions in freight and labour costs, and engineering and process improvements. There is no guarantee that this program 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.

**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.

**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.

**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.

**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.

**Technology obsolescence risk**

New competing technology may enter the market affecting the cost viability and operating performance of zinc-bromine flow batteries within the battery storage market.

**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 ZBM batteries, 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.

### **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 Technology Officer, Dr Mike Giulianini. 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.

### **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. 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.

### **Share market**

The Company is exposed to share market fluctuations and the price at which 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 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.

**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.

**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.



### *Auditor's Independence Declaration*

As lead auditor for the audit of Redflow Limited for the year ended 30 June 2019, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'S Neill', is written over a light blue horizontal line.

Simon Neill  
Partner  
PricewaterhouseCoopers

Brisbane  
30 August 2019

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**Consolidated statement of comprehensive income**  
For the year ended 30 June 2019

|   | Note | 30 June 2019               | 30 June 2018 |
|---|------|----------------------------|--------------|
|   |      | \$                         | \$           |
| Sale of goods   | 6    | <u>800,072</u>             | 1,728,061    |
|   |      | <b>800,072</b>             | 1,728,061    |
| Other Income  | 7    | <b>1,938,144</b>           | 2,159,302    |
| <b>Expenses</b>   |      |                            |              |
| Raw materials and consumables used  |      | <b>(3,413,172)</b>         | (5,655,806)  |
| Other expenses from ordinary activities   |      |                            |              |
| Administrative expenses   |      | <b>(560,773)</b>           | (715,223)    |
| Depreciation and amortisation   | 8    | <b>(698,076)</b>           | (567,228)    |
| Research and development expenses   |      | <b>(18,425)</b>            | (207,159)    |
| Manufacturing transition costs  |      | -                          | (922,746)    |
| Interest and finance expense  | 8    | <b>(17,162)</b>            | (20,977)     |
| Business development  |      | <b>(384,361)</b>           | (272,860)    |
| Travel and accommodation  |      | <b>(310,445)</b>           | (232,286)    |
| Professional fees   |      | <b>(492,072)</b>           | (762,354)    |
| Payroll expenses  | 8    | <b>(7,725,405)</b>         | (5,949,882)  |
| Impairment for credit loss  | 8    | <b>(28,400)</b>            | 15,951       |
| Other expenses  |      | <b>(588,033)</b>           | (570,369)    |
| <b>Loss before income tax</b>   |      | <b>(11,498,108)</b>        | (11,973,576) |
| Income tax expense  | 9(a) | <u>(71,888)</u>            | (21,442)     |
| <b>Loss for the year</b>  |      | <b>(11,569,996)</b>        | (11,995,018) |
| <b>Other comprehensive income for the year</b>  | 21   | <u>(25,542)</u>            | 10,898       |
| <b>Total comprehensive loss for the year</b>  |      | <u><b>(11,595,538)</b></u> | (11,984,120) |
| <b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:</b> |      |                            |              |
|   |      | <b>Cents</b>               | <b>Cents</b> |
| Basic earnings per share  | 31   | <b>(0.02)</b>              | (0.02)       |
| Diluted earnings per share  | 31   | <b>(0.02)</b>              | (0.02)       |

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



**Consolidated balance sheet**  
As at 30 June 2019

|                                      | Note | 30 June 2019      | 30 June 2018      |
|--------------------------------------|------|-------------------|-------------------|
|                                      |      | \$                | \$                |
| <b>ASSETS</b>                        |      |                   |                   |
| <b>Current assets</b>                |      |                   |                   |
| Cash and cash equivalents            | 11   | 10,902,466        | 17,732,832        |
| Trade and other receivables          | 12   | 61,314            | 253,933           |
| Inventories                          | 13   | 7,866,933         | 4,066,227         |
| Other current assets                 | 14   | 316,030           | 520,642           |
| <b>Total current assets</b>          |      | <b>19,146,743</b> | <b>22,573,634</b> |
| <b>Non-current assets</b>            |      |                   |                   |
| Property, plant and equipment        | 15   | 1,089,681         | 1,024,240         |
| Intangible assets                    | 16   | 606,609           | 629,091           |
| <b>Total non-current assets</b>      |      | <b>1,696,290</b>  | <b>1,653,331</b>  |
| <b>TOTAL ASSETS</b>                  |      | <b>20,843,033</b> | <b>24,226,965</b> |
| <b>LIABILITIES</b>                   |      |                   |                   |
| <b>Current liabilities</b>           |      |                   |                   |
| Trade and other payables             | 17   | 1,054,647         | 848,065           |
| Other current liabilities            | 18   | 759,404           | 465,136           |
| Provisions                           | 19   | 1,313,359         | 1,938,937         |
| <b>Total current liabilities</b>     |      | <b>3,127,410</b>  | <b>3,252,138</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Provisions                           | 19   | 118,083           | 187,779           |
| <b>Total non-current liabilities</b> |      | <b>118,083</b>    | <b>187,779</b>    |
| <b>TOTAL LIABILITIES</b>             |      | <b>3,245,493</b>  | <b>3,439,917</b>  |
| <b>NET ASSETS</b>                    |      | <b>17,597,540</b> | <b>20,787,048</b> |
| <b>EQUITY</b>                        |      |                   |                   |
| Contributed equity                   | 20   | 119,586,245       | 111,300,911       |
| Reserves                             | 21   | 3,410,002         | 3,314,848         |
| Accumulated losses                   | 21   | (105,398,707)     | (93,828,711)      |
| <b>TOTAL EQUITY</b>                  |      | <b>17,597,540</b> | <b>20,787,048</b> |

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

**Consolidated statement of changes in equity**  
For the year ended 30 June 2019

|  |                               | <i>Attributable to owners of Redflow Limited</i> |                               |                   |  |
|--|-------------------------------|--|-------------------------------|-------------------|--|
| Note   | <i>Contributed<br/>equity</i> | <i>Reserves</i>                                  | <i>Accumulated<br/>losses</i> | <i>Total</i>      |  |
|  | \$                            | \$   | \$                            | \$                |  |
| <b>Balance at 1 July 2017</b>                                | 80,328,589                    | 3,351,821  | (81,833,693)                  | 1,846,717         |  |
| Loss for the year  | -                             | -  | (11,995,018)                  | (11,995,018)      |  |
| Other comprehensive income                                   | 21(a) -                       | 10,898   | -                             | 10,898            |  |
| <b>Total comprehensive income for the year</b>               | -                             | 10,898   | (11,995,018)                  | (11,984,120)      |  |
| <b>Transactions with owners in their capacity as owners:</b> |                               |  |                               |                   |  |
| Contributions of equity, net of transaction costs            | 30,972,322                    | -  | -                             | 30,972,322        |  |
| Employee share options - value of employee services          | 21(a) -                       | (47,871)   | -                             | (47,871)          |  |
|  | 30,972,322                    | (47,871)   | -                             | 30,924,451        |  |
| <b>Balance at 30 June 2018</b>                               | 111,300,911                   | 3,314,848  | (93,828,711)                  | 20,787,048        |  |
| <b>Balance at 1 July 2018</b>                                | <b>111,300,911</b>            | <b>3,314,848</b>                                 | <b>(93,828,711)</b>           | <b>20,787,048</b> |  |
| Loss for the year  | -                             | -  | (11,569,996)                  | (11,569,996)      |  |
| Other comprehensive income                                   | 21(a) -                       | (25,542)   | -                             | (25,542)          |  |
| <b>Total comprehensive income for the year</b>               | -                             | (25,542)   | (11,569,996)                  | (11,595,538)      |  |
| <b>Transactions with owners in their capacity as owners:</b> |                               |  |                               |                   |  |
| Contributions of equity, net of transaction costs            | 20 <b>8,285,334</b>           | -  | -                             | <b>8,285,334</b>  |  |
| Employee share options - value of employee services          | 21(a) -                       | 120,696  | -                             | 120,696           |  |
|  | <b>8,285,334</b>              | <b>120,696</b>                                   | -                             | <b>8,406,030</b>  |  |
| <b>Balance at 30 June 2019</b>                               | <b>119,586,245</b>            | <b>3,410,002</b>                                 | <b>(105,398,707)</b>          | <b>17,597,540</b> |  |

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

**Consolidated statement of cashflows**  
For the year ended 30 June 2019

|   | Note | <b>30 June 2019</b> | 30 June 2018        |
|---|------|---------------------|---------------------|
|   |      | <u>\$</u>           | <u>\$</u>           |
| <b>Cash flows from operating activities</b>                               |      |                     |                     |
| Receipts from customers (inclusive of goods and services tax)             |      | 1,001,021           | 1,222,315           |
| Payments to suppliers and employees (inclusive of goods and services tax) |      | (17,360,205)        | (14,493,713)        |
| Grants/R&D Tax Incentive received   |      | 1,751,567           | 2,112,280           |
| Interest received   |      | 178,503             | 47,022              |
| Interest & bank charges paid  |      | (17,167)            | (21,948)            |
| Income tax paid   |      | (46,331)            | (21,442)            |
| <b>Net cash (outflow) from operating activities</b>                       | 30   | <u>(14,492,612)</u> | <u>(11,155,486)</u> |
| <b>Cash flows from investing activities</b>                               |      |                     |                     |
| Payment for property, plant and equipment                                 |      | (479,379)           | (468,611)           |
| Purchase of intangible assets   |      | (138,097)           | (176,465)           |
| Proceeds from sale of property, plant and equipment                       |      | 22,000              | -                   |
| <b>Net cash (outflow) from investing activities</b>                       |      | <u>(595,476)</u>    | <u>(645,076)</u>    |
| <b>Cash flows from financing activities</b>                               |      |                     |                     |
| Proceeds from capital raising   |      | 8,240,384           | 26,861,295          |
| <b>Net cash inflow from financing activities</b>                          |      | <u>8,240,384</u>    | <u>26,861,295</u>   |
| Net increase/(decrease) in cash and cash equivalents                      |      | (6,847,704)         | 15,060,733          |
| Cash and cash equivalents at beginning of year                            |      | 17,732,832          | 2,699,521           |
| Effects of exchange rate changes on cash and cash equivalents             |      | 17,338              | (27,422)            |
| <b>Cash and cash equivalents at end of year</b>                           | 11   | <u>10,902,466</u>   | <u>17,732,832</u>   |

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 or Parent") and its controlled entities (the "Group") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 30 August 2019. The Directors have the power to amend and reissue the financial statements.

