

Redflow accelerates growth momentum

28 April 2023

Critical relationship building while progressing strong pipeline

Quarterly activities report for April 2023

Redflow Limited (ASX: RFX) (the 'Company' or 'Redflow') is pleased to provide its quarterly activities report, together with its Appendix 4C, for the three months ended 31 March 2023 (Q3 FY2023).

Key highlights:

- Continued growth in pipeline, with 1 GWh+ of qualified opportunities across target markets in the US, Australia and selected international markets, with a number of multi-MWh opportunities at advanced stages that continue to be targeted for close this financial year.
- Redflow's zinc-bromine flow battery has been approved by the California Public Utilities Commission as eligible for the state's Self-Generation Incentive Program (SGIP).
- Strategic relationship put in place with Ameresco to provide advanced non-lithium energy storage solutions to customers across North America and Europe.
- Memorandum of Understanding (MOU) signed with Energex and Ergon, part of Energy Queensland, to further collaborate around the evaluation and assessment of Redflow's battery technology.
- Shortlisted as an energy storage technology choice supplier for Electric Mine Consortium.
- Implemented key reference projects in Australia, including the final site for the Australian Government's Bureau of Meteorology emissions reduction and reliability project and delivery of the final shipment of ZBM3 batteries to Southern Ocean Lodge on Kangaroo Island, South Australia.
- Achieved one-year operational milestone in January 2023 for Redflow's flagship 2 MWh Anaergia installation in California, which continues to provide a critical reference site for US customers and partners.
- Successfully addressed issues with a critical material at Redflow's Thailand facility in February and March which reduced battery production for customer delivery in the last quarter. Key supplier materials are currently expected to arrive in mid-May 2023 allowing for return to normal production levels shortly thereafter.
- Q2 FY2023 cash receipts of \$127k.
- Cash balance of \$7.2 million as at 31 March 2023 to support the Company's growth plan. A further \$2.4 million (including interest) was received on 20 April 2023 for Australian Government's R&D tax rebate.

Commenting on the continued progress made over the third quarter, Redflow CEO and Managing Director Tim Harris said:

“Over the March quarter Redflow took several important steps forward in its growth plan. New partnerships put in place will help accelerate Redflow’s market presence and execution capability in the critical US market, whilst our MOU with Energy Queensland represents a major step forward in building our presence in our Queensland home market.

“Critically, a number of multi-MWh opportunities in our sales pipeline have continued to advance and are still targeted to close this financial year. There has also been a significant shift within the growing energy storage market, with government and key industry stakeholders, such as the CSIRO in Australia, recognising the vital importance of medium to long duration technology and the need to diversify beyond lithium solutions.”

Long duration energy storage demand accelerating

The momentum towards a decarbonised grid and the energy storage market continued to rapidly grow over the quarter.

In March 2023, CSIRO released its highly anticipated Renewable Energy Storage Roadmap report, which outlined the importance of renewable energy storage, and its essential role in ensuring access to secure, reliable and affordable energy as Australia transitions to net zero. The report noted the need to rapidly develop a pipeline of projects across a portfolio of energy storage technologies and referenced the fact there are a number of Australian innovative energy storage technologies that can be world leading.

The critical need for longer duration energy storage was also recognised when the Australian Energy Market Operator (AEMO) released an update to its 2022 Electricity Statement of Opportunities (ESOO) report in February 2023, highlighting the urgent need for investment in long-duration storage to achieve reliability requirements over the next decade.

The Australian Federal Government announced \$120 million of funding will be made available for Round 1 of the Community Battery Funding program that will be managed through the Australian Renewable Energy Agency (ARENA). The program supports the deployment of community batteries to lower energy bills, cut emission, reduce pressure on the grid and enable further distributed solar installations. Redflow is well placed to support this program.

The focus on energy storage continues to grow in Australia and was reflected by the recent submission requests by the Federal Government for their National Battery Strategy and the Queensland State Government Battery Strategy response. Redflow’s submissions emphasised the benefits of non-lithium alternatives such as Redflow’s commercially proven, locally developed, zinc based long-duration technology, and the opportunity for Redflow to invest more in Queensland and Australia on the back of certainty of scale demand.

Strategic relationships to underpin growth

Redflow's sales pipeline has continued to grow over 3Q FY2023, with focus on a number of multi-MWh opportunities that, when converted, will be material to Redflow. The pipeline reflects Redflow's focus on larger strategic opportunities that are expected to provide a firm basis for commercial momentum and long-term success.

