



RedFlow Limited
ACN 130 227 271

20 March 2017

Ms Lisa Banh
Senior Advisor, Listings Compliance
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Ms Banh

Response to Appendix 4C query

I refer to your letter dated 16 March 2017 regarding Redflow Limited (**Company**) and respond as follows adopting the numbering in your letter.

1 Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Yes. Redflow expects that it will continue to have negative operating cash flows for the time being.

Redflow notes that in addition to the reported cash on hand as at 31 December 2016 of approximately \$3,924,000, it received on 6 January 2017 a R&D tax incentive refund of approximately \$2,200,000 (see announcement on 30 January 2017).

Redflow intends to complete its previously announced strategic review by the end of March. The Board will then consider the outcomes of that review, adopt a business plan to achieve the approved strategic direction and drive the implementation of that plan.

2 Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Company regularly monitors its cash requirements and sources of funding.

The Company has taken various steps over the last few months to secure additional funding including consultations with its corporate advisors and strategic, professional and sophisticated investors. Indicative terms sheets have been received and are being considered.

These terms sheets are confidential and incomplete.

One of the confidential and incomplete proposals under consideration involves the immediate provision of a 12 month convertible note of \$2 million with the opportunity for a further advance of up to \$2 million at the election of the lender.

The convertible note would be unsecured and would be provided on the basis that it automatically converts into shares at the same price as an equity capital raising by the Company. The conversion terms are currently under negotiation.

Under this proposal, if finalised, the Company will receive an immediate cash injection which will provide sufficient working capital until the strategic review is completed and a longer term funding outcome is implemented consistent with the outcomes of the review.

In the interim, the automatic conversion feature will align the interest of the lender with shareholders and effectively manage the financial risk represented by the note.

Although these discussions are well advanced, Redflow considers that Listing Rule 3.1A applies to these negotiations and accordingly, they have not previously been disclosed. The proposal remains incomplete and discussions are confidential.

3 Does the Company expect to be able to continue its operations to meet its business objectives and, if so, on what basis?

Yes, based on advice and market feedback about the availability of additional funding.

4 Please confirm that the Company is in compliance with Listing Rule 3.1 and there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

The Company is in compliance with Listing Rule 3.1 and there is no materially price sensitive information that should be given to the ASX about its financial condition that has not already been released to the market.

5 Please confirm that the Company's responses to the questions above been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

The responses in this letter have been authorised and approved by an officer of the Company with delegated authority from the Board to respond to ASX's letter.

Yours sincerely,



Richard Aird
Chief Operating Officer and Company Secretary



16 March 2017

Mr Richard Aird
Company Secretary
Redflow Limited
1/27 Counihan Road
Seventeen Mile Rocks QLD 4073

By email: richard.aird@redflow.com

Dear Mr Aird,

Redflow Limited (“Redflow”): Appendix 4C Query

I refer to Redflow’s Appendix 4C quarterly report for the period ended 31 December 2016 lodged with ASX Market Announcements Platform and released on 13 February 2017 (the “Appendix 4C”).

ASX notes that Redflow has reported:

- negative net operating cash flows for the quarter of \$3,839,000;
- cash at the end of the quarter of \$3,924,000; and
- estimated cash outflows for the next quarter of \$5,419,000.

It is possible to conclude, based on the information in the Appendix 4C, that if Redflow were to continue to expend cash at the rate indicated by the Appendix 4C, Redflow may not have sufficient cash to continue funding its operations. In view of that, ASX asks Redflow to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does Redflow expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has Redflow taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does Redflow expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that Redflow is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that Redflow’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of Redflow with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that Redflow considers may be relevant to ASX forming an opinion on whether Redflow is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30AM AEDT on 20 March 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in Redflow's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, Redflow's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at lisa.banh@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to Redflow's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that Redflow's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in Redflow's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.



You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Lisa Banh
Senior Adviser