The Company is a company limited by shares incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing financial statements.

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

The nature of the operations and principal activities of the Group are described in the Directors' report on page 5 which is not a part of this financial report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Redflow Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

#### *Compliance with IFRS*

When new Accounting Standards are reviewed prior to adoption, any International Financial Reporting Standards (IFRS) are also simultaneously reviewed to ensure the consolidated financial statements of Redflow Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *New and amended accounting standards adopted by the Group*

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2018 with the exception of the following accounting standards which the Group has applied for the first time for the 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
- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Interpretation IFRIC 23 Uncertainty over Income Tax Treatments.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

AASB 9 Financial Instruments was adopted for all financial assets and liabilities on 1 July 2018. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting, and introduces a new impairment model for financial assets. Upon adoption no impairment or material change to the financial statements resulted. A minor change occurred to the renaming of the classification Provision For Doubtful Debts to Expected Credit Loss and the Doubtful Debts Expense to Impairment for Credit Loss to reflect the forward assessment of Accounts Receivable for any future impairment.

AASB 15 Revenue from Contracts with Customers has been adopted on 1 July 2018. Redflow has performed an evaluation using the five step model under AASB 15 to recognise revenue which has resulted in there being no material impact to the financial statements nor is there any separate recognition classification required. For each reporting period an assessment of sales contracts will be undertaken to determine what performance obligations exist and if there are any separate variable pricing components.

The adoption of the other amendments and interpretations to the Accounting Standards as listed at the bottom of the previous page all had no direct impact to accounting policies nor required any changes to the financial statements.

Comparative information has been reclassified only where it will enhance comparability. For example, on the Consolidated statement of comprehensive income the Group has decided in the current financial year to change the classification of its expenses and other comprehensive income to a classification by nature. Directors believe that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industries the Group is operating in. The comparative information has been reclassified accordingly.

### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### *Going concern status*

The Group incurred an operating loss after income tax of \$11,569,996 (2018: \$11,995,018) and an operating cash outflow of \$14,492,612 (2018: \$11,155,486) for the year ended 30 June 2019. Cash held at bank as at 30 June 2019 was \$10,902,466 (2018: \$17,732,832).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities and is in the early stages of commercialising its technology. 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/or raise funding from existing and new investors as well as other government incentive and grant programs where available and applicable.

The Group continues to build the Sales function with the appointment of an Australian Nationals Sales Manager, and the appointment of sales persons in target markets and regions.

During the year ended 30 June 2019 the Company successfully raised funds with a placement of \$8,395,499 in May 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors have initiated the following strategies and activities to secure the Group's going concern status for at least the twelve months after the Directors Declaration:

- Targeting key stakeholders within the Telecommunications, Commercial & Industrial and Residential markets to deliver consistent sales volumes;
- Proven the Thailand production facility can manufacture as much as 150 batteries per month;
- Continued negotiations for sale of batteries in strategic target markets and regions with the expectation these will translate into ongoing repeat sales and lead to other opportunities;
- Consistent with the Research and Development Tax refund of \$1,751,567 received in January 2019 for the year ended 30 June 2018, the Group is in the process of preparing its claim for development expenditure incurred during the year ended 30 June 2019, and
- Undertaking various activities to source additional funding including discussions with potential investors and pursuing funding facilities to support Redflow growth strategy.

As a result of these matters there is material uncertainty that may cast significant doubt over whether the Group can continue as a going concern and, therefore, 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.

However, the Directors believe that the Group will be successful in the above matters. In addition, the Directors believe they will be able to raise additional equity or debt finance should the need arise. Accordingly this financial report has been prepared 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 financial report as at 30 June 2019.

Accordingly, no adjustments have been made to the 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) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### **(i) AASB 16 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 that require lessees to recognise all leases on the balance sheet, except for short-term and leases of low value assets; and
- Enhanced disclosures.

Lessor accounting will not significantly change.

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 AASB 16 on the financial statements in the period of initial application will depend on future economic conditions including the incremental borrowing rate,

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option.

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. Initially, the lease liability will be measured at the present value of future lease payments for the lease term and the right-of-use asset will include initial direct costs and any lease payments made before the commencement date less any lease incentives and where applicable, provision for dismantling and restoration.

Previously expensed lease payments will be replaced with recognition of interest on lease liabilities and depreciation of right-of-use assets in the income statement over the lease term. In the cash flow statements, the total amount of cash paid will be separated into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities).

The Group expects to apply the Simplified cumulative catch-up approach whereby the right of use asset will be initially measured at an amount equal to the outstanding lease liability (adjusted for accruals and prepayments) on 1 July 2019. Comparatives will not be restated. A discount rate of 1% commensurate with the local country Consumer Price Index has been used to calculate the present value of the outstanding lease liability.

The adoption of the new standard will commence in the period beginning 1 July 2019. For lease contracts in place at this date, the Group will continue to apply its existing definition of leases under current accounting standards ("grandfathering"), instead of reassessing whether existing contracts are or contain a lease at the date of application of the new standard.

The Group has decided not to bring short-term leases (less than 12 months to run as at 1 July 2019, including reasonably certain options to extend) or low value leases onto the balance sheet. Costs for these items will continue to be expensed directly to the income statement.

Under IAS 17 for the year ended 30 June 2019 an operating expense was incurred of \$182,448. From 1 July 2019 the Group will recognise a lease liability and right of use asset of \$255,163 as required on transition to AASB 16.

### **(c) Principles of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all subsidiaries for the year then ended. Redflow Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### **(e) Foreign currency translation**

#### *(i) Functional currency and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

#### *(ii) Transaction and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss.

### **(f) Revenue recognition**

#### *(i) Sale of goods*

The Group derives revenue from the sale of Redflow manufactured energy storage flow batteries at a point in time, when the battery is dispatched from Redflow premises, provided the performance obligation, by way of a written contract or purchase order has been received.

Under some customer contracts, batteries are sold with retrospective volume discounts based on aggregate sales over a specific period. Revenue from these sales is recognised based on the price specified in the contract, net of any estimated volume discounts. Accumulated experience is used to estimate and provide for these discounts using the most likely amount method, and revenue is only recognised to the extent that it is probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms of 30 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, refer to note 2(p).

#### *(ii) Interest income*

Interest income is recognised using the effective interest method.

#### *(iii) Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(g) Income tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Redflow Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

### **(h) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

It should be noted that a new Accounting Standard AASB 16 Leases will be applicable from 1 July 2019 and will require a change to the classification, measurement and recognition of leases going forward see note 2(b).

### **(i) Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### **(j) Trade and other receivables**

Trade receivables, which generally have 30 day terms, are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

With the adoption of the new accounting standard AASB 9 Financial Instruments the method in calculating the credit and recoverable risk for trade receivables has changed.

The Group applies AASB 9 to measure the impairment of trade receivables and calculates an expected loss allowance over one year for all trade receivables. Expected credit losses are calculated based on historical loss rates over the expected life of each individual trade receivable for all revenue types and is adjusted for forward looking estimates. The amount of impairment loss is categorised in the profit or loss as an Impairment For Credit Loss. Subsequent recoveries of amounts previously recognised as an expected credit loss are credited against the same line item.

### **(k) Inventories**

#### *Raw materials, consumables and finished goods*

Raw materials, consumables and finished goods are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Consumables are held for use in the development of prototypes and are expensed to the profit and loss as prototypes are manufactured.

### **(l) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment: 2 to 10 years  
Leasehold improvements: 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(u)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### **(m) Intangible assets**

#### *(i) Patents, trademarks and designs*

Patents, trademarks and designs have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents, trademarks and designs over their estimated useful lives, which vary from 4 to 20 years.

#### *(ii) Software*

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and amortised using the diminishing values method over their estimated useful life which varies from 1 to 4 years.

#### *(iii) Research and development*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight line basis from when the asset is ready for use, to the end of its useful life which is from 3 to 10 years.

### **(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **(o) Employee Benefits**

#### *(i) Short term obligations*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables or provisions in the balance sheet.

#### *(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### *(iii) Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### *(iv) Share-based payments*

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value of shares issued under the performance rights issued are recognised as an expense in the same manner as if they were issued as an option with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share granted, which includes any market performance conditions but excludes the impact of any service and non-market performance conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### **(p) Warranty provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **(q) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

### **(r) Goods and Service Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### **(s) Earnings per share**

#### *Basic earnings per share*

This is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Diluted earnings per share*

This is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### **(t) Parent entity financial information**

The financial information for the parent entity, Redflow Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of the parent, Redflow Limited.

### *Tax consolidation legislation*

Redflow Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Redflow Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Redflow Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Redflow Limited for any current tax payable assumed and are compensated by Redflow Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Redflow Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors.