In parallel, Redflow has put in place several important partnerships and initiatives over the quarter that will accelerate sales and commercial prospects.

In February 2023, Redflow signed a non-binding Memorandum of Understanding (MOU) with Energex and Ergon, part of Energy Queensland (EQL), to further collaborate around the evaluation and assessment of Redflow's zinc-bromine flow battery technology that can help to address EQL's network requirements. Under the MOU, Redflow and EQL have agreed to share information and resources, share specific site operational data and analysis to support the evaluation of Redflow's technology including site visits, provide input into Redflow's product development roadmap and ongoing investment in Queensland, including scale up requirements and consider options for an optimal future collaboration model.

In another endorsement of Redflow's technology in the US, leading cleantech integrator Ameresco, Inc., (NYSE: AMRC) and Redflow jointly announced a strategic relationship in March 2023 to supply advanced non-lithium battery energy storage technology. Work is currently underway to deploy a commercial demonstration system to one of Ameresco's existing customer sites. The partnership will provide Redflow with a high level of market visibility, a new channel to market and delivery capability, and reflects an increased focus by US clean energy participants on commercially proven alternatives to lithium.

Earlier this month, Redflow was approved by the California Public Utilities Commission as eligible for the state's Self-Generation Incentive Program (SGIP). SGIP provides significant rebates to support existing, new, and emerging energy storage resources in California that, when installed, are able to meet all or a portion of the electrical energy needs of a facility. Redflow is one of the few non-lithium energy storage providers to have been granted SGIP approval, which further cements Redflow's growing recognition as a proven energy storage solution.

The transition of the mining industry to net zero continues to be a key focus area for Redflow. To support this strategy, Redflow has been shortlisted as a technology choice supplier for the Electric Mine Consortium after an extensive qualification process. The Electric Mine Consortium represents a growing group of mining companies, such as South32, Newcrest Mining and OzMinerals, that have come together to look at and share ways of reducing carbon emissions to meet emission reduction targets. Redflow is active within the Long Duration Energy Storage stream and the potential use of flow battery technology to deliver safe, reliable and dispatchable power to Australian mining operations.

Production and operations

Anaergia successfully passed its 12-month operational milestone in January 2023. The system has continued to be a key reference project for Redflow with over 330,000 kWh energy delivered. Redflow's US team hosted a number of customer and industry participants over the quarter to demonstrate the system characteristics and MWh scale design.

In April, the final deployment of batteries were delivered to Southern Ocean Lodge on Kangaroo Island, South Australia. That takes the total number of ZBM3 batteries to 56, where they are now being installed and commissioned by Redflow's integration partner Seven20 Electrical.

Redflow batteries are now in operation at three of the Australian Government's Bureau of Meteorology (BoM) Renewable Hybrid Power Supply (RHPS) project sites. The batteries are part of the BoM's hybrid solar, battery backup and diesel reduction solution, which are designed to be replicated across the BoM's operations and will play an important role in supporting their renewable energy program.

The Company's Thailand manufacturing facility in February welcomed the Australian Ambassador to Thailand Dr Angela Macdonald PSM. Redflow's General Manager Krittapat (Eric) Chainet took the ambassador on a tour of the facility and gave an update on production ramp plans.

During Q3 FY2023, production was interrupted by a specific supplier quality issue pertaining to a batch of glass filled HDPE which is used in the manufacture of completed battery stacks. Delays in the supply availability of a replacement product at the required specifications impacted full production of batteries from February 2023. Partial production of components and parts over this period continued and will allow higher levels of production when full manufacturing of batteries recommences, which is currently expected to occur from mid-May. Responding to this issue, Redflow has progressed development of alternative manufacturing methods to simplify stack production and address the impacted process and associated dependency on this material. Qualification of alternative materials and suppliers has also begun as a contingency. Redflow has also used this time to undertake essential servicing of critical equipment and general process improvement work. The lower number of batteries produced over the quarter is not expected to have any impact on Redflow's current orders or current sales prospects.

Forward looking

Redflow's focus in the coming months is to convert some of the key deals that are in advanced stages of the sales pipeline into battery orders and projects by the end of this financial year, for initial delivery in the first half of FY2024. In parallel, significant focus will also be on refining production methods, supplier diversification and quality control to ensure manufacturing capability can scale to meet anticipated customer orders at the required volume and quality.

Financial update

The Appendix 4C quarterly cashflow report for Q3 FY2023 is attached.

Cash receipts for Q3 FY 2023 were \$127k (Q3 FY2022: \$849k) and trade receivables were \$282k.

As at 31 March 2023, Redflow had a cash balance of \$7.2 million. A further \$2.4 million was received on 20 April 2023 for Australian Government's R&D tax rebate.

The following is a Summary of Receipts and Expenditures for the Q3 FY2023 business activities (refer also accompanying Appendix 4C):

A\$'000	Mar Quarter	Year to date (9 months)
Receipts from customers	\$127	\$907
Product manufacturing and operating costs	-1,470	-3,681
Research and development	-1,283	-3,762
SG&A (Corporate Overhead)	-1,673	-5,151
Investing activities	-101	-493
Financing activities	-39	10,043
Other	191	268

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 on 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 Q3 FY2023 were \$188k, relating to fees paid to directors over the quarter.

This announcement was authorised for release by the Chairman of the Board of Redflow Limited.

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About Redflow

Redflow, a publicly listed Australian company (ASX: RFX) with offices in Australia and the US, designs and manufactures long-duration zinc-bromine flow batteries for stationary commercial, industrial, and utility applications. Redflow batteries are modular, scalable, fire-safe, and capable of 100% depth of discharge. They can also operate in a wide range of environments without supplemental heating or cooling and offer an extended life with minimal degradation over time. The company's smart, self-protecting storage technology offers unique advantages, including a hibernation feature, secure remote management, a simple recycling path, and sustained energy delivery throughout its operating life. Redflow's energy storage solutions have been in use for more than a decade at more than 250 sites in over 9 countries.

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

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

Mar-23

Consolidated statement of cash flows		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	127	907
1.2	Payments for		
	(a) research and development	-1,283	-3,762
	(b) product manufacturing and operating costs	-1,470	-3,681
	(c) advertising and marketing	-262	-1,003
	(d) leased assets	-42	-126
	(e) staff costs	-835	-2,337
	(f) administration and corporate costs	-534	-1,685
1.3	Dividends received (see note 3)		
1.4	Interest received	67	116
1.5	Interest and other costs of finance paid	-1	-6
1.6	Income taxes paid	0	-4
1.7	Government grants and tax incentives		37
1.8	Other (provide details if material)	125	125
1.9	Net cash from/(used in) operating activities	-4,108	-11,419

		Current quarter	Year to date (9 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	-95	-396
	(d) investments		
	(e) intellectual property	-8	-107
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property plant and equipment	2	10
	(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	-101	-493
3	Cash flows related to financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	10,622
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	-39	-579
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	-39	10,043
4	Net increase (decrease) in cash and cash equivalents for the period	-4,248	-1,869
4.1	Cash and cash equivalents at beginning of period	11,427	9,050
4.2	Net cash from/(used in) operating activities (Item 1.9 above)	-4,108	-11,419
4.3	Net cash from/(used in) investing activities (Item 2.6 above)	-101	-493
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from/(used in) financing activities (Item 3.10 above)	-39	10,043
4.5	Effect of movement in exchange rate on cash held	10	8
4.6	Cash and cash equivalents at end of the quarter	7,189	7,189

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	7,189	11,427
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)	7,189	11,427

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 associated included in item 1	188
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	Total facility amount at quarter end	Amount drawn at quarter end
	<i>NOTE: The term "facility" included all forms of financing arrangements available to the entity</i>	\$A'000	\$A'000
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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)	-4,108
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,189
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funds (Item 8.2 + Item 8.3)	7,189
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.8
<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 cash flow for the time being and if not why not ?	
	<p><i>Answer:</i></p> <p>Delays in receipt of the R&D FY2022 Rebate (\$2,363k) from the ATO has resulted in the higher than normal net operating cash flow. Payment of the R&D Rebate was due prior to 31 March and was received on 20 April 2023. If the funds were received when due net operating cash flow would have been negative \$1,745k and the calculated quarters of funding would be well above 2 quarters.</p>	
	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?	
	<p><i>Answer:</i></p> <p>As advised at the RFX 2022 AGM Redflow will require additional capital, and is investigating options including further capital raising and discussions with potential strategic partners. The Board of Redflow believe those steps will be successful.</p>	
	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?	
	<p><i>Answer:</i></p> <p>Redflow expect to be able to continue its operations on the basis of</p> <ol style="list-style-type: none"> 1. Receipt of the overdue outstanding R&D Tax rebate of \$2,363k, received on 20 April 2023 (\$2.363k) 2. The current Sales pipeline with the anticipation of orders to be received soon including customer deposits 3. Further successful capital raising 	
<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: 28-Apr-23

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.