

Redflow Limited

ABN 49 130 227 271

Appendix 4D and Interim Financial Report For the half-year ended 31 December 2023

Redflow Limited
Contents
For the half-year ended 31 December 2023

| | |
|--|----|
| Appendix 4D | 3 |
| Directors' report | 4 |
| Auditor's independence declaration | 7 |
| Consolidated statement of comprehensive income | 8 |
| Consolidated balance sheet | 9 |
| Consolidated statement of changes in equity | 10 |
| Consolidated statement of cash flows | 11 |
| Notes to the consolidated financial statements | 12 |
| Directors' declaration | 21 |
| Independent auditor's review report to the members | 22 |

General information

The financial statements cover Redflow Limited as a consolidated entity consisting of Redflow Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Redflow Limited's functional and presentation currency.

Redflow Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Redflow Limited
ABN 49 130 227 271
1/27 Counihan Road, Seventeen Mile Rocks,
Brisbane, QLD 4073

Principal place of business

Redflow Limited
ABN 49 130 227 271
1/27 Counihan Road, Seventeen Mile Rocks,
Brisbane, QLD 4073

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 February 2024.

Redflow Limited

Appendix 4D

Half-year report

1. Company details

Name of entity: Redflow Limited
ABN: 49 130 227 271
Reporting period: For the half-year ended 31 December 2023
Previous period: For the half-year ended 31 December 2022

2. Results for announcement to the market

| | | | \$ |
|---|------|-----------|--------------|
| Revenues from ordinary activities | down | 90.3% to | 62,827 |
| Loss from ordinary activities after tax | up | 107.0% to | (12,887,238) |
| Loss for the half-year | up | 107.0% to | (12,887,238) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$12,887,238 (31 December 2022: \$6,224,717).

3. Net tangible assets

| | 31 December 2023 Cents | 31 December 2022 Cents |
|---|------------------------------|------------------------------|
| Net tangible assets per ordinary security | <u>2.89</u> | <u>8.96</u> |

4. Other information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial report for the half-year ended 31 December 2023. The information should be read in conjunction with Redflow Limited's 31 December 2023 Annual Report and the attached Interim Financial Report. This report is based on the consolidated financial statements for the half-year ended 31 December 2023 which have been reviewed by PricewaterhouseCoopers.

Redflow Limited

Directors' report

For the half-year ended 31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Redflow Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were Directors of Redflow Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

| Directors | Position | Date of Appointment |
|------------------|---|----------------------------|
| Brett Johnson | Chairman (Non-executive) | 27 September 2017 |
| Timothy Harris | Managing Director & Chief Executive Officer (CEO) | 2 July 2018 |
| John Lindsay | Director (Non-executive) | 11 September 2018 |
| David Brant | Director (Non-executive) | 19 October 2018 |
| Adele Fraser | Director (Non-executive) | 23 February 2023 |

Principal activities

The principal activity of the Group consists of the sale, manufacture and ongoing development of its zinc-bromine flowing electrolyte battery.

Review of operations and financial position

General Business Updates

During the period the Company progressed on the opportunities arising and continued growth in sales pipeline from the market recognition received locally and overseas.

A number of achievements and milestones were achieved over the half-year period. These include:

- Addressed critical supplier quality issues that enabled the Thailand factory to move back into production in February 2024 and new innovative production processes will be implemented in late February 2024 to mitigate this risk;
- Progress of key reference projects in US, Australia and Europe up to the signing of the financial statements, including:
 - (i) US Department of Energy approved funding for 34.4 MWh long-duration energy storage (LDES) microgrid project in California,
 - (ii) Redflow selected by Energy Queensland for a 4 MWh battery project at a preferred site at Ipswich, Queensland, announced in August 2023,
 - (iii) Signed a contract with the US Department of Defense (DOD) Defense Innovation Unit (DIU) to deliver a prototype microgrid using between 1.2 and 1.4 MWh Redflow nonlithium LDES system.
 - (iv) Shipped an Energy Pod 200 to Acciona Energia that arrived in January 2024,
 - (v) Phase one of the California Energy Commission project has been adjusted to 15.4 MWh with the Notice To Proceed (NTP) received in early February 2024, and
 - (vi) In February 2024, Redflow was identified as the preferred battery technology for a 6.6MWh project recommended for grant funding in the US. The project is for the Barona Band of Mission Indians' and will be funded through the California Energy Commission Electric Program Investment Charge (EPIC) program.
- Increasing market visibility and government engagement in Australia and US, including attending RE+, America's largest renewable energy conference in September 2023 and All Energy Conference in Melbourne in October 2023, with both events generated significant industry and customer interest in Redflow's leading market solution;
- CEO attended an official State visit invited by the Australian Prime Minister to the White House, to collaborate on climate change solutions and technology for both Australia and the United States.

Redflow Limited

Directors' report

For the half-year ended 31 December 2023

Redflow's pipeline continues to grow with a qualified pipeline of multi-GWh projects across key target markets. Redflow has been shortlisted for a long-duration storage project of up to circa 55 MWh for a large Australian utility. Redflow has also been selected as the preferred technology for an initial 8 MWh project for a large US company for one of their campuses, with approval for detailed design being received. The final investment decision is expected in Q1 FY2025 subject to the final system size and scope.

As one of the most commercially advanced LDES technologies globally, and with a number of reference multi-MWh projects in the US and Australia to be delivered throughout 2024-2025, Redflow is well placed to capture these opportunities.

On 22 February 2024, the Queensland government launched its Queensland Battery Strategy, which outlines \$570 million in funding to supercharge a new industry for Queensland. The strategy covers a number of measures which have the potential to directly benefit Redflow's growth strategy and funding support. In the official launch of the strategy, Premier Steven Miles said "The Queensland Battery Industry Strategy establishes Queensland as a global leader in the flow batteries needed to store renewable energy and advanced battery technologies".

Production

The Company's manufacturing process had been materially impacted by quality issues, specifically glass-filled HDPE sheets. Failure of suppliers to meet specifications and quality assessments resulted in production being significantly interrupted for most of the half-year period, which delayed supply to customers and associated revenue. Redflow worked on a number of solutions to resolve this, specifically, working with the current supplier, qualifying alternate suppliers and accelerating a battery design iteration using an injection moulding approach that eliminates the need for this specific material. Following the resolution of these issues, customer production has recommenced from February 2024.

Despite the setback that has delayed anticipated revenue during the half-year period, Redflow's focus is on ensuring battery quality. The decision to prioritise a robust, long-term solution before the production ramp-up for the large projects previously announced is critical to support the Company's future success.

Financial Summary

The loss of the Group after income tax on a consolidated basis for the half-year ended 31 December 2023 was \$12,887,238 (2022: \$6,224,717).

The result included an increase in the battery warranty provision of \$3,426,507 and inventory impairment of \$1,717,467. Both are non-cash items. The warranty provision was revised conservatively following management's assessment of number of batteries sold under warranty, battery performance, potential contract exposure and the cost of meeting warranty obligations, based on historical experience and current knowledge.

In August and September, Redflow successfully raised \$11.64 million from new and existing shareholders to support the Company's next growth phase.

The Group's independent auditor's report for the half-year ended 31 December 2023, contains a material uncertainly section drawing members' attention to the contents of Note 2(c) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent auditor's report is included with the accompanying financial statements for the half-year ended 31 December 2023.

As we continue to execute on Redflow's long term growth strategy, we are converting key deals to contracts, carefully building production and executing on our projects that will enhance our value proposition and drive down our costs. This will see the business continue to be cash-flow negative for some time as we scale up to meet expected demand. Management and Board have refined a pathway to scale capacity and drive profitability to support Redflow's long term growth strategy. This will be announced to the Market in mid-March.

Redflow Limited
Directors' report
For the half-year ended 31 December 2023

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of directors.



