

ASX RELEASE

31 July 2023

Redflow successfully executing its large-scale project strategy

20 MWh US project announced – Redflow's largest to date
Pipeline continues to grow – over 21 GWh of qualified opportunities and
70 MWh of deals at advanced customer engagement
Current entitlement offer deadline extended to 11 August 2023

Quarterly activities report for June 2023

Redflow Limited (ASX: RFX) (the 'Company' or 'Redflow') is pleased to provide this quarterly activities report, together with its Appendix 4C, for the three months ended 30 June 2023 (Q4 FY2023).

Key highlights:

- Announced Redflow's largest project to date – a 20 MWh battery system in California that will be one of the largest flow battery systems to be deployed in the US.
- Improved and expanded sales pipeline now stands at 21 GWh of qualified opportunities across the US, Australia and selected international markets. This includes several multi-MWh opportunities which are at detailed customer engagement stage, representing approximately 70 MWh of total battery demand for delivery in 2024 and early 2025.
- Well placed to benefit from stimulus and regulatory changes in the US and Australia as energy transition accelerates and market focus shifts to long-duration energy storage (LDES).
- Redflow's zinc-bromine flow battery was approved by the California Public Utilities Commission as eligible for the state's Self-Generation Incentive Program (SGIP), making it more affordable.
- Current entitlement offer deadline extended to 11 August 2023 – Redflow's Board wanted to ensure shareholders were given priority to participate in the accelerated growth coming through via the entitlement offer. Simon Hackett, Redflow's largest shareholder, has confirmed his participation in the entitlement offer.
- Q4 FY2023 cash receipts of \$279k, FY2023 cash receipts of \$1,186k. Cash balance of \$5.5 million as at 30 June 2023.

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

“The final quarter of FY2023 was pivotal for Redflow. We announced our largest project to date, to supply a 20 MWh circa A\$18 million battery system in California. Another key milestone achieved was receipt of SGIP approval, making Redflow’s batteries more affordable to clients in California.

“The global energy storage market continues to grow, and energy transition is accelerating. Redflow is well placed as a global leader in lithium alternative stationary energy storage solutions to support companies and governments around the world as they execute their renewable energy strategies. Our pipeline continues to progress and now stands at 21 GWh of qualified opportunities, with 70 MWh of total battery demand in advanced stages of progress for delivery in 2024 and early 2025.

“Our strategic investments are driving commercial success and position the Company as one of the leading energy storage battery solutions globally. We are well placed to take advantage of the rapidly evolving energy storage market opportunity, the cumulative global market for Electrochemical LDES is estimated to be US\$3-4 trillion by 2050.

“We look forward to continuing to grow in FY24 with a clear pathway to commercial success driven by focused execution of our growth strategy and increasing scale.”

Redflow signs its largest-ever project – a 20 MWh battery system in California

In June, Redflow's batteries were approved for use in a large-scale solar and storage project to be funded by the California Energy Commission (CEC). This project will provide power for the Paskenta Band of Nomlaki Indians, a US federally recognised sovereign Native American nation located in Northern California.

Under the Project, Redflow will supply, supervise installation, and assist with the commissioning and maintenance of 2,000 ZBM3 batteries in its 200 kWh modular energy pods. Shipping of pods is anticipated in late 2023 and the first half of 2024. Redflow expects to receive in total approximately US\$12 million / circa A\$18 million (excluding taxes and shipping) for the 20MWh system, which will be paid progressively on commencement, delivery of batteries and completion milestones. Most of the price is due to be paid on or before the completion of battery delivery, and Redflow expects to generate a positive return at the Project level.

The Project is fully funded by the CEC's US\$140 million long-duration energy storage grant program. With this funding approval, Redflow has joined a small number of proven non-lithium storage providers – and the only Australian company – for whom CEC is financing reference projects to assist commercialisation and large-scale validation.

California SGIP approval for Redflow’s safe, scalable, and sustainable energy storage solutions

During the quarter, Redflow’s energy storage solutions were approved by the California Public Utilities Commission as eligible for the state’s Self-Generation Incentive Program (SGIP).

SGIP provides up to US\$1,000 per KWh rebates to energy storage resources in California, with the highest amounts for projects deployed within state-designated disadvantaged communities. Redflow is one of the few non-lithium energy storage providers to have been granted SGIP approval. This makes the use of Redflow’s batteries more economically attractive for users.

Strong growth in sales pipeline – now at 21 GWh of qualified opportunities with multiple opportunities at advanced stages.

Redflow's sales pipeline continued to grow over Q4 FY2023. Selected examples of sales opportunities within the pipeline include:

- Grid resiliency project for a large network operator in Australia (~4 MWh). Formal approval to proceed is expected shortly, with the project expected to be delivered in the second half of 2024.
- Remote grid applications for a large network operator in Australia (0.5 to 2 MWh per site). The initial project tender specifies four sites for a total of 7 MWh energy storage to be delivered in the second half of 2024.
- Australian Community Battery Program (0.5 to 2 MWh per site). Based on discussions to date, Redflow anticipates the potential to be selected for 6-10 projects that will be delivered in 2024 and 2025.
- US Federal Government (1.2 MWh). If the initial 1.2 MWh project is successful, Redflow will have an opportunity to deploy its batteries across numerous US Federal Government facilities and critical infrastructure globally.
- US financial services company, retail sites (~400 kWh for initial sites). The initial phase is expected to be approved in the near future with project commencement targeted for the end of 2023.
- US financial services company corporate campus project (phase one ~8 MWh, plus an additional 55 MWh for phase two). The initial 8 MWh project is targeted to be delivered in the second half of 2024 with the second phase in 2025.
- Solar + storage microgrid project in the US (33 MWh). Final award selections are expected to be made around September/October 2023, with detailed project design, engineering and delivery expected to commence in 2024.
- Hospitality centre in the US (200 kWh). Redflow has signed a supply agreement and received a deposit for a 200 kWh pod for delivery in the last quarter of 2023.

Production and operations update

Production of the batteries in the quarter continued to be impacted by a supplier quality issue pertaining to a batch of glass-filled HDPE. New supply was received and passed stringent quality checks, but material differences in shrinkage characteristics required retooling of some critical machinery which delayed full production by 3 – 4 weeks. Partial production of components and parts over this period and essential maintenance continued over the quarter.

As noted in the recent investor presentation on 8 June, full production of batteries is due to recommence in early August with a goal to scale to 40 MWh per annum by the end of the year and 80 MWh in mid-2024. Redflow also received reaccreditation of its ISO 9001 qualification in May 2023 which provides a strong foundation for an accelerated increase in production.

Key focus over the coming months

- Convert a number of key opportunities that are at advanced stages into battery orders.
- Align production to fulfil battery backorders and execute against key new projects – notably the 20 MWh project in California. Driving production efficiencies, supplier diversification and quality control will be areas of focus.
- Scope the next level of commercial capabilities and production requirements beyond 2023 to align against the expanding sales pipeline and large-scale battery deals both in key Australia and US markets.

Entitlement offer extension

Like other companies at a comparable commercialisation stage of development, Redflow requires growth capital to convert its multiple attractive pipeline opportunities into firm orders, scale up its manufacture and supply chain, and benefit from the market momