## ASX Announcement

**27 August 2020**

# Strong revenue growth underpinned by effective cost management

**Redflow Limited (ASX: RFX)** (the 'Company' or 'Redflow') is pleased to announce its results for the 12 months ended 30 June 2020 (FY2020).

Over the course of FY2020 the Company achieved significant progress against several key milestones, including:

- Increased sales by 144% to $1.95 million (vs pcp), including deployments with new strategic end customers
- Established new partnerships and collaborations to enhance product validation and sales opportunities
- Accelerated the development of next generation zinc bromine flow battery (Gen3 battery), with target partner and customer trials planned for the end of 2020
- Progressed strategic growth opportunities, particularly across Africa
- Advanced current and alternative supplier discussions to reduce cost and improve diversification
- Reduced costs through disciplined expense management, resulting in a 52% improvement to cashflow
- Post year end, via an Entitlement Offer, raised $5.3 million to fund the Company's next growth phase.

Redflow CEO and Managing Director Tim Harris stated: "Redflow has continued to make advances against key growth milestones despite the challenges presented by COVID-19 in the second half of FY2020. We have assembled a solid customer base, and now have nearly 100 battery deployments across our target markets, including a growing number of sites in the strategically important South African market. While sales activity was materially affected by the COVID-19 pandemic in Q4, we continue to have active conversations with existing and new customers, and anticipate good levels of demand once there is greater certainty in business conditions over the coming months.

"Our near-term focus remains on the accelerated development of the new Gen3 battery, and we are on track to commence customer trials by the end of this calendar year. Our business has demonstrated flexibility and resiliency in managing costs and maintaining focus in response to a radically different business environment. We have continued to implement cost saving measures to ensure Redflow is as strongly positioned as possible to benefit once various COVID-19 restrictions are lifted and demand for our batteries and battery deployments increases."

Post year end, the $5.3 million (gross proceeds) Entitlement Offer undertaken in July 2020, enabled the Company to further its near-term growth and strategic plans by accelerating the development of the next generation zinc bromine flow battery (Gen3 battery).

The Gen3 battery will include a major advancement in stack technology, tank architecture, improved cooling and a new electronics control system. As a result of these changes, the Gen3 battery will produce the same level of performance as the current ZBM2 batteries, (10 kilowatt-hour, 5 kilowatt-peak battery) while delivering manufacturing cost reductions of at least 30%.

In addition, the funds will assist in progressing strategic growth opportunities, particularly across Africa; and progressing current and alternative supplier discussions to further reduce battery manufacturing cost and improve supplier diversification.

The Company has also made a number of strategic decisions in response to the COVID-19 pandemic including the decision to selectively reduce personnel in Australia and Thailand, and implement material reductions in remuneration for both the Board and Management.

Redflow has leveraged the benefits of a wholly owned manufacturing facility through moderating production at its Thailand-based facility and lowering material purchases, which contributed to a 52% reduction in new operating cash outflows. The business also secured support through the Federal Government's JobKeeper program and other support packages resulting in cost mitigations for FY2020. These initiatives, alongside the expedited development of the Gen3 stack, ensure the Company is successfully reducing near term expenses while remaining focused on longer-term renewable energy storage sector opportunities.

**Sales and Distribution Update**

Over the course of FY2020 the Company achieved significant progress against its key milestones, and achieved its highest sales since FY2012, with a 144% increase in revenue to $1.95 million.

These sales are the result of the strategic decision to focus on the Telco sector in key target markets. New end customers include the Rural Connectivity Group (RCG) in New Zealand, and Vodacom in South Africa with partner Mobax.

In addition, through our existing partnerships we have installed batteries in micro-grid and weak grid systems in Victoria and Western Australia predominantly through our partners, TIEC and 720 Electrical. We expect to announce further strategic partnerships to target key markets in the coming months.

Further partnerships and collaborations were established over the year with Darwin-based Delta Electrics, carbonTRACK and Swansea University. Delta Electronics is a leading supplier of power-related products and services to some of the largest organisations operating in the Northern Territory. Delta's client base spans an extensive range of industry sectors such as telecommunications, power utilities, agriculture, local councils and remote Aboriginal communities.

CarbonTRACK will work with Redflow to integrate their energy management system into Redflow's batteries. The initial focus of the relationship will be to explore the South African market with potential target customers to include commercial and large residential deployments as well as off-grid energy systems.

During the year, Redflow also partnered with Swansea University to supply ZBM2 batteries for their energy storage system, comprising 12 ZBM2 zinc-bromine flow batteries. This system is now in operation, storing and supplying renewable energy on a microgrid that powers the Swansea University Active Building demonstrator. The building is an award-winning classroom that generates, stores and releases solar energy at the point of use.

External product validation was achieved in July 2019 with ISO9001 accreditation for the Thailand factory. Redflow's technical features were further validated with the April 2020 results from an Australian Federal Government funded programme that performance tests multiple batteries. The report showed that Redflow batteries had maintained a State of Health of 100% after approximately 600 cycles. This unique ability of Redflow batteries to repeatedly use 100% of its energy capacity without degradation is a key advantage recognised by customers and potential customers.

Redflow will continue to engage in product validation and partnership opportunities that expand the Company's product reach and establish further reference deployments as we progress our product development.

**Financial Update**

The Group delivered $1.95 million (FY19: $0.8 million) revenue for the year. After a very strong first half result, final year revenue was impacted by the COVID19 pandemic and the ability to progress and finalise sales in key markets.

Overall the group saw a decrease in the loss after income tax from $11.6 million in FY2019 to $10.0 million in FY2020, predominantly as a result of the increased revenue and receipt of a $2.0 million R&D tax incentive.

Additionally, Redflow has made the strategic decision to realise a write-down of current inventory of finished goods and raw materials, a result of the accelerated Gen3 battery development and the immediate expensing of a portion of the overheads for the Thailand facility due to the moderation of production.

In July 2020, Redflow raised $5.3 million in capital by way of an Entitlement Offer and subsequent shortfall placement. This capital injection, in conjunction with the cost saving measures outlined, has positioned Redflow to execute further on its growth strategy. Management will continue to explore and progress strategic partnership and investment options, including licensing deals in specific markets where credible opportunities exist. Redflow is committed to prudently investing and prioritising its current resources where it will provide the strongest shareholder return.

**Redflow's growth outlook underpinned by product advancement and ongoing cost management**

Commenting on the Company's outlook, Mr Harris said: "Despite the delays to progressing our growth strategy, we remain confident in the positioning of Redflow and our unique zinc bromine battery in our target markets. We made the strategic decision in light of COVID-19 to advance our market offering via accelerated investment in our Gen3 battery and will continue to closely manage our cost base. We believe that this will position us well for the future when business conditions stabilise and investment in the sector normalises.

"The strategic market opportunity for Redflow remains unchanged and we have been encouraged by the ongoing engagement with our existing customer base and new potential customers discussions. We remain confident in our position within our target market, and look forward to providing further updates over FY2021 as we progress further against our key growth priorities."

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**About Redflow**

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 telecommunications, commercial & industrial and high end residential 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.