Brett Johnson
Chairman

29 February 2024
Brisbane



Auditor's Independence Declaration

As lead auditor for the review of Redflow Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Redflow Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'J. P. Raabe'.

Josh Raabe
Partner
PricewaterhouseCoopers

Brisbane
29 February 2024

Redflow Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2023

| | Note | 31 December 2023 | 31 December 2022 |
|--|------|-----------------------------|---------------------|
| | | \$ | \$ |
| Revenue from contracts with customers | 4 | 62,827 | 645,637 |
| Other income | 5 | 1,153,546 | 2,344,306 |
| Expenses | | | |
| Raw materials and consumables used | | (7,128,290) | (2,555,197) |
| Other expenses from ordinary activities: | | | |
| Administrative expenses | | (552,175) | (506,581) |
| Depreciation and amortisation | 6 | (556,747) | (244,428) |
| Interest and finance expense | | (3,954) | (7,388) |
| Business development | | (171,307) | (198,069) |
| Travel and accommodation | | (196,251) | (220,027) |
| Professional fees | | (545,546) | (891,054) |
| Payroll expenses | | (4,750,549) | (4,416,922) |
| Impairment for credit loss | | (25,174) | - |
| Other expenses | | (165,550) | (162,900) |
| Loss before income tax expense | | (12,879,170) | (6,212,623) |
| Income tax expense | | (8,068) | (12,094) |
| Loss after income tax expense for the half-year | | (12,887,238) | (6,224,717) |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 73,414 | 88,180 |
| Other comprehensive income/(loss) for the half-year, net of tax | | 73,414 | 88,180 |
| Total comprehensive loss for the half-year | | (12,813,824) | (6,136,537) |
| | | Cents | Cents |
| Basic earnings per share | 18 | (6.53) | (3.98) |
| Diluted earnings per share | 18 | (6.53) | (3.98) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Redflow Limited
Consolidated balance sheet
As at 31 December 2023

| | Note | 31 December 2023 \$ | 30 June 2023 \$ |
|--------------------------------------|------|---------------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 9,697,202 | 5,512,856 |
| Trade and other receivables | 9 | 1,144,260 | 2,563,865 |
| Inventories | 10 | 3,294,275 | 2,737,488 |
| Other current assets | | 689,955 | 706,051 |
| Total current assets | | 14,825,692 | 11,520,260 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,332,990 | 1,633,315 |
| Intangible assets | 12 | 538,953 | 501,225 |
| Right-of-use assets | | 173,394 | 249,521 |
| Total non-current assets | | 2,045,337 | 2,384,061 |
| Total assets | | 16,871,029 | 13,904,321 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 2,293,631 | 1,531,378 |
| Lease liabilities | | 156,686 | 170,149 |
| Other current liabilities | | 1,193,724 | 572,798 |
| Provisions | 14 | 5,621,460 | 2,190,335 |
| Total current liabilities | | 9,265,501 | 4,464,660 |
| Non-current liabilities | | | |
| Lease liabilities | | - | 71,399 |
| Provisions | 14 | 200,042 | 252,847 |
| Total non-current liabilities | | 200,042 | 324,246 |
| Total liabilities | | 9,465,543 | 4,788,906 |
| Net assets | | 7,405,486 | 9,115,415 |
| Equity | | | |
| Issued capital | 15 | 165,047,847 | 153,709,050 |
| Reserves | | 5,689,762 | 5,851,250 |
| Accumulated losses | | (163,332,123) | (150,444,885) |
| Total equity | | 7,405,486 | 9,115,415 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Redflow Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

