



Redflow Limited
ACN 130 227 271

11 June 2020

Entitlement Offer

Redflow Limited announces that it is undertaking a 1 for 1 pro-rata, non-renounceable entitlement offer to fund its program of activities to at least 30 June 2021.

A letter from the Chairman and Managing Director in relation to the entitlement offer is **attached**.

The Redflow Board fully supports the entitlement offer and the Directors have each agreed to participate in the entitlement offer.

This announcement has been authorised for release to the ASX by the Board of the Company.

For further information contact:

Corporate
Tim Harris
07 3376 0008
tim.harris@redflow.com

Investors
Ronn Bechler
03 9591 8901
ronn.bechler@marketeye.com.au

Media
John Harris
08 8431 4000
john@impress.com.au

About Redflow www.redflow.com

Redflow Limited, a publicly listed Australian company (ASX:RFX), produces small 10kWh zinc-bromine flow batteries that tolerate daily hard work in harsh conditions. Marketed as [ZCell](#) and [ZBM2](#), Redflow batteries are designed for high cycle-rate, long time-base stationary energy storage applications in the residential, commercial & industrial and telecommunications sectors, and are scalable from a single battery installation through to grid-scale deployments. Redflow batteries are sold, installed and maintained by an international network of energy system integrators. Redflow's smart, self-protecting batteries offer unique advantages including secure remote management, 100 per cent daily depth of discharge, tolerance of high ambient temperatures, a simple recycling path, no propensity for thermal runaway and sustained energy delivery throughout their operating life.

Redflow Limited
ACN 130 227 271



11 June 2020

Dear Shareholder

Entitlement Offer to raise up to \$22.9 million before offer costs with an immediate target of around \$6.25 million

When the Board last raised capital from shareholders in April 2019 (by way of a 1:2 pro-rata non-renounceable entitlement offer) we noted that Redflow Limited (**Redflow**) was well positioned to gain sales traction and customer acceptance of our innovative zinc bromine flow batteries.

Since that time, we have:

- grown sales over the nine months to 31 March 2020 by 166% to \$1.7m versus the prior corresponding period;
- secured (after extensive trials) an initial order from Vodacom, which is part of one of the world's largest telco groups, for nearly 30 telecommunication tower sites in South Africa (68 batteries);
- developed a close relationship with Mobax, one of Southern Africa's largest field services companies for the telecommunications industry;
- been selected by New Zealand Rural Connectivity Group to provide energy storage for a number of off-grid sites with an initial order in December 2019 and repeat order in April 2020 (22 batteries in total) and have been advised that Redflow batteries are a reference technology in a closed tender to select an installation partner for all RCG's remaining off-grid telecommunication towers;
- achieved ISO9001 accreditation for our Thailand factory and demonstrated the benefits of a wholly owned flexible manufacturing capability (capable of quickly scaling to 250 batteries a month);
- proven the capacity, performance, structure and behaviour of our Thailand manufactured batteries after more than 600 cycles through an Australian government sponsored independent testing program;
- captured a growing number of orders through a refreshed partner ecosystem in Australia – notably in the agricultural and commercial sectors;
- expanded into China via a Collaboration Agreement with ZbestPower Co – including the deployment of a 10 battery demonstration site in Qinghai Province; and
- secured material improvements in future input costs through key supplier negotiations.

Our principal focus has been on the telecommunications sector as that presents a large and growing market where Redflow's unique battery characteristics provide real benefits to our customers, particularly in regions like Africa that have inconsistent mains power and serious battery theft issues.

Our progress is also reflected by a growing number of deployments in the field. Redflow now has over 90 active deployments globally, which has grown by 40% over the last 12 months. Our earliest telco reference site for Vodafone in New Zealand has now delivered more than 60 MWh (megawatt-hours) of energy since its commissioning in 2016.

From the many discussions with our distributors and end customers in the first few months of 2020, we were in a good position to secure material orders for our batteries. We had rapidly expanded our customer engagements and sales pipeline. Then the world was impacted by the novel coronavirus (COVID-19) pandemic. First, it shut down China then quickly spread internationally, resulting in the global shutdown and recession which is, without doubt, unprecedented in recent history.