### (a) Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group has not entered into any financial derivative instrument contracts and does not adopt hedge accounting.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| <i>Denominated in:</i>                  | <b>30 June 2019</b> |            |                 |               | <b>30 June 2018</b> |            |            |            |
|---|---------------------|------------|-----------------|---------------|---------------------|------------|------------|------------|
|   | <b>USD</b>          | <b>EUR</b> | <b>THB</b>      | <b>JPY</b>    | <b>USD</b>          | <b>EUR</b> | <b>THB</b> | <b>JPY</b> |
| <i>Presented in AUD:</i>                | <b>\$</b>           | <b>\$</b>  | <b>\$</b>       | <b>\$</b>     | <b>\$</b>           | <b>\$</b>  | <b>\$</b>  | <b>\$</b>  |
| Trade Payables                          | <b>(566,601)</b>    | -          | <b>(23,560)</b> | -             | (177,006)           | (94,229)   | (63,123)   | -          |
| Trade Receivables<br>& Prepaid Expenses | <b>61,514</b>       | -          | -               | <b>75,249</b> | 360,317             | -          | -          | -          |
| Cash on Deposit                         | <b>19,204</b>       | -          | -               | -             | 90,475              | -          | -          | -          |

#### *Group Sensitivity*

Based on the financial instruments held at 30 June 2019, had the Australian dollar weakened / strengthened by 10% against the foreign currencies with all other variables held constant, the Group's post tax loss for the year would have been \$48,244 higher / \$39,472 lower (2018: \$10,585 higher / \$12,937 lower), as a result of foreign exchange gains / losses on translation of foreign currency denominated financial instruments as detailed in the above table.

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as outstanding receivables and committed transactions. Standard sales terms on contracts for supply of goods are; 50% due on order and 50% due on delivery of product.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates and are outlined below.

|                          | External Credit Rating | 30 June 2019         |                      | 30 June 2018         |                      |
|--------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
|                          |                        | Gross carrying value | Expected credit loss | Gross carrying value | Expected credit loss |
|                          |                        | \$                   | \$                   | \$                   | \$                   |
| <b>Trade receivables</b> |                        |                      |                      |                      |                      |
| Grade 1 (Low Risk)       | BBB- to AAA            | 41,141               | -                    | 213,176              | -                    |
| Grade 2 (Substandard)    | BB- to BB+             | 20,173               | -                    | 37,777               | -                    |
| Grade 3 (Doubtful)       | C to CC                | 28,400               | 28,400               | 24,309               | 23,000               |
| Grade 4 (Loss)           | D                      | -                    | -                    | 98,296               | 96,625               |
|                          |                        | <b>89,714</b>        | <b>28,400</b>        | <b>373,558</b>       | <b>119,625</b>       |

For trade receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records and past experience. All credit and recovery risks associated with receivables have been provided for in the Consolidated Balance Sheet.

|   | 30 June 2019      | 30 June 2018      |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>Cash at bank and short- term bank deposits</b> |                   |                   |
| AA  | 10,902,466        | 17,732,832        |
|   | <b>10,902,466</b> | <b>17,732,832</b> |



### 3. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities to meet obligations when due. At the reporting date the Group held deposits at call of \$10,902,466 (2018: \$17,732,832) that are expected to readily generate cash inflows for managing liquidity risk.

The Group does not have any undrawn facilities as at 30 June 2019 (2018 :nil).

#### *Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Contractual maturities of financial liabilities |                  |             |           |           |          | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|------------------|-------------|-----------|-----------|----------|------------------------------|---------------------------------------|
|   | ≤6 months        | 6-12 months | 1-2 years | 2-5 years | >5 years |                              |                                       |
|   | \$               | \$          | \$        | \$        | \$       | \$                           | \$                                    |
| <b>At 30 June 2019</b>                          |                  |             |           |           |          |                              |                                       |
| <b>Non-derivatives</b>                          |                  |             |           |           |          |                              |                                       |
| Trade payables                                  | 1,054,647        | -           | -         | -         | -        | 1,054,647                    | 1,054,647                             |
|   | <u>1,054,647</u> | <u>-</u>    | <u>-</u>  | <u>-</u>  | <u>-</u> | <u>1,054,647</u>             | <u>1,054,647</u>                      |
| <b>At 30 June 2018</b>                          |                  |             |           |           |          |                              |                                       |
| <b>Non-derivatives</b>                          |                  |             |           |           |          |                              |                                       |
| Trade payables                                  | 848,065          | -           | -         | -         | -        | 848,065                      | 848,065                               |
|   | <u>848,065</u>   | <u>-</u>    | <u>-</u>  | <u>-</u>  | <u>-</u> | <u>848,065</u>               | <u>848,065</u>                        |

#### (d) Cash flow and fair value interest rate risk

As the Company has no significant interest bearing liabilities, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Redflow Limited's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the note appropriately. The impact of the new accounting standards not yet adopted will require management to exercise judgement in the application of these policies.

##### *Valuation of inventory*

Inventories are measured at lower of cost or net realisable value. In estimating net realisable value, management takes into account the most reliable evidence available at reporting date.

The provision for inventory obsolescence is based on assessments by management of particular inventory classes (i.e. finished goods and raw materials). The amount of the provision is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

##### *Estimated impairment of intangibles and other non current assets*

The Group tests annually whether intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2(u). The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of assumptions. Other non current assets are reviewed annually for impairment using the same methodology as for intangibles. Impairment costs are recognised in profit or loss and against the impaired asset.

##### *Warranty provisions*

In determining the level of provision required for product warranties the Group has made judgements in respect of the expected performance of the product, number of customers who may use the warranty and how often, and the costs of fulfilling the performance of the warranty.

As the products have only been newly manufactured in Thailand since 2018, the Group has estimated the provision based on 5% of sales revenue in the absence of historical data upon which to base a more reliable estimate. Specific provision for warranty is also made when product defects are identified.

##### *Going concern*

In preparation of the financial statements on a going concern basis, the Group has made a number of estimates and assumption around the timing and amount of the forecast cash flows of the business. More information on the going concern status is disclosed in note 2.

## 5. SEGMENT INFORMATION

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 installation preferences and continues to forge ahead with committed sales orders received from all over 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 as for the year ended 30 June 2019 revenue came from a multitude of different customers with no one customer having more than 30% of the total revenue pool.

## 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

|                                   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>\$</b>           | <b>\$</b>           |
| <b>From continuing operations</b> |                     |                     |
| (a) <i>Sales revenue</i>          |                     |                     |
| Sale of goods                     | <b>800,072</b>      | 1,728,061           |
|                                   | <b>800,072</b>      | 1,728,061           |

## 7. OTHER INCOME

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| Interest  | 178,503             | 47,022              |
| Gain on disposal of property, plant & equipment | 8,074               | -                   |
| R&D Tax Incentive                               | 1,751,567           | 2,112,280           |
| <b>Total Other income</b>                       | <b>1,938,144</b>    | <b>2,159,302</b>    |

The Group qualifies for a refundable R&D tax incentive of 45% of its eligible R&D expenditure due to its aggregate turnover being less than \$20 million. As the Group is in a tax loss position, the tax offset is paid in cash. No accrual has been made for the year ended 30 June 2019 as the amount cannot be estimated accurately.

## 8. EXPENSES

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| <b>Loss before income tax includes the following specific expenses:</b> |                     |                     |
| <i>Employee benefits expense</i>  |                     |                     |
| Defined contribution superannuation expense                             | 531,677             | 472,444             |
| Other employee benefit expense  | 7,193,728           | 5,477,438           |
| <b>Total employee benefits expense</b>                                  | <b>7,725,405</b>    | <b>5,949,882</b>    |
| <i>Depreciation and amortisation</i>                                    |                     |                     |
| Depreciation  | 519,767             | 419,016             |
| Amortisation  | 178,309             | 148,212             |
| <b>Total depreciation and amortisation</b>                              | <b>698,076</b>      | <b>567,228</b>      |
| <i>Finance costs</i>  |                     |                     |
| Interest and finance charges paid/payable                               | 17,162              | 20,977              |
|   | <b>17,162</b>       | <b>20,977</b>       |
| <i>Impairment for credit loss</i>                                       | <b>28,400</b>       | (15,951)            |
| <i>Net foreign exchange loss</i>  | <b>136,693</b>      | 18,209              |
| <i>Net loss on disposal of property, plant and equipment</i>            | -                   | 64,435              |

**9. INCOME TAX EXPENSE**

|   | <b>30 June 2019</b>           | <b>30 June 2018</b>     |
|---|-------------------------------|-------------------------|
|   | <b>\$</b>                     | <b>\$</b>               |
| <b>(a) Income tax expense</b>   |                               |                         |
| Current tax benefit   | <b>(4,059,043)</b>            | (3,704,328)             |
| Deferred tax  | <b>335,570</b>                | (181,128)               |
| Foreign tax paid  | <b>71,888</b>                 | 21,442                  |
| Temporary differences and tax losses not brought to account                             | <b>3,723,473</b>              | 3,885,455               |
|   | <b>71,888</b>                 | 21,442                  |
|   | <b>71,888</b>                 | 21,442                  |
|   |                               |                         |
|   | <b>30 June 2019</b>           | <b>30 June 2018</b>     |
|   | <b>\$</b>                     | <b>\$</b>               |
| <b>(b) Numerical reconciliation of income tax expense to prima facie tax expense</b>    |                               |                         |
| Loss from continuing operations before income tax expense                               | <b>(11,498,108)</b>           | (11,973,577)            |
| Tax benefit at Australian tax rate of 27.5% (2018: 27.5%)                               | <b>(3,161,980)</b>            | (3,292,734)             |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                               |                         |
| Entertainment expense   | <b>10,020</b>                 | 1,320                   |
| Share-based payment   | <b>33,191</b>                 | (13,165)                |
| Foreign tax paid  |                               | 21,442                  |
| Foreign tax rate and exchange rate differences  | <b>(39,611)</b>               | -                       |
| Other non-temporary differences in foreign jurisdiction                                 | <b>(26,549)</b>               | -                       |
| R&D tax incentive received  | <b>(481,681)</b>              | (580,877)               |
| Prior year under/over   | <b>15,025</b>                 | -                       |
|   | <b>(3,651,585)</b>            | (3,864,014)             |
| Temporary differences and tax losses not brought to account                             | <b>3,723,473</b>              | 3,885,455               |
| Income tax expense  | <b>71,888</b>                 | 21,442                  |
|   | <b>71,888</b>                 | 21,442                  |
|   |                               |                         |
| <b>(c) Unused tax losses for which no deferred tax asset has been recognised</b>        | <b>86,085,999<sup>1</sup></b> | 75,336,180 <sup>1</sup> |
| Potential tax benefit at 27.5% (2018: 27.5%)  | <b>23,673,650</b>             | 20,717,450              |
|   | <b>23,673,650</b>             | 20,717,450              |

1. This includes a true-up of the R&D claim following lodgement of the respective year income tax return.

This benefit from tax losses will only be realised if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- there are no changes in tax legislation that adversely affect the entity in realising the benefit.

**9. INCOME TAX EXPENSE (continued)**

**(d) Deferred tax liabilities**

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | <b>\$</b>           | <b>\$</b>           |
| The balance comprises temporary differences attributable to:          |                     |                     |
| Foreign exchange  | <b>64,521</b>       | 55,853              |
| Total deferred tax liabilities at 27.5% (2018: 27.5%)                 | <b>64,521</b>       | 55,853              |
| Set off against deferred tax assets (relating to employee provisions) |                     |                     |
|   | <b>64,521</b>       | 55,853              |
| Net deferred tax liabilities at 27.5% (2018: 27.5%)                   | <b>-</b>            | -                   |

**(e) Unrecognised temporary differences**

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | <b>\$</b>           | <b>\$</b>           |
| The balance comprises temporary differences attributable to:  |                     |                     |
| Payable and accruals  | <b>302,527</b>      | 465,618             |
| Employee benefits   | <b>66,987</b>       | 88,716              |
| Black hole expenses (P&L)                                     | <b>43,234</b>       | 93,343              |
| Black hole expenses (Equity)                                  | <b>90,656</b>       | 130,618             |
| Expected credit loss  | <b>7,810</b>        | 32,897              |
| Tax losses  | <b>23,673,650</b>   | 20,717,450          |
| Total unrecognised deferred tax assets at 27.5% (2018: 27.5%) | <b>24,184,864</b>   | 21,528,641          |

**(f) Tax consolidation legislation**

Redflow Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2008. The accounting policy in relation to this legislation is set out in note 2(t).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Redflow Limited.

## 10. FINANCIAL ASSETS AND LIABILITIES

The Group holds the following financial instruments:

|  |       | 30 June 2019      | 30 June 2018      |
|--|-------|-------------------|-------------------|
|  |       | \$                | \$                |
|  | Notes |                   |                   |
| <b>Financial assets at amortised cost</b>      |       |                   |                   |
| Trade receivables                              | 12    | 61,314            | 253,933           |
| Other current assets                           | 14    | 316,030           | 520,642           |
| Cash and cash equivalents                      | 11    | 10,902,466        | 17,732,832        |
|  |       | <u>11,279,810</u> | <u>18,507,407</u> |
| <b>Financial liabilities at amortised cost</b> |       |                   |                   |
| Trade and other payables                       | 17    | 1,054,647         | 848,065           |
|  |       | <u>1,054,647</u>  | <u>848,065</u>    |

See note 2(a) for details about the impact from changes in accounting policies.

## 11. CASH AND CASH EQUIVALENTS

|                           | 30 June 2019      | 30 June 2018      |
|---------------------------|-------------------|-------------------|
|                           | \$                | \$                |
| Cash and cash equivalents | 10,902,466        | 17,732,832        |
|                           | <u>10,902,466</u> | <u>17,732,832</u> |

## 12. CURRENT TRADE AND OTHER RECEIVABLES

|                      | 30 June 2019  | 30 June 2018   |
|----------------------|---------------|----------------|
|                      | \$            | \$             |
| Trade receivables    | 89,714        | 373,558        |
| Expected credit loss | (28,400)      | (119,625)      |
|                      | <u>61,314</u> | <u>253,933</u> |

### (a) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the expected credit loss are provided in note 2(j).

### (b) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

**12. CURRENT TRADE AND OTHER RECEIVABLES (continued)**

**(c) Impairment and risk exposure**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate can be found in note 3.

**13. INVENTORIES**

|                                   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>\$</b>           | <b>\$</b>           |
| <i>At cost</i>                    |                     |                     |
| Raw Materials                     | <b>4,576,920</b>    | 4,681,419           |
| Finished goods                    | <b>4,103,054</b>    | 308,066             |
| Provision for diminution in value | <b>(813,041)</b>    | (923,258)           |
|                                   | <b>7,866,933</b>    | <b>4,066,227</b>    |

Inventories recognised as an expense for the year ended 30 June 2019 totalled \$3,413,172 (2018: \$5,655,806). This expense has been included in the raw materials and consumables used in the statement of comprehensive income.

**14. OTHER CURRENT ASSETS**

|                      | <b>30 June 2019</b> | <b>30 June 2018</b> |
|----------------------|---------------------|---------------------|
|                      | <b>\$</b>           | <b>\$</b>           |
| Security deposits    | <b>14,466</b>       | 36,069              |
| Rental bond deposits | <b>76,762</b>       | 67,305              |
| Prepayments          | <b>224,802</b>      | 417,268             |
|                      | <b>316,030</b>      | <b>520,642</b>      |



## 15. PROPERTY PLANT AND EQUIPMENT

|  | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| <i>Plant and equipment</i>                 |                     |                     |
| At cost                                    | <b>4,593,653</b>    | 4,103,945           |
| Accumulated depreciation                   | <b>(3,537,628)</b>  | (3,128,278)         |
| Net carrying amount                        | <b>1,056,025</b>    | 975,667             |
| <i>Leasehold improvements</i>              |                     |                     |
| At cost                                    | <b>611,685</b>      | 611,685             |
| Accumulated depreciation                   | <b>(578,029)</b>    | (563,112)           |
| Net carrying amount                        | <b>33,656</b>       | 48,573              |
| <b>Total property, plant and equipment</b> |                     |                     |
| At cost                                    | <b>5,205,338</b>    | 4,715,630           |
| Accumulated depreciation                   | <b>(4,115,657)</b>  | (3,691,390)         |
| Net carrying amount                        | <b>1,089,681</b>    | 1,024,240           |

### Reconciliation of carrying amounts at the beginning and end of the year

|  |                  |           |
|--|------------------|-----------|
| <i>Plant and equipment</i>                 |                  |           |
| Opening net carrying amount                | <b>975,667</b>   | 952,746   |
| Additions                                  | <b>568,030</b>   | 462,083   |
| Disposal                                   | <b>(12,076)</b>  | (64,435)  |
| Depreciation charge                        | <b>(504,850)</b> | (374,727) |
| Foreign exchange movement                  | <b>29,254</b>    | -         |
| Balance at the end of the year             | <b>1,056,025</b> | 975,667   |
| <i>Leasehold improvements</i>              |                  |           |
| Opening net carrying amount                | <b>48,573</b>    | 92,862    |
| Depreciation charge                        | <b>(14,917)</b>  | (44,289)  |
| Balance at the end of the year             | <b>33,656</b>    | 48,573    |
| <i>Total Property, plant and equipment</i> |                  |           |
| Opening net carrying amount                | <b>1,024,240</b> | 1,045,608 |
| Additions                                  | <b>568,030</b>   | 462,083   |
| Disposal                                   | <b>(12,076)</b>  | (64,435)  |
| Depreciation charge                        | <b>(519,767)</b> | (419,016) |
| Foreign exchange movement                  | <b>29,254</b>    | -         |
| Balance at the end of the year             | <b>1,089,681</b> | 1,024,240 |

**16. INTANGIBLE ASSETS**

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Patents, trademarks and designs</i>  |                     |                     |
| Cost                                    | <b>1,395,724</b>    | 1,239,897           |
| Accumulated amortisation                | <b>(801,781)</b>    | (645,084)           |
| Net carrying amount                     | <b>593,943</b>      | 594,813             |
| <i>Capitalised lease surrender</i>      |                     |                     |
| Cost                                    | <b>163,350</b>      | 163,350             |
| Accumulated amortisation                | <b>(163,350)</b>    | (163,350)           |
| Net carrying amount                     | <b>-</b>            | -                   |
| <i>Software</i>                         |                     |                     |
| Cost                                    | <b>161,786</b>      | 161,786             |
| Accumulated amortisation                | <b>(149,120)</b>    | (127,508)           |
| Net carrying amount                     | <b>12,666</b>       | 34,278              |
| <i>Total intangible assets</i>          |                     |                     |
| Cost                                    | <b>1,720,860</b>    | 1,565,033           |
| Accumulated amortisation and impairment | <b>(1,114,251)</b>  | (935,942)           |
| Net carrying amount                     | <b>606,609</b>      | 629,091             |

**Reconciliation of carrying amount at beginning and end of the year**

|  | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| <i>Patents, trademarks and designs</i> |                     |                     |
| Opening net carrying amount            | <b>594,813</b>      | 600,427             |
| Additions                              | <b>155,827</b>      | 132,959             |
| Amortisation charge                    | <b>(156,697)</b>    | (138,573)           |
| Balance at the end of the year         | <b>593,943</b>      | 594,813             |
| <i>Capitalised lease surrender</i>     |                     |                     |
| Opening net carrying amount            | -                   | 272                 |
| Amortisation charge                    | -                   | (272)               |
| Balance at the end of the year         | -                   | -                   |
| <i>Software</i>                        |                     |                     |
| Opening net carrying amount            | <b>34,278</b>       | 420                 |
| Additions                              | -                   | 43,225              |
| Amortisation charge                    | <b>(21,612)</b>     | (9,367)             |
| Balance at the end of the year         | <b>12,666</b>       | 34,278              |
| <i>Total intangible assets</i>         |                     |                     |
| Opening net carrying amount            | <b>629,091</b>      | 601,119             |
| Additions                              | <b>155,827</b>      | 176,184             |
| Amortisation charge                    | <b>(178,309)</b>    | (148,212)           |
| Balance at the end of the year         | <b>606,609</b>      | 629,091             |

**17. CURRENT TRADE AND OTHER PAYABLES**

|                   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-------------------|---------------------|---------------------|
|                   | <b>\$</b>           | <b>\$</b>           |
| Trade payables    | <b>834,987</b>      | 642,578             |
| Other payables    | <b>3,641</b>        | 4,689               |
| Customer deposits | <b>44,035</b>       | 58,193              |
| Accrued expenses  | <b>171,984</b>      | 142,605             |
|                   | <b>1,054,647</b>    | 848,065             |

Information about the Group's exposure to foreign exchange risk is provided in note 3.

**18. OTHER CURRENT LIABILITIES**

|                           | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---------------------------|---------------------|---------------------|
|                           | <b>\$</b>           | <b>\$</b>           |
| Other payroll liabilities | <b>759,404</b>      | 465,136             |
|                           | <b>759,404</b>      | 465,136             |

## 19. PROVISIONS

|                    | 30 June 2019 | 30 June 2018 |
|--------------------|--------------|--------------|
|                    | \$           | \$           |
| <b>Current</b>     |              |              |
| Annual leave       | 276,860      | 320,031      |
| Warranty claims    | 953,234      | 1,618,906    |
| Long service leave | 83,265       | -            |
|                    | 1,313,359    | 1,938,937    |
| <b>Non-current</b> |              |              |
| Long service leave | 118,083      | 187,779      |
|                    | 118,083      | 187,779      |

### (a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

|                                      | 30 June 2019               |                     |                               |
|--------------------------------------|----------------------------|---------------------|-------------------------------|
|                                      | \$                         | \$                  | \$                            |
|                                      | <i>Warranty<br/>claims</i> | <i>Annual Leave</i> | <i>Long Service<br/>Leave</i> |
| Carrying amount at start of year     | 1,618,906                  | 320,031             | 187,779                       |
| Charged (credited) to profit or loss |                            |                     |                               |
| - Additional provision recognised    | 38,986                     | 331,998             | 55,354                        |
| Amounts used during the year         | (704,658)                  | (375,169)           | (37,113)                      |
| Unused amounts reversed              | -                          | -                   | (4,672)                       |
|                                      | 953,234                    | 276,860             | 201,348                       |

### (b) Carrying amount at end of year

#### *Warranty claims*

Provision is made for the estimated warranty claims in respect of products which are under warranty at the end of the reporting period. Management estimates the provision based on 5% of sales revenue, in the absence of historical data upon which to base a more reliable estimate. Specific provision for warranty is also made when product defects are identified.

#### *Annual leave and long service leave*

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

## 20. CONTRIBUTED EQUITY

|                        | <b>30 June 2019</b> | <b>30 June 2018</b> |
|------------------------|---------------------|---------------------|
|                        | <b>\$</b>           | <b>\$</b>           |
| <b>Ordinary shares</b> |                     |                     |
| Fully paid             | <b>119,586,245</b>  | 111,300,911         |
|                        | <b>119,586,245</b>  | 111,300,911         |
| <b>Ordinary shares</b> | <b>shares</b>       | <b>shares</b>       |
| Issued and fully paid  | <b>913,772,004</b>  | 712,471,737         |
|                        | <b>913,772,004</b>  | 712,471,737         |

### (a) 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.

|           |  |                    |        |                    |
|-----------|--|--------------------|--------|--------------------|
| 1-Jul-17  | Opening balance                            | 385,670,214        |        | 80,328,589         |
| 20-Jul-17 | Issue of ordinary shares                   | 58,161,846         | \$0.10 | 5,816,185          |
| 31-Aug-17 | Issue of ordinary shares                   | 86,588,154         | \$0.10 | 8,658,815          |
| 4-Sep-17  | Issue of ordinary shares                   | 250,000            | \$0.10 | 25,000             |
| 4-Sep-17  | Issue of ordinary shares                   | 99,409             | \$0.20 | 20,100             |
| 4-Dec-17  | Issue of ordinary shares                   | 220,191            | \$0.11 | 24,728             |
| 24-Jan-18 | Issue of ordinary shares                   | 131,925            | \$0.12 | 15,462             |
| 2-May-18  | Issue of ordinary shares                   | 75,000,000         | \$0.10 | 7,500,000          |
| 29-May-18 | Issue of ordinary shares                   | 106,224,348        | \$0.10 | 10,622,435         |
| 26-Jun-18 | Issue of ordinary shares                   | 30,298             | \$0.15 | 4,633              |
| 26-Jun-18 | Issue of ordinary shares                   | 95,352             | \$0.11 | 10,832             |
|           | Notional interest on convertible notes     |                    |        | 35,273             |
|           | Less: transactions cost on share issue     |                    |        | (1,761,141)        |
|           |  | <b>712,471,737</b> |        | <b>111,300,911</b> |
| 1-Jul-18  | Opening balance                            | 712,471,737        |        | 111,300,911        |
| 3-Aug-18  | Issue of ordinary shares (i)               | 41,431             | \$0.11 | 4,632              |
| 25-Jan-19 | Issue of ordinary shares (ii)              | 108,988            | \$0.09 | 9,264              |
| 31-May-19 | Issue of ordinary shares (iii)             | 199,892,704        | \$0.04 | 8,395,499          |
| 28-Jun-19 | Issue of ordinary shares (iv)              | 1,257,144          | \$0.05 | 61,726             |
|           | Less: transactions cost on share issue (v) |                    |        | (185,787)          |
|           |  | <b>913,772,004</b> |        | <b>119,586,245</b> |

- i. On August 3 2018, Redflow Limited issued 41,431 ordinary shares to Mr David Knox being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 24 November 2017. These shares rank equally with the existing shares of the Company.
- ii. On January 25 2019, Redflow Limited issued 108,988 ordinary shares to Mr David Knox being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 24 November 2017. These shares rank equally with the existing shares of the Company.
- iii. On 31 May 2019, Redflow Limited issued 199,892,704 shares by way of a fully underwritten 1 for 2 rights issue to eligible shareholders.
- iv. On June 28 2019, Redflow Limited issued 1,257,144 ordinary shares to the Non-Executive Directors of the Group being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 24 November 2017 and 26 November 2018. These shares rank equally with the existing shares of the Company. 351,670 shares were issued to Mr Brett Johnson, 226,221 to Mr David Brant, 193,403 to Mr John Lindsay, 227,208 to Ms Jenny Macdonald and 258,642 to Mr David Knox.
- v. Transaction costs were associated with the capital raising in May 2019.

## 20. CONTRIBUTED EQUITY (continued)

### (b) Options and Performance Rights

Information relating to the Redflow Share and Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 32. Additionally a Performance Rights Plan has been initiated for the Chairman, CEO and COO for the year ended 30 June 2018 and is also set out in the Remuneration Report and note 32.

### (c) Capital risk 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.

The gearing ratios at 30 June 2019 and 30 June 2018 were as follows:

|                                | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--------------------------------|---------------------|---------------------|
|                                | \$                  | \$                  |
| Total borrowings               | -                   | -                   |
| Less cash and cash equivalents | <b>(10,902,466)</b> | (17,732,832)        |
| Net debt/(cash)                | <b>(10,902,466)</b> | (17,732,832)        |
| Total equity                   | <b>17,597,540</b>   | 20,787,048          |
| Gearing ratio                  | N/A                 | N/A                 |

## 21. RESERVES AND ACCUMULATED LOSSES

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| <b>(a) Reserves</b>   |                     |                     |
| Share-based payments reserve                                | <b>3,420,572</b>    | 3,299,876           |
| Translation reserve   | <b>(10,570)</b>     | 14,972              |
|   | <b>3,410,002</b>    | 3,314,848           |
| <b>Movements:</b>   |                     |                     |
| <i>Share based payments reserve</i>                         |                     |                     |
| Opening balance   | <b>3,299,876</b>    | 3,347,747           |
| Share options issued to employees                           | <b>120,696</b>      | (47,871)            |
| Closing balance   | <b>3,420,572</b>    | 3,299,876           |
| <i>Translation reserve</i>                                  |                     |                     |
| Opening balance   | <b>14,972</b>       | 4,074               |
| Unrealised gain/(loss) on translation of foreign subsidiary | <b>(25,542)</b>     | 10,898              |
| Closing balance   | <b>(10,570)</b>     | 14,972              |

**21. RESERVES AND ACCUMULATED LOSSES (continued)**

|  | <b>30 June 2019</b>  | <b>30 June 2018</b> |
|--|----------------------|---------------------|
|  | <b>\$</b>            | <b>\$</b>           |
| <b>(b) Accumulated losses</b>                    |                      |                     |
| Movements in accumulated losses were as follows: |                      |                     |
| Opening balance                                  | <b>(93,828,711)</b>  | (81,833,693)        |
| Net loss for the year                            | <b>(11,569,996)</b>  | (11,995,018)        |
| Closing balance                                  | <b>(105,398,707)</b> | (93,828,711)        |

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees and external parties over the vesting period.

*Translation Reserve*

The translation reserve is used to show gains and losses on translation of foreign subsidiaries.

**22. DIVIDENDS**

No dividends were paid or declared to members during the financial year ended 30 June 2019 (2018: nil).

**23. KEY MANAGEMENT PERSONNEL**

**(a) Directors**

The Directors of Redflow Limited during or at the end of the financial year are disclosed in the Directors report on page 5:

**(b) Key management personnel compensation**

|                                   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>\$</b>           | <b>\$</b>           |
| Short term employee benefits      | <b>1,508,710</b>    | 1,254,044           |
| Post-employment employee benefits | <b>120,629</b>      | 118,935             |
| Other long-term employee benefits | <b>17,983</b>       | (14,224)            |
| Share-based payment               | <b>120,696</b>      | (48,572)            |
|                                   | <b>1,768,018</b>    | 1,310,183           |

## 23. KEY MANAGEMENT PERSONNEL (continued)

### (c) Transactions with key management personnel

|  | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| Subscription of new shares by key management personnel as a result of: |                     |                     |
| Shares issued in lieu of directors fees                                | <b>75,622</b>       | 75,754              |
|  | <b>75,622</b>       | 75,754              |
|  | <b>75,622</b>       | 75,754              |

### (d) Share holding disclosures relating to key management personnel

The numbers of shares in the Company held during the financial year by each Director of Redflow Limited and other key management personnel of the Company, including their personally related parties, are set out in the Remuneration report.

### (e) Option holding disclosures relating to key management personnel

The numbers of options in the Company held during the financial year by each Director of Redflow Limited and other key management personnel of the Company, including their personally related parties, are set out in the Remuneration report.

## 24. AUDITORS REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices and non-related audit firms.

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | <b>\$</b>           | <b>\$</b>           |
| <b>PricewaterhouseCoopers Australia</b>                   |                     |                     |
| <i>Audit and other assurance services</i>                 |                     |                     |
| Audit and review of financial statements                  | <b>118,030</b>      | 163,030             |
| Total remuneration for audit and other assurance services | <b>118,030</b>      | 163,030             |
| <i>Other services</i>                                     |                     |                     |
| R&D claim services  | <b>15,055</b>       | -                   |
| Total remuneration for other services                     | <b>15,055</b>       | -                   |
| Total auditors' remuneration                              | <b>133,085</b>      | 163,030             |

## 25. CONTINGENCIES

The Group has no contingent liabilities at 30 June 2019 (2018: \$nil).



## 26. COMMITMENTS

### (a) Capital commitments

The Group had no additional commitments at 30 June 2019 (2018: \$106,749) in committed capital for Plant and Equipment purchases.

### (b) Leasing commitments: Group as lessee

#### *Non cancellable operating leases*

The Group leases various offices, warehouses and other equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Future minimum rentals payable under non cancellable operating leases as at 30 June 2019 are as follows:

|  | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows: |                     |                     |
| Within one year  | 405,283             | 391,039             |
| Later than one year but not later than five years  | 128,139             | 456,541             |
| Later than five years  | -                   | -                   |
|  | <b>533,422</b>      | <b>847,580</b>      |

## 27. RELATED PARTY DISCLOSURES

### (a) Ultimate parent

The Parent entity within the Group is Redflow Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 28.

### (c) Key management personnel

Disclosure relating to key management personnel is set out in Note 23.

### (d) Transactions with related parties

The following transactions occurred with related parties.

|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---|---------------------|---------------------|
|   | <b>\$</b>           | <b>\$</b>           |
| Purchases of goods and services:  |                     |                     |
| Professional fees paid to entities controlled by key management personnel | -                   | 43,246              |
| R&D expenses paid to entities controlled by key management personnel      | -                   | 100,202             |
| Payroll expenses paid to entities controlled by key management personnel  | -                   | 82,050              |
| Other expenses paid to entities controlled by key management personnel    | 4,183               | 55,264              |
| Payroll expenses paid to related party employees                          | 118,304             | -                   |

Prior to Simon Hackett resigning as a Director on 26 November 2018, a number of Mexican manufactured batteries were replaced under warranty reducing the warranty provision by \$248,104.

## 28. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(c).

| <i>Name of entity</i>         | <i>Country of Incorporation</i> | <i>Class of shares</i> | <i>% Equity holding*</i> |      | <i>Principal activity</i> |
|-------------------------------|---------------------------------|------------------------|--------------------------|------|---------------------------|
|                               |                                 |                        | <b>2019</b>              | 2018 |                           |
| Redflow R&D Pty Ltd           | Australia                       | Ordinary               | <b>100%</b>              | 100% | Technology assets         |
| Redflow International Pty Ltd | Australia                       | Ordinary               | <b>100%</b>              | 100% | Operating entity          |
| Redflow LLC                   | USA                             | Ordinary               | <b>100%</b>              | 100% | Marketing and sales       |
| Redflow Europe GmbH           | Germany                         | Ordinary               | <b>100%</b>              | 100% | Marketing and sales       |
| Redflow (Thailand) Ltd        | Thailand                        | Ordinary               | <b>100%</b>              | 100% | Manufacturing service     |

\*The proportion of ownership interest is equal to the proportion of voting power held.

## 29. EVENTS AFTER BALANCE DATE

Subsequent to the end of the financial year, the following event has occurred:

- Achievement of ISO 9001 accreditation for Redflow Thailand facility on 3 July 2019.

**30. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

|  | <i>30 June 2019</i>        | <i>30 June 2018</i> |
|--|----------------------------|---------------------|
|  | <u>\$</u>                  | <u>\$</u>           |
| Total loss for the year  | <b>(11,569,996)</b>        | (11,995,018)        |
| <i>Adjustments for:</i>  |                            |                     |
| Depreciation and amortisation                                  | <b>698,076</b>             | 567,228             |
| (Impairment reversal)/Impairment of receivables                | <b>28,400</b>              | (15,951)            |
| Net (profit)/loss on disposal of property, plant and equipment | <b>(8,074)</b>             | 64,435              |
| Net gain on foreign exchange                                   | <b>(31,519)</b>            | 27,422              |
| Share-based payment expense                                    | <b>196,318</b>             | 38,781              |
| <i>Changes in operating assets and liabilities</i>             |                            |                     |
| (Increase)/Decrease in trade and other receivables             | <b>215,108</b>             | (12,893)            |
| (Increase)/Decrease in inventories                             | <b>(3,800,708)</b>         | 1,469,985           |
| (Increase)/Decrease in other operating assets                  | <b>204,608</b>             | (341,184)           |
| (Decrease)/Increase in trade and other payables                | <b>(22,771)</b>            | (2,025,335)         |
| (Decrease)/Increase in other current liabilities               | <b>250,049</b>             | 225,240             |
| (Decrease)/Increase in provisions                              | <b>(652,103)</b>           | 841,804             |
| Net cash (outflow) from operating activities                   | <b><u>(14,492,612)</u></b> | <u>(11,155,486)</u> |

**31. EARNINGS PER SHARE**

|  | <i>30 June 2019</i>  | <i>30 June 2018</i> |
|--|----------------------|---------------------|
|  | <u>\$</u>            | <u>\$</u>           |
| <b>(a) Basic and dilutive loss per share</b>   |                      |                     |
| From continuing operations attributable to the ordinary equity of the Group                          | <b><u>(0.02)</u></b> | (0.02)              |
| Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group | <b><u>(0.02)</u></b> | (0.02)              |

**(b) Diluted earnings per share**

Options granted to employees and external parties during the year 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. Therefore the diluted earnings per share is equal to the basic earnings per share, per AASB 133. Options and Convertible notes issued have not been included in the determination of basic earnings per share.

**(c) Reconciliation of earning used in calculating earnings per share**

|  | <i>30 June 2019</i>        | <i>30 June 2018</i> |
|--|----------------------------|---------------------|
|  | <u>\$</u>                  | <u>\$</u>           |
| Basic earnings per share   |                            |                     |
| Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share | <b><u>(11,595,538)</u></b> | (11,984,120)        |
| From continuing operations   | <b><u>(11,595,538)</u></b> | (11,984,120)        |

**31. EARNING PER SHARE (continued)**

|  | <b>30 June 2019</b> | <b>30 June 2018</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| Weighted average number of shares used as the denominator in calculating basic and dilutive earnings per share | <b>728,992,316</b>  | 534,431,076         |

**32. SHARE BASED PAYMENTS**

**(a) Share options on issue to third parties**

There were no options on issue to third parties during 2019 (2018: nil).

**(b) Share options issued to employees under the Redflow Limited Share Option Plan**

There were no options granted during the year.

| <i>Grant Date</i>               | <i>First Exercise Date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at start of the year</i> | <i>Granted during the Year</i> | <i>Forfeited during the year</i> | <i>Balance at end of the year</i> | <i>Vested and exercisable at end of the year</i> |
|---------------------------------|----------------------------|--------------------|-----------------------|-------------------------------------|--------------------------------|----------------------------------|-----------------------------------|--|
|                                 |                            |                    |                       | Number                              | Number                         | Number                           | Number                            | Number   |
| <b>Consolidated 2019</b>        |                            |                    |                       |                                     |                                |                                  |                                   |  |
| 10/12/2014                      | 31/12/2016                 | 31/12/2018         | \$0.19                | 1,000,000                           | -                              | (1,000,000)                      | -                                 | -  |
| 18/05/2015                      | 30/06/2015                 | 30/06/2018         | \$0.19                | 100,000                             | -                              | (100,000)                        | -                                 | -  |
| 18/05/2015                      | 30/06/2016                 | 30/06/2019         | \$0.19                | 550,000                             | -                              | (550,000)                        | -                                 | -  |
| 18/05/2015                      | 31/12/2016                 | 31/12/2019         | \$0.19                | 300,000                             | -                              | -                                | 300,000                           | 300,000  |
| 18/05/2015                      | 30/06/2017                 | 30/06/2020         | \$0.19                | 100,000                             | -                              | -                                | 100,000                           | 100,000  |
| 7/07/2015                       | 30/06/2016                 | 31/12/2018         | \$0.28                | 250,000                             | -                              | (250,000)                        | -                                 | -  |
| 7/07/2015                       | 31/12/2016                 | 31/12/2018         | \$0.28                | 250,000                             | -                              | (250,000)                        | -                                 | -  |
| 28/11/2016                      | 14/07/2018                 | 28/11/2022         | \$0.34                | 2,000,000                           | -                              | (2,000,000)                      | -                                 | -  |
| 28/11/2016                      | 14/07/2018                 | 28/11/2022         | \$0.34                | 3,000,000                           | -                              | (3,000,000)                      | -                                 | -  |
|                                 |                            |                    |                       | <b>7,550,000</b>                    | <b>-</b>                       | <b>(7,150,000)</b>               | <b>400,000</b>                    | <b>400,000</b>                                   |
| Weighted average exercise price |                            |                    |                       | \$0.30                              |                                | \$0.30                           | \$0.19                            | \$0.19   |

**32. SHARE BASED PAYMENTS (continued)**

| <i>Grant Date</i>               | <i>First Exercise Date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at start of the year</i> | <i>Granted during the Year</i> | <i>Forfeited during the year</i> | <i>Balance at end of the year</i> | <i>Vested and exercisable at end of the year</i> |
|---------------------------------|----------------------------|--------------------|-----------------------|-------------------------------------|--------------------------------|----------------------------------|-----------------------------------|--|
| <b>Consolidated 2018</b>        |                            |                    |                       | Number                              | Number                         | Number                           | Number                            | Number   |
| 6/09/2011                       | 1/07/2012                  | 5/09/2017          | \$1.45                | 200,000                             | -                              | (200,000)                        | -                                 | -  |
| 6/09/2011                       | 1/07/2013                  | 5/09/2017          | \$1.85                | 200,000                             | -                              | (200,000)                        | -                                 | -  |
| 10/12/2014                      | 31/12/2016                 | 31/12/2018         | \$0.19                | 1,000,000                           | -                              | -                                | 1,000,000                         | 1,000,000  |
| 18/05/2015                      | 30/06/2015                 | 30/06/2018         | \$0.19                | 100,000                             | -                              | -                                | 100,000                           | 100,000  |
| 18/05/2015                      | 30/06/2016                 | 30/06/2019         | \$0.19                | 550,000                             | -                              | -                                | 550,000                           | 550,000  |
| 18/05/2015                      | 31/12/2016                 | 31/12/2019         | \$0.19                | 300,000                             | -                              | -                                | 300,000                           | 300,000  |
| 18/05/2015                      | 30/06/2017                 | 30/06/2020         | \$0.19                | 100,000                             | -                              | -                                | 100,000                           | 100,000  |
| 7/07/2015                       | 30/06/2016                 | 31/12/2018         | \$0.28                | 250,000                             | -                              | -                                | 250,000                           | 250,000  |
| 7/07/2015                       | 31/12/2016                 | 31/12/2018         | \$0.28                | 250,000                             | -                              | -                                | 250,000                           | 250,000  |
| 28/11/2016                      | 14/07/2017                 | 28/11/2022         | \$0.34                | 1,000,000                           | -                              | (1,000,000)                      | -                                 | -  |
| 28/11/2016                      | 14/07/2017                 | 28/11/2022         | \$0.34                | 1,500,000                           | -                              | (1,500,000)                      | -                                 | -  |
| 28/11/2016                      | 14/07/2018                 | 28/11/2022         | \$0.34                | 2,000,000                           | -                              | -                                | 2,000,000                         | -  |
| 28/11/2016                      | 14/07/2018                 | 28/11/2022         | \$0.34                | 3,000,000                           | -                              | -                                | 3,000,000                         | -  |
|                                 |                            |                    |                       | <u>10,450,000</u>                   | <u>-</u>                       | <u>(2,900,000)</u>               | <u>7,550,000</u>                  | <u>2,550,000</u>                                 |
| Weighted average exercise price |                            |                    |                       | \$0.36                              |                                | \$0.52                           | \$0.30                            | \$0.21   |

**(c) Performance Rights issued to employees under the Redflow Limited Performance Rights Plan**

| <i>Grant Date</i>        | <i>First Exercise Date</i> | <i>Expiry date</i> | <i>Exercise price</i> | <i>Balance at start of the year</i> | <i>Granted during the Year</i> | <i>Forfeited during the year</i> | <i>Balance at end of the year</i> | <i>Vested and exercisable at end of the year</i> |
|--------------------------|----------------------------|--------------------|-----------------------|-------------------------------------|--------------------------------|----------------------------------|-----------------------------------|--|
| <b>Consolidated 2019</b> |                            |                    |                       | Number                              | Number                         | Number                           | Number                            | Number   |
| 4/12/2017                | 30/06/2020                 | 28/11/2023         | -                     | 1,000,000                           | -                              | -                                | 1,000,000                         | -  |
| 4/12/2017                | 30/06/2018                 | 28/11/2023         | -                     | 666,666                             | -                              | (666,666)                        | -                                 | -  |
| 4/12/2017                | 30/06/2019                 | 28/11/2023         | -                     | 666,666                             | -                              | (666,666)                        | -                                 | -  |
| 4/12/2017                | 30/06/2020                 | 28/11/2023         | -                     | 666,667                             | -                              | -                                | 666,667                           | -  |
| 4/12/2017                | 30/06/2020                 | 28/11/2023         | -                     | 666,666                             | -                              | (666,666)                        | -                                 | -  |
| 4/12/2017                | 30/06/2020                 | 28/11/2023         | -                     | 666,667                             | -                              | (666,667)                        | -                                 | -  |
| 4/12/2017                | 30/06/2020                 | 28/11/2023         | -                     | 666,668                             | -                              | (666,668)                        | -                                 | -  |
| 26/11/2018               | 30/06/2021                 | 25/11/2024         | -                     | -                                   | 1,000,000                      | -                                | 1,000,000                         | -  |
| 26/11/2018               | 30/06/2019                 | 25/11/2024         | -                     | -                                   | 1,500,000                      | -                                | 1,500,000                         | -  |
| 26/11/2018               | 30/06/2020                 | 25/11/2024         | -                     | -                                   | 833,333                        | -                                | 833,333                           | -  |
| 26/11/2018               | 30/06/2021                 | 25/11/2024         | -                     | -                                   | 833,333                        | -                                | 833,333                           | -  |
| 26/11/2018               | 30/06/2021                 | 25/11/2024         | -                     | -                                   | 833,334                        | -                                | 833,334                           | -  |
|                          |                            |                    |                       | <u>5,000,000</u>                    | <u>5,000,000</u>               | <u>(3,333,333)</u>               | <u>6,666,667</u>                  | <u>-</u>   |

**32. SHARE BASED PAYMENTS (continued)**

**(d) Expenses arising from share based payment transactions**

Total expenses arising from share based payments transactions during the period as a part of employee benefits expense were as follows:

|  | <b>30 June 2019</b> | <i>30 June 2018</i> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| Options issued under employee option plan          | -                   | (197,760)           |
| Shares issued in lieu of compensation              | -                   | -                   |
| Shares issued under loan funded share plan         | -                   | 701                 |
| Share rights granted under performance rights plan | <b>120,696</b>      | 149,188             |
|  | <b>120,696</b>      | <b>(47,871)</b>     |

### 33. PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary of financial information

The individual financial statements for the parent entity, Redflow Limited show the following aggregate amounts:

|                             | <b>PARENT</b>        |                     |
|-----------------------------|----------------------|---------------------|
|                             | <b>30 June 2019</b>  | <b>30 June 2018</b> |
|                             | <b>\$</b>            | <b>\$</b>           |
| <b>Balance sheet</b>        |                      |                     |
| Current assets              | <b>10,845,445</b>    | 17,456,734          |
| Non current assets          | <b>159,113</b>       | 212,962             |
| Total assets                | <b>11,004,558</b>    | 17,669,696          |
| Current liabilities         | -                    | -                   |
| Non current liabilities     | <b>34,328</b>        | 34,328              |
| Total liabilities           | <b>34,328</b>        | 34,328              |
| Net assets                  | <b>10,970,230</b>    | 17,635,368          |
| <i>Shareholders' equity</i> |                      |                     |
| Contributed equity          | <b>119,586,245</b>   | 111,300,911         |
| Reserves                    | <b>3,420,572</b>     | 3,299,876           |
| Accumulated losses          | <b>(112,036,587)</b> | (96,965,418)        |
|                             | <b>10,970,230</b>    | 17,635,368          |
| <br>                        |                      |                     |
| (Loss) for the period       | <b>(15,071,168)</b>  | (11,583,636)        |
| <br>                        |                      |                     |
| Total comprehensive (loss)  | <b>(15,071,168)</b>  | (11,583,636)        |

Included in the loss for the period is an impairment charge of \$15,236,858 (2018: \$11,629,830) against intercompany receivables.