| | Issued capital \$ | Reserves \$ | Retained profits \$ | Total equity \$ |
|---|-------------------------|------------------|---------------------------|--------------------|
| Balance at 1 July 2023 | 153,709,050 | 5,851,250 | (150,444,885) | 9,115,415 |
| Loss after income tax expense for the half-year | - | - | (12,887,238) | (12,887,238) |
| Other comprehensive income/(loss) for the half-year, net of tax | - | 73,414 | - | 73,414 |
| Total comprehensive loss for the half-year | - | 73,414 | (12,887,238) | (12,813,824) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs | 10,951,178 | - | - | 10,951,178 |
| Employee share options - value of employee services | - | 152,717 | - | 152,717 |
| Shares issued to employees | 387,619 | (387,619) | - | - |
| Share options issued to external parties | - | - | - | - |
| Balance at 31 December 2023 | <u>165,047,847</u> | <u>5,689,762</u> | <u>(163,332,123)</u> | <u>7,405,486</u> |
| | Issued capital \$ | Reserves \$ | Retained profits \$ | Total equity \$ |
| Balance at 1 July 2022 | 140,702,054 | 5,858,842 | (136,780,836) | 9,780,060 |
| Loss after income tax expense for the half-year | - | - | (6,224,717) | (6,224,717) |
| Other comprehensive income/(loss) for the half-year, net of tax | - | 88,180 | - | 88,180 |
| Total comprehensive loss for the half-year | - | 88,180 | (6,224,717) | (6,136,537) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs | 12,808,793 | - | - | 12,808,793 |
| Employee share options - value of employee services | - | 244,490 | - | 244,490 |
| Shares issued to employees | 223,101 | (223,101) | - | - |
| Share options issued to external parties | - | - | - | - |
| External party share options - value adjustment | - | (90,362) | - | (90,362) |
| Balance at 31 December 2022 | <u>153,733,948</u> | <u>5,878,049</u> | <u>(143,005,553)</u> | <u>16,606,444</u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Redflow Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023

| | 31 December 2023 | 31 December 2022 |
|--|-----------------------------|---------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 243,656 | 779,618 |
| Payments to suppliers and employees (inclusive of GST) | (9,132,693) | (8,081,046) |
| Grants/R&D tax incentive received | 2,456,801 | 36,600 |
| Interest received | 149,957 | 49,110 |
| Interest and bank charges paid | (2,265) | (7,388) |
| Income taxes paid | - | (4,267) |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (6,284,544) | (7,227,373) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment (inclusive of GST) | (273,570) | (300,566) |
| Purchase of intangible assets (inclusive of GST) | (56,907) | (99,650) |
| Proceeds from sale of property, plant and equipment (inclusive of GST) | - | 9,243 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (330,477) | (390,973) |
| Cash flows from financing activities | | |
| Proceeds from capital raising | 11,642,676 | 10,621,600 |
| Transaction costs from capital raising (inclusive of GST) | (752,842) | (540,328) |
| Principal elements of lease payments | (84,862) | (84,018) |
| | <hr/> | <hr/> |
| Net cash from financing activities | 10,804,972 | 9,997,254 |
| Net increase in cash and cash equivalents | 4,189,951 | 2,378,908 |
| Cash and cash equivalents at the beginning of the half-year | 5,512,856 | 9,049,762 |
| Effects of currency translation on cash and cash equivalents | (5,605) | (1,780) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the half-year | <u>9,697,202</u> | <u>11,426,890</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 1. Corporate information

The financial report of Redflow Limited (the 'Company') and its controlled entity (the 'Group') for the half-year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 29 February 2024.

Redflow Limited is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is 1/27 Counihan Road, Seventeen Mile Rocks, Brisbane, QLD 4073.

Note 2. Basis of preparation

These general purpose financial statements for the half-year ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Redflow Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2023 annual financial report for the financial year ended 30 June 2023. The accounting policies are consistent with Australian Accounting Standards and with IFRS Standards.

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(b) Property, plant and equipment

The Group identified obsolete assets during the period ending 31 December 2023 and made the decision to fully depreciate these assets, resulting in an additional \$254,545 in depreciation expense. The assets were depreciated to a nil value with the intention of disposing of these assets by 30 June 2024.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 2. Basis of preparation (continued)

(c) Going concern

The Group made an operating loss after income tax of \$12,887,238 (2022: \$6,224,717) and an operating cash outflow of \$6,284,544 (2022: \$7,227,373) for the half-year ended 31 December 2023. Cash held at bank as at 31 December 2023 was \$9,697,202 (30 June 2023: \$5,512,856).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities in accordance with its comprehensive business and strategic plan. The Group has now evolved into its manufacturing and scale up phase which has generated significant commercial traction and interest both in Australia and overseas. Nevertheless, the ability to fund development, production and marketing of the Group's products is dependent upon its ability to raise further funding from existing and new investors, transition to positive cash flows from operations, and/or receive funding from government incentive and grant programs where available and applicable.

The dependency on raising further funding, creates a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern, and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amount stated in the financial report.

The following events and strategies have occurred or have been initiated by the Directors to secure the Group's going concern status for the 2024 financial year and for at least the 12 months after the date of the Directors' declaration:

- On 12 February 2024, Redflow received Notice To Proceed from project developer Faraday Microgrids, to manufacture 15 MWh of energy pods for a California Energy Commission (CEC)-funded project in California triggering invoicing of USD \$4.2M receivable in April 2024;
- Redflow is refining its strategic 4-year Path to Profitability Plan and intends to release it in March 2024, where it will outline the planned timeframe for the introduction and capability of the Company's next generation battery and the production plan over the coming years;
- Pursuing potential government grants, loans and financing options (Australia and USA) on the back of ongoing government policy updates and initiatives; and
- Continuing prudent cost management and focusing on supporting announced customer projects.

The Directors believe that the Group will be successful in the above matters. In addition, the Directors believe Redflow will be able to raise equity and/or additional funding through the above measures and, accordingly, have prepared this interim financial report on a going concern basis.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the interim financial report as at 31 December 2023.

Accordingly, no adjustments have been made to the interim financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 3. Operating segments

Management provide oversight of the business by reviewing and reporting financial results on a consolidated basis to the Board of Directors.

The Group manufactures predominantly one product with varying levels of customisation and has commenced sales to customers around the world. However, due to the preliminary stage of commercial operations, the Group does not report on an individual product or geographical basis.

Given the conditions stated above management has determined that there are no separately reportable operating segments. The Group operates as one reportable segment and the segment results are the same as those reported in the financial statements. While the sales for the half-year period were lower than expected, it is significant that a substantial portion of these sales were from new customers, indicating growth opportunities.

Note 4. Revenue from contracts with customers

| | 31 December 2023 | 31 December 2022 |
|---------------------------------------|-----------------------------|---------------------|
| | \$ | \$ |
| From continuing operations | | |
| Revenue from contracts with customers | <u>62,827</u> | <u>645,637</u> |

Note 5. Other income

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|-----------------------------|---------------------|
| | \$ | \$ |
| R&D tax incentive | 1,092,587 | 2,264,974 |
| Interest | 157,054 | 49,110 |
| Government grants | - | 36,600 |
| Net gain/loss on foreign exchange | <u>(96,095)</u> | <u>(6,378)</u> |
| Total other income | <u>1,153,546</u> | <u>2,344,306</u> |

The Group qualifies for a refundable R&D tax incentive of 43.5% of its eligible R&D expenditure due to its aggregate turnover being less than \$20 million. As the Group is in a tax loss position, the tax offset is paid in cash. The expected refund has been estimated and accrued accordingly in the half-year ended 31 December 2023.

Note 6. Depreciation and Amortisation

| | 31 December 2023 | 31 December 2022 |
|---|-----------------------------|---------------------|
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation and amortisation</i> | | |
| Depreciation | 529,199 | 220,436 |
| Amortisation | <u>27,548</u> | <u>23,992</u> |
| Total depreciation and amortisation | <u>556,747</u> | <u>244,428</u> |

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 6. Depreciation and Amortisation (continued)

The Group identified obsolete assets and fully depreciated the assets in the period ending 31 December 2023, resulting in an increase in depreciation compared to the prior period. Details about the depreciation are provided in Note 2(b).

Note 7. Financial assets and liabilities

| | 31 December 2023 \$ | 30 June 2023 \$ |
|--|------------------------------------|--------------------------------|
| Trade and other receivables | 1,144,260 | 2,563,865 |
| Other current assets | 689,955 | 706,051 |
| Cash and cash equivalents | 9,697,202 | 5,512,856 |
| | <u>11,531,417</u> | <u>8,782,772</u> |
| Financial liabilities at amortised cost - trade and other payables | 2,293,631 | 1,531,378 |
| Lease liabilities | 156,686 | 241,548 |
| | <u>2,450,317</u> | <u>1,772,926</u> |

Note 8. Cash and cash equivalents

| | 31 December 2023 \$ | 30 June 2023 \$ |
|---------------------------|------------------------------------|--------------------------------|
| Cash and cash equivalents | <u>9,697,202</u> | <u>5,512,856</u> |

Note 9. Trade and other receivables

| | 31 December 2023 \$ | 30 June 2023 \$ |
|--|------------------------------------|--------------------------------|
| <i>Current assets</i> | | |
| Trade receivables | 25,174 | 55,391 |
| Less: Allowance for expected credit losses | (25,174) | - |
| | <u>-</u> | <u>55,391</u> |
| Research & Development grant income receivable | <u>1,144,260</u> | <u>2,508,474</u> |
| | <u>1,144,260</u> | <u>2,563,865</u> |

Research and Development grant income receivable consists of \$1,144,260 for FY24 and \$nil for FY23.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 10. Inventories

| | 31 December 2023 \$ | 30 June 2023 \$ |
|--|------------------------------------|--------------------------------|
| <i>Current assets</i> | | |
| Raw materials - at cost | 5,634,118 | 3,944,862 |
| Less: Provision for impairment | (3,130,557) | (1,413,088) |
| | 2,503,561 | 2,531,774 |
| Finished goods - at net realisable value | 790,714 | 205,714 |
| | 790,714 | 205,714 |
| | 3,294,275 | 2,737,488 |

Inventories recognised as an expense, including NRV impairment, for the half-year ended 31 December 2023 totalled \$1,717,469 (2022: \$25,019). This expense has been included in raw materials and consumables used in the statement of comprehensive income.

Note 11. Property, plant and equipment

| | 31 December 2023 \$ | 30 June 2023 \$ |
|-----------------------------------|------------------------------------|--------------------------------|
| <i>Non-current assets</i> | | |
| Leasehold improvements - at cost | 624,185 | 611,685 |
| Less: Accumulated depreciation | (624,185) | (597,388) |
| | - | 14,297 |
| Plant and equipment - at cost | 6,492,514 | 6,345,957 |
| Less: Accumulated depreciation | (5,159,524) | (4,726,939) |
| | 1,332,990 | 1,619,018 |
| | 1,332,990 | 1,633,315 |

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 11. Property, plant and equipment (continued)

Reconciliations of the carrying amount at the beginning and end of the current financial half-year

| | 31 December 2023 | 30 June 2023 |
|--|-----------------------------|------------------|
| | \$ | \$ |
| <i>Leasehold improvements</i> | | |
| Opening net carrying amount | 14,297 | 17,553 |
| Additions | 12,500 | - |
| Depreciation charge | (26,797) | (3,256) |
| Closing net carrying amount | <u>-</u> | <u>14,297</u> |
| <i>Plant and equipment</i> | | |
| Opening net carrying amount | 1,619,018 | 976,863 |
| Additions | 139,021 | 983,061 |
| Disposal | - | (15,304) |
| Depreciation charge | (426,229) | (330,306) |
| Foreign exchange movement | 1,180 | 4,704 |
| Closing net carrying amount | <u>1,332,990</u> | <u>1,619,018</u> |
| <i>Total property, plant and equipment</i> | | |
| Opening net carrying amount | 1,633,315 | 994,416 |
| Additions | 151,521 | 983,061 |
| Disposal | - | (15,304) |
| Depreciation charge | (453,026) | (333,562) |
| Foreign exchange movement | 1,180 | 4,704 |
| | <u>1,332,990</u> | <u>1,633,315</u> |

The Group identified obsolete assets and fully depreciated the assets as of 31 December 2023, resulting in an increase in depreciation compared to the prior period. Details about the depreciation are provided in Note 2(c).

Note 12. Intangible assets

| | 31 December 2023 | 30 June 2023 |
|---|-----------------------------|-----------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Patents, trademarks and designs - at cost | 1,112,633 | 1,047,357 |
| Less: Accumulated amortisation | (579,740) | (554,212) |
| Net carrying amount | <u>532,893</u> | <u>493,145</u> |
| Software - at cost | 186,026 | 186,026 |
| Less: Accumulated amortisation | (179,966) | (177,946) |
| Net carrying amount | <u>6,060</u> | <u>8,080</u> |
| | <u><u>538,953</u></u> | <u><u>501,225</u></u> |

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 12. Intangible assets (continued)

Reconciliations

Reconciliations of carrying amount at the beginning and end of the current financial half-year

| | 31 December 2023 | 30 June 2023 |
|--|-----------------------------|-----------------|
| | \$ | \$ |
| <i>Patents, trademarks and designs</i> | | |
| Opening net carrying amount | 493,145 | 461,624 |
| Additions | 65,276 | 80,493 |
| Disposals | - | - |
| Amortisation charge | (25,528) | (48,972) |
| Closing net carrying amount | 532,893 | 493,145 |
| <i>Software</i> | | |
| Opening net carrying amount | 8,080 | 16,160 |
| Additions | - | - |
| Amortisation charge | (2,020) | (8,080) |
| Closing net carrying amount | 6,060 | 8,080 |
| <i>Total intangible assets</i> | | |
| Opening net carrying amount | 501,225 | 477,784 |
| Additions | 65,276 | 80,493 |
| Disposals | - | - |
| Amortisation charge | (27,548) | (57,052) |
| Closing net carrying amount | 538,953 | 501,225 |

Note 13. Trade and other payables

| | 31 December 2023 | 30 June 2023 |
|----------------------------|-----------------------------|-----------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 1,025,782 | 751,285 |
| Customer deposits | 307,957 | 141,016 |
| Accrued expenses | 959,892 | 639,077 |
| | 2,293,631 | 1,531,378 |

Note 14. Provisions

| | 31 December 2023 | 30 June 2023 |
|--------------------------------|-----------------------------|-----------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Annual Leave | 441,058 | 468,020 |
| Long Service Leave | 216,436 | 184,856 |
| Warranties | 4,963,966 | 1,537,459 |
| | 5,621,460 | 2,190,335 |
| <i>Non-current liabilities</i> | | |
| Long service leave | 200,042 | 252,847 |
| | 5,821,502 | 2,443,182 |

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 15. Issued capital

| | 31 December 2023 Shares | 30 June 2023 Shares | 31 December 2023 \$ | 30 June 2023 \$ |
|------------------------------|--|------------------------------------|------------------------------------|--------------------------------|
| Ordinary Shares - Fully Paid | <u>237,119,977</u> | <u>179,774,362</u> | <u>165,047,847</u> | <u>153,709,050</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|-------------------|--------------------|--------------------|--------------------|
| Opening balance | 1 July 2023 | 179,774,362 | | 153,709,050 |
| Issue of ordinary shares (i) | 17 August 2023 | 21,359,900 | \$0.21 | 4,485,579 |
| Issue of ordinary shares (ii) | 21 August 2023 | 1,904,762 | \$0.21 | 400,000 |
| Issue of ordinary shares (iii) | 27 September 2023 | 32,142,857 | \$0.21 | 6,750,000 |
| Issue of ordinary shares (iv) | 6 October 2023 | 1,693,096 | \$0.20 | 338,619 |
| Issue of ordinary shares (v) | 7 November 2023 | 245,000 | \$0.20 | 49,000 |
| Less: transaction costs arising on share issue (vi) | | | | (684,401) |
| Closing balance | 31 December 2023 | <u>237,119,977</u> | | <u>165,047,847</u> |

- (i) On 17 August 2023, Redflow Limited issued 21,359,900 ordinary shares at \$0.21 to existing investors via entitlement offer (placement).
- (ii) On 21 August 2023, Redflow Limited issued 1,904,762 ordinary shares at \$0.21 to new sophisticated investor (shortfall placement).
- (iii) On 27 September 2023, Redflow Limited issued 32,142,857 ordinary shares at \$0.21 to existing investors via entitlement offer (shortfall placement).
- (iv) On 6 October 2023, Redflow Limited issued 1,693,096 ordinary shares at \$0.20 upon vesting of performance rights issued to employees as a long term incentive.
- (v) On 7 November 2023, Redflow Limited issued 245,000 ordinary shares at \$0.20 upon vesting of performance rights issued to employees as a long term incentive.
- (vi) Transaction costs were associated with the capital raising in August 2023 and September 2023.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 16. Contingencies

The Group had no contingent liabilities at 31 December 2023 (30 June 2023: \$nil).

Note 17. Commitments

The Group has \$225,877 additional commitments at 31 December 2023 (30 June 2023: \$313,301) in committed capital for Plant and Equipment purchases.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2023

Note 18. Earnings per share

Basic and dilutive earnings per share

| | 31 December 2023 Cents | 31 December 2022 Cents |
|---|---------------------------------------|---------------------------------------|
| Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group | | |
| Basic earnings per share | (6.53) | (3.98) |
| Diluted earnings per share | (6.53) | (3.98) |

Reconciliation of earnings used in calculating earnings per share

| | 31 December 2023 \$ | 31 December 2022 \$ |
|---|------------------------------------|------------------------------------|
| <i>Earnings per share for loss from continuing operations</i> | | |
| Loss after income tax | <u>(12,887,238)</u> | <u>(6,224,717)</u> |

Weighted average number of shares used as the denominator

| | Number | Number |
|---|---------------------------|---------------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>197,204,397</u> | 156,255,231 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>197,204,397</u> | <u>156,255,231</u> |

For half-year ended 31 December 2023, options granted to employees and external parties are not considered to be potential ordinary shares as including such securities in the calculation would result in a decreased loss per share therefore being anti-dilutive. Options issued have not been included in the determination of basic earnings per share.

Note 19. Events after the balance date

- In January 2024 Redflow shipped an Energy Pod 200 to Acciona Energia following the announcement of the project on the 11 October 2023, and
- On 12 February 2024 Redflow received NTP from project developer Faraday Microgrids, to manufacture 15 MWh of energy pods for a California Energy Commission (CEC)-funded project in California.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Related party transactions

The following transactions occurred with related parties:

| | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------------------------------------|------------------------------------|
| Payment for goods and services: | | |
| Payroll expenses paid to related party employees | 20,615 | 45,547 |

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Redflow Limited
Directors' declaration
For the half-year ended 31 December 2023

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Redflow Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Brett Johnson
Chairman

29 February 2024
Brisbane



Independent auditor's review report to the members of Redflow Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Redflow Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Redflow Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note 2c in the half-year financial report, which indicates that the Group incurred a net loss of \$12,887,238 during the half-year ended 31 December 2023 and an operating cash outflow of \$6,284,544 during the half-year ended 31 December 2023 and that the Group's ability to fund development, production, and marketing of the Group's products is dependent upon raising further funding from existing and new investors.

These conditions, along with other matters set forth in Note 2c, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The logo for PricewaterhouseCoopers, written in a stylized, cursive blue font.

PricewaterhouseCoopers

A handwritten signature in blue ink, reading "J. P. Raabe".

Josh Raabe
Partner

Brisbane
29 February 2024