As a direct result of the COVID-19 pandemic, key customers have (quite understandably) delayed critical investment plans which, combined with the inability to travel to our important international markets, has materially impacted realisation of some immediate sales opportunities and our broader pipeline across multiple markets. Our sales pipeline remains strong and underpins the potential for material growth for Redflow's business once the pandemic ends.

Nevertheless, management and the Board have taken all possible action to continue with our sales efforts while reducing expenditure where we can. An underlying overhead cost reduction of over \$2.1 million to the end of April FY20 has been achieved compared to the previous corresponding period in FY19. Further reductions in monthly costs are targeted.

In summary, cost related actions include:

- securing support through the Federal Government's JobKeeper program, ensuring that redundancies were kept to a minimum to retain our research, development and operational expertise and experience;
- dramatically reducing our Thailand operation whilst ensuring we retain the core competency to assist with our battery development program and recommence manufacturing when appropriate;
- applying for Federal & State Government COVID-19 support packages available to Redflow;
- reducing working hours (to the extent practicable) for targeted Brisbane based employees;
- executives accepting a temporary 25% reduction in their salaries;
- all Directors reducing their fees, resulting in a 27% reduction in fees for Non-Executive Directors and a 60% reduction in the Chairman's fees; and
- reducing all other discretionary expenditure to the absolute maximum extent possible.

Acceleration of Next Generation (Gen3) Battery

Redflow is not wasting the period while we are impacted by the COVID-19 pandemic. Rather, we have decided to use this period to materially accelerate completion of our next generation zinc bromide flow battery (Gen3 Battery). The Gen3 Battery will include a new electrode stack design, a new electronics board and an updated tank design.

The Gen3 Battery will be delivered at a significantly lower cost than our current battery and will provide the platform for a volume manufactured battery and a better customer proposition in a competitive market. Critical insights from our partners and key telco customers generated over the last six months are also being integrated into the design to improve application specific performance, installation and in-life management.

The current economic environment and a growing focus on renewable energy provides a unique opportunity for Redflow to focus on this critical program, that has already made significant progress over the past six months. Redflow's Brisbane based engineering team will be accelerating this work over this COVID-19 impacted period with support from Redflow Thailand. We expect that our Gen3 Battery will deliver at least 30% cost reductions versus current Thailand produced ZBM2 batteries, at reasonable volumes.

Shareholders will be updated with progress each quarter as the program achieves key milestones. This includes completion of retooling for Gen3 at the Redflow Thailand facility in October and commencement of initial customer trials by the end of this calendar year.

Outlook

The Board continues to believe that the Redflow battery provides a technical and commercial value proposition in multiple industries where stable and cost-efficient power is critical.

Shareholders and many other stakeholders have invested significant time, money and effort developing Redflow's unique energy storage battery technology and a set of capabilities that position us today for accelerated commercialisation and volume sales.

The immediate objectives for Redflow over the next 12 months include:

- accelerating key engineering projects to deliver a more cost competitive product through the Gen3 Battery;
- successfully initiating customer trials of the Gen3 Battery by the end of calendar 2020;
- aggressively pricing our existing stock of ZBM2 batteries to convert our current pipeline of sales enquiries into sales and generating new sales opportunities;
- further development of enhanced battery features such as external housing for outdoor deployments;
- orientating Redflow Thailand to focus on testing, development and retooling for Gen3;
- progressing strategic growth opportunities, particularly across Africa; and
- progressing current and alternative supplier discussions to reduce cost and improve supplier diversification.

We will also continue our current discussions with potential strategic investors and partners in Australia and overseas.

Redflow believes that it requires new funding of around \$6.25 million to fund this work over the next 12 months and to continue progressing Redflow's growth strategy and is seeking shareholder support to raise the required additional capital.

Accordingly, Redflow today announced a capital raising via a non-renounceable 1:1 entitlement offer (**Entitlement Offer**).

If fully subscribed, the Entitlement Offer would raise approximately \$22.9 million before offer costs.

Redflow's immediate target in the offer period is to raise around \$6.25 million. This will allow Redflow to complete the proposed Gen3 Battery development, ensure customer trials are successful, retool our Thai manufacturing operations and continue to focus on converting our sales pipeline.