#### (b) Details of any guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2019 (2018: nil).

#### (c) Contingent liabilities of the parent entity

The parent entity does not have any contingent liabilities as at 30 June 2019 (2018: nil).

#### (d) Contractual commitments for the acquisition of property, plant or equipment.

The parent entity is not entered into any contractual commitments for acquisition of property, plant and equipment as at 30 June 2019 (2018: nil).

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 38 to 77 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 Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Financial Controller required by section 295A of the Corporations Act 2001.

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



Brett Johnson  
Chairman

Brisbane  
Date: 30 August 2019





## Independent auditor's report

To the members of Redflow Limited

### Report on the audit of the financial report

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#### Our opinion

In our opinion:

The accompanying financial report of Redflow Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

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### Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred an operating loss after income tax of \$11,569,996 during the year ended 30 June 2019 and an operating cash outflow of \$14,492,612. As a result, the Group is dependent on its ability to generate positive cash flow from operations and / or 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 on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

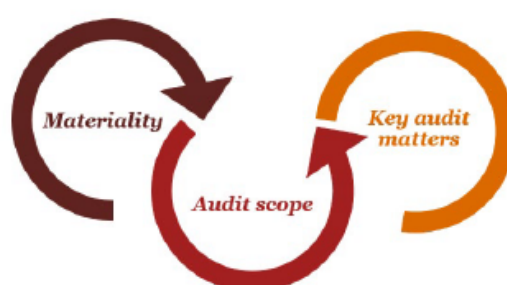
### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Redflow Limited is an ASX listed entity, headquartered in Brisbane, Australia. The Group's principal activities are the development, manufacture and sale of Zinc Bromine flowing electrolyte battery Module ("ZBM") cells, which are manufactured and distributed from the Group's facility in Thailand. The Group sells batteries to a limited number of customers across the globe.

The oversight and corporate governance and accounting processes are structured around a group finance function at its headquarters in Brisbane.



| Materiality  | Audit scope   | Key audit matters  |
|--|---|--|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$567,000 (FY18: \$577,000), which represents approximately 5% of the Group's loss before tax.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently</li> </ul> | <ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: <ul style="list-style-type: none"> <li>Existence and valuation of inventory</li> </ul> </li> </ul> |



- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
  - We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
  - We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- Our audit focused on the areas of significant estimate and judgement around the Group, such as the valuation and existence of inventory and the going concern basis of preparation adopted for the financial report.
  - Our audit procedures were predominantly performed at the Brisbane headquarters, with the exception of procedures performed over inventory which were carried out at the Group's manufacturing facility in Thailand.
- Material uncertainty related to going concern
  - These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Existence and valuation of inventory</b><br/>(Refer to note 13 of the consolidated financial statements)</p> <p>The Group carried an inventory balance of \$7.9m as at 30 June 2019 which is net of a provision of \$0.8m.</p> | <p>To test the existence of inventory presented in the financial report, we:</p> <ul style="list-style-type: none"> <li>• Attended a period end inventory count at the Brisbane locations and attended a daily cycle count procedure at the Thailand location,</li> </ul> |



**Key audit matter**

**How our audit addressed the key audit matter**

Inventory is predominantly held in Brisbane and Thailand wholly-owned facilities.

The Group continues to build on its commercial sales orders and there is a risk that the batteries or raw materials required in the manufacturing of these batteries may not realise at amounts equal to or above their carrying cost.

The Group's policy for inventory valuation and provision is described in Note 2 of the consolidated financial statements.

Provision for obsolete raw material has been estimated based on inventory's physical condition as at 30 June 2019, including the impact of any expected rectification work, planned usage and production forecasts.

We consider existence and valuation of inventory to be a key audit matter due to:

- The significance of the inventory balance in relation to the Group's consolidated balance sheet.
- The judgemental nature of estimates involved in computing the provision for inventory obsolescence.
- The assumptions used to determine the allocation of manufacturing overhead for each battery produced which determines the valuation of a battery unit and the gross margin of a battery sale.

based on financial significance.

- Selected a sample of inventory items at these locations and compared the quantities we counted with the quantities recorded in the inventory records.
- Addressed the completeness risk associated with reliance on cycle counts by reviewing the records of all daily cycle counts performed at the Thailand facility during FY19 to the inventory stock listing at 30 June 2019 to confirm that all items have been counted at least once during the year.
- Considered the design and operating effectiveness of the controls related to the inventory processing and stocktake procedures.

To assess the Group's judgements and assumptions applied in the valuation of inventory as at 30 June 2019, we performed the following procedures:

- Assessed the Group's 30 June 2019 inventory provision balance against the inventory provisioning policy, taking into account the current inventory profile, ageing and our understanding of Redflow's business and inventory balances.
- Evaluated the assumptions used by the Group to determine specific provisions recorded in relation to damaged/ obsolete raw materials and batteries with reference to physical inspections and supporting documentation.
- Assessed the saleability of the batteries not provided for, on a sample basis, to determine whether these batteries passed the quality control expectations of the Group.
- Obtained the bill of material (BoM) which includes the list of raw materials intended to be used in the next 12 months and for a





*Key audit matter*

*How our audit addressed the key audit matter*

sample of raw material items, tested that they had been included as part of the BOM, in order to test the Group's assessment of the potential use and obsolescence of raw material items.

- On a sample basis, tested the average cost of individual items to the actual year end average cost, by tracing to supporting invoices.

*Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 12 to 20 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Redflow Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a light blue circular stamp.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Simon Neill', is written over a light blue circular stamp.

Simon Neill  
Partner

Brisbane  
30 August 2019

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2019.

**(a) Distribution of equity securities**

*(i) Ordinary share capital*

913,772,004 fully paid ordinary shares are held by 7,351 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

*(ii) Options*

6,050,000 options are held by 3 individual option holders

The number of shareholders, by size of holding, in each class are:

|  | Fully paid ordinary shares | Options      |
|--|----------------------------|--------------|
| 1 - 1,000  | 209                        | 0            |
| 1,001 - 5,000  | 1,202                      | 0            |
| 5,001 - 10,000   | 1,040                      | 0            |
| 10,001 – 100,000   | 3,613                      | 0            |
| 100,001 and over   | 1,287                      | 3            |
|  | Parcel size                | Shareholders |
| Holding less than a marketable parcel of shares at \$0.037 per share | 13,514                     | 2,902        |

**(b) Substantial shareholders**

The names of the Company's substantial shareholders and the number of ordinary shares in which each has a relevant interest as disclosed in substantial shareholder notices given to the Company are as follows

| <i>Ordinary shareholders</i> | <i>Full Paid<br/>Number</i> | <i>Percentage</i> |
|------------------------------|-----------------------------|-------------------|
| Simon Walter Hackett         |                             |                   |
| Hackett CP Nominees PTY LTD  | 108,746,204                 | 11.90%            |

(c) Twenty largest holders of quoted equity securities

| <i>Ordinary shareholders</i>  | <i>Full Paid</i> |                   |
|---|------------------|-------------------|
|   | <i>Number</i>    | <i>Percentage</i> |
| 1 HACKETT CP NOMINEES PTY LTD                                       | 108,746,204      | 11.90%            |
| 2 LEH SOON YONG   | 28,891,245       | 3.16%             |
| 3 MFS FUND PTY LTD  | 25,200,000       | 2.76%             |
| 4 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL<br>SERV LTD DRP      | 23,840,638       | 2.61%             |
| 5 MR JOHN RICHARD SERISIER & MRS SHELLEY ANN<br>SERISIER            | 15,000,000       | 1.64%             |
| 6 MR DAVID FREDERICK OAKLEY   | 14,650,000       | 1.60%             |
| 7 CITICORP NOMINEES PTY LIMITED                                     | 10,613,481       | 1.16%             |
| 8 KIDSKLUBS KARIONG PTY LTD   | 10,550,775       | 1.15%             |
| 9 MR JUSTIN ERIC SCHAFFER   | 10,000,000       | 1.09%             |
| 10 MR WERNER JOSEF GALLAUTZ   | 7,500,000        | 0.82%             |
| 11 HAPPINESS INVESTMENTS PTY LTD                                    | 7,308,952        | 0.80%             |
| 12 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                        | 7,169,251        | 0.78%             |
| 13 PLATE IMPRESSIONS PTY LTD  | 6,943,352        | 0.76%             |
| 14 POLVRAN INVESTMENTS PTY LTD                                      | 6,445,575        | 0.71%             |
| 15 MR CHRISTOPHER LISTER LAWRANCE & MRS COLLEEN<br>ALLISON LAWRANCE | 6,319,999        | 0.69%             |
| 16 IG HOLDINGS PTY LTD  | 4,208,502        | 0.46%             |
| 17 POLVRAN INVESTMENTS PTY LTD                                      | 4,170,248        | 0.46%             |
| 18 BNP PARIBAS NOMINEES PTY LTD                                     | 4,051,558        | 0.44%             |
| 19 HAYWARD AUSTRALASIA PTY LTD                                      | 4,000,000        | 0.44%             |
| 20 NETWEALTH INVESTMENTS LIMITED                                    | 3,728,327        | 0.41%             |
|   | 309,338,107      | 33.85%            |



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