

29 October 2021

Redflow positions for US expansion

September 2021 Quarterly Activities Report

Redflow Limited (ASX: RFX) is pleased to provide its quarterly activities report, together with its Appendix 4C for the quarter ended 31 September 2021 (Q1 FY2022).

Key highlights

- Q1 FY2022 cash receipts of \$578k (Q1 FY2021: \$301k)
- Significant number of confirmed orders for delivery – 115 batteries as at 31 September 2021
- \$10.8 million in funding raised to execute on current contracts, progress engineering developments and pursue global business development opportunities
- Agreement with FUND4SE Pte. Ltd. to assist Redflow in pursuing and maximising a strategic US market opportunity
- Delivery of batteries for Optus Bushfire Resiliency Program completed
- Redflow named in megawatt hour energy storage system Request for Tender in Western Australia
- Ongoing progress with the critical Gen3 battery program
- Cash balance of \$17.2 million as at 31 September 2021 underpins growth initiatives
- Additional \$500,000 cash received in October from FUND4SE as part of agreement following shareholder approval

Commenting on the progress made in Q1 FY2022 and outlook, Redflow CEO and Managing Director Tim Harris said:

“We have had a very positive start to the 2022 Financial Year, having delivered a strong increase in cash receipts in the first quarter as batteries were delivered for key projects. Redflow expects this momentum to continue into the second Quarter, underpinned by a strong order book and growing industry interest in our unique energy storage solution.

“We remain positively engaged with Anaergia and are on target to install and commission the 2 MWh system in November. Having received a Request for Information from a large US listed corporate in June, we engaged FUND4SE Pte. Ltd. (FUND4SE) to assist us in pursuing and maximising the US market opportunity, by providing the necessary introductions to Project stakeholders, technical due diligence and analysis of potential manufacturing locations.

“Having raised a total of \$15.8 million in new equity capital since June, our Balance Sheet has substantially strengthened, and the Board decided to close the Entitlement Offer Shortfall period early. We are well capitalised to execute on the strong growth opportunities ahead and look forward to converting our strong pipeline into further sales in the coming quarters.”

Engineering update

Redflow remains focused on progressing Gen3 battery developments, including testing ahead of commercial release. The Gen3 battery will result in substantial cost benefits, while delivering the same level of performance to customers.

Following a benign COVID-19 impact in 2020 and early 2021, the situation in Thailand has deteriorated in recent months, which has impacted Redflow’s production facility. A small number of staff were



infected with COVID-19 (all have now recovered, and extensive COVID-19 prevention measures remain in place), and there have been COVID-19 related delays associated with material supply and equipment servicing. The situation has had a short-term impact on Gen 2.5 production and pushed back the production of the Gen3 battery into next year. Redflow's revised program now forecasts the introduction of Gen3 into production in Q4 of FY22.

To enable Redflow to test and iterate specific aspects of the Gen3 stack more rapidly, Redflow plans to make selected capital investments in Australia. In addition, Redflow will also be making further selected capital investments in Thailand, notably new presses and automation of rib stitching of the battery's separator. These investments will assist in managing some critical machinery that is nearing end of life and enable a rapid ramp up of Gen3 production capacity next year.

Operational Update

During the quarter, Redflow completed delivery of batteries for the Optus bushfire resiliency program. The program is part of the Australian Federal Governments Strengthening Telecommunications Against Natural Disasters (STAND) program. Over the past few months, there have been a number of sites where mains power was temporarily lost and Redflow batteries have supported the load for a number of hours. This proven hibernation mode has generated significant interest across other customers.

In the United States, Redflow remains positively engaged with Anaergia and the Californian Energy Commission on the project to supply a 2 MWh energy storage system to Anaergia's Rialto Bioenergy Facility. All 12 Energy Pods were unloaded earlier this month after delays in shipping and a large backlog at the Port of Long Beach, California. A Redflow team is due to leave for the US next week with installation and commissioning expected to be completed by the end of November.

Based on the Company's focus on the US market, Redflow was named in a Request for Information issued by a large US corporate as an approved supplier of flow batteries on a preliminary basis in June 2021. In August, Redflow announced its agreement with FUND4SE to assist with the Project. FUND4SE is a Singapore based venture capital fund focused on investment in disruptive sustainability and energy efficiency technologies. Under the agreement, FUND4SE will assist Redflow with the following:

- Introductions to Project stakeholders including the project principal, project developer, Engineering Procurement and Construction contractors and other technology suppliers;
- Underwriter Laboratories certification, initial pilots and technical due diligence; and
- Review and analysis of potential manufacturing locations in the US

For FUND4SE's services, Redflow agreed to the following consideration:

- **Tranche 1 Securities** – the issue of 8,474,576 Shares at A\$0.059 per Share to raise \$500,000 and 8,474,576 Attaching Options on the terms and conditions set out in Redflow's prospectus dated 24 June 2021.
- **Tranche 2 Options** – the issue of 100m options, exercisable at A\$0.08 per option, vesting if definitive legal contracts are entered into by Redflow, by no later than 18 months after the date of Redflow shareholder approval, to supply a specific commercial-in-confidence project with Redflow batteries representing a minimum of 10MWh of energy storage to be delivered over a maximum of 24 months after the date of the contracts.
- **Tranche 3 Options** – the issue of 55,000,000 options, exercisable at A\$0.10 per option. The Tranche 3 Options will vest if definitive legal contracts are entered into by Redflow, by no later than 30 months after the date of Redflow shareholder approval to supply a specific commercial-in-confidence project with Redflow batteries representing a minimum of 50MWh of energy storage to be delivered over a maximum of 24 months after the date of the contracts.

Following shareholder approval at the Redflow Annual General Meeting on the 14th of October, Redflow has received the initial Tranche 1 investment of \$500,000 from FUND4SE.

In August, Redflow was included in a Request For Tender (RFT) for a Battery and Solar Energy Storage System for the Karratha Leisureplex in north-west Western Australia. Submissions for the tender closed on 22 September 2021, and a decision is currently expected by the end of the calendar year. The tender does not guarantee that Redflow will be the energy storage technology provider. If Redflow is selected



as the battery solution for the energy storage system, it will mark the Company's second MWh energy storage system contract and its largest so far in Australia.

Capital Raising to Support Growth

In July, Redflow completed its capital raising comprising a \$5m investment by US-based New Technology Capital Group and a pro rata non-renounceable entitlement offer that raised \$9.7 million before costs.

The capital raising ensures Redflow is well capitalised to execute on its current contracts and can progress value enhancing engineering developments. The funding will also support business development opportunities across key global markets and verticals, with the aim of converting opportunities into sales and revenue.

A further \$1.1 million was raised via a Shortfall Placement to institutional investors, including FUND4SE and other sophisticated investors. Capital raising activities since June 2021 have raised \$15.8 million, Redflow is well placed to capitalise on its growth opportunities and accordingly the Board closed the Entitlement Offer Shortfall period early.

Financial updates

The Appendix 4C quarterly cashflow report for Q1 FY2022 is attached.

Cash receipts for Q1 FY2022 were \$578k (Q1 FY2021: \$301k), and trade receivables were \$1,700k.

As at 31 September 2021, Redflow had a cash balance of \$17.22 million, which includes \$9.7 million from the Entitlement Offer, and \$1.1 million from the Shortfall Placement.

The following is a Summary of Receipts and Expenditures for the September quarter 2021 business activities (refer also accompanying ASX Appendix 4C):

A\$'000	September Quarter	Year to date (3 months)
Receipts from customers	578	578
Product manufacturing and operating costs	-1,179	-1,179
Research and development	-794	-794
SG&A (Corporate Overhead)	-1,258	-1,258
Investing Activities	-57	-57
Financing payments / receipts	10,119	10,119
Other	-8	-8

Notes:

¹ Numbers in the table are presented on a cash basis, consistent with the ASX Appendix 4C.

² Numbers exclude the effect of movement in exchange rates on cash held.

³ Expenditures include allocation of staff costs, which are shown as a separate line in the ASX Appendix 4C.

Payments to related parties over Q1 FY22 were \$319k, relating to fees paid to directors over the quarter.

- END -

This announcement has been approved for release by the Board of Redflow Limited.



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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. 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.

For further information, please visit: www.redflow.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Redflow Limited

ABN

Quarter ended ("current quarter")

49 130 227 271

Sep-21

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	578	578
1.2	Payments for		
	(a) research and development	-794	-794
	(b) product manufacturing and operating costs	-1,179	-1,179
	(c) advertising and marketing	-98	-98
	(d) leased assets	-45	-45
	(e) staff costs	-694	-694
	(f) administration and corporate costs	-421	-421
1.3	Dividends received (see note 3)		
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	-11	-11
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)	0	0
1.9	Net cash from/(used in) operating activities	-2,661	-2,661

		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
2	Cash flows related to investing activities or for:		
2.1	Payment to acquire		
	(a) entities		
	(b) businesses		
	(c) property plant and equipment	-57	-57
	(d) investments		
	(e) intellectual property	0	0
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property plant and equipment	0	0
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cashflows from loans to other entities		
2.4	Dividends received (see Note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from/(used in) investing activities	-57	-57
3	Cash flows related to financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,360	10,360
3.2	Proceeds from issues of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-241	-241
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	0	0
3.10	Net cash from/(used in) financing activities	10,119	10,119
4	Net increase (decrease) in cash and cash equivalents for the period	7,401	7,401
4.1	Cash and cash equivalents at beginning of period	9,808	9,808
4.2	Net cash from/(used in) operating activities (Item 1.9 above)	-2,661	-2,661
4.3	Net cash from/(used in) investing activities (Item 2.6 above)	-57	-57

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.4	Net cash from/(used in) financing activities (Item 3.10 above)	10,119	10,119
4.5	Effect of movement in exchange rate on cash held	12	12
4.6	Cash and cash equivalents at end of the quarter	17,221	17,221

5 Reconciliation of cash and cash equivalents		Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		\$A'000	\$A'000
5.1	Bank balances	17,221	9,808
5.2	Call deposits	0	0
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,221	9,808

6 Payments to related parties of the entity and their associates		Current quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	319
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in 6.1 or 6.2 your quarterly report must a description and an explanation for, such payments</i>		
Payments of salary and fees to Executive and Non-executive Directors.		

7	Financing facilities <i>NOTE: The term "facility" included all forms of financing arrangements available to the entity Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end	Amount drawn at quarter end
		\$A'000	\$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at the quarter end		
7.6	Include below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	-2,661
8.2	Cash and cash equivalents at quarter end (Item 4.6)	17,221
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funds (Item 8.2 + Item 8.3)	17,221
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.5
	<i>Note: if the entity has reported positive net operating cashflows in item 1.9 answer item 8.5 as "N/A. Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5</i>	
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cashs flow for the time being and if not why not ?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operation and , if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and , if so , on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all questions 8.6.1, 8.6.2 and 8.6.3 above must be answered</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement does give a true and fair view of the matters disclosed.

Date: 29-Oct-21

Authorised by: The Audit and Risk Committee

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.