If the Entitlement Offer does not raise around \$6.25 million, the Board will consider all options to protect shareholder interests.

Details of the entitlement offer

The Entitlement Offer provides Eligible Shareholders with the opportunity to subscribe for 1 share for every 1 share held at 7pm (Sydney time) Tuesday, 16 June 2020 (**Record Date**) at an issue price of 2.5 cents per new share.

Issue Price

The issue price of 2.5 cents per new share under the Entitlement Offer represents a discount of approximately:

- 18% to the 30 day volume weighted average price up to and including Wednesday, 10 June 2020; and
- 14% to the last price at which the shares traded on Wednesday, 10 June 2020

Given our current share price, the Board does not believe it was appropriate to discount the issue price further.

Eligible Shareholders

The Entitlement Offer will be offered to all Redflow shareholders with a registered address in Australia, New Zealand, Hong Kong or Singapore as at the Record Date (**Eligible Shareholders**). Redflow regrets that, having considered the number of shareholders with registered addresses outside Australia, New Zealand, Hong Kong or Singapore (**Ineligible Shareholders**), the number and value of the shareholdings held by Ineligible Shareholders, and the costs of complying with the laws and any requirements of any regulatory authority in each applicable jurisdiction, it will not offer the Entitlement Offer to Ineligible Shareholders.

Entitlements

Entitlements in respect of new shares will be rounded up to the nearest whole number and holdings on different registers or sub-registers will not be aggregated to calculate entitlements. The Entitlement Offer is non-renounceable and entitlements cannot be traded on the ASX.

Additional New Shares

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**), with such oversubscriptions to be satisfied from Entitlements that were not taken up by other shareholders under the Entitlement Offer. If demand for Additional New Shares exceeds the number of Additional New Shares available, the number of Additional New Shares issued will be scaled back on a pro rata basis.

Redflow's share capital structure pro-forma

The table below provides a pro-forma share capital structure of Redflow after completion of the Entitlement Offer (assuming no other shares are issued by Redflow and no options or performance rights are exercised). The actual outcome of the Entitlement Offer may differ.

Share Capital	Shares (\$6.25 million)	Shares (Maximum Subscription)
Shares currently on issue	915,682,051	915,682,051
New Shares to be issued under the Entitlement Offer	250,000,000	915,682,051
Potential shares on issue after the Entitlement Offer	1,165,682,051	1,831,364,102

Further information

The Entitlement Offer will be made under section 708AA of the Corporations Act. Accordingly, Redflow will not prepare a prospectus or other disclosure document. Redflow expects to lodge with ASX and despatch to Eligible Shareholders a copy of the Entitlement Offer Booklet and the Entitlement and Acceptance Form on Friday, 19 June 2020.

Important dates

Event	Date
Announcement of Entitlement Offer	Thursday, 11 June 2020
Existing shares quoted on an 'ex-entitlement' basis	Monday, 15 June 2020
Record Date	7pm (Sydney time) Tuesday, 16 June 2020
Entitlement Offer opens Entitlement Offer Booklet and acceptance forms despatched to Eligible Shareholders	Friday, 19 June 2020
Entitlement Offer closes	5pm (Sydney time) Friday, 10 July 2020
Announcement of shortfall (if any) under the Entitlement Offer	Wednesday, 15 July 2020
Allotment date of new shares issued under the Entitlement Offer	Friday, 17 July 2020
Despatch of holding statements for New Shares issued under the Entitlement Offer	Monday, 20 July 2020
Normal trading of New Shares issued under the Entitlement Offer	

The timetable is subject to change and Redflow reserves the right to withdraw or vary the timetable for the offer without notice. In particular, Redflow reserves the right to extend the closing date for the Entitlement Offer, to accept late applications whether generally or in particular cases or to withdraw the Entitlement Offer without prior notice.

The Redflow Board fully supports the Entitlement Offer and your Directors have each agreed to participate in the rights issue.

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

Yours faithfully



Brett Johnson
Non-Executive Chairman



Tim Harris
Managing Director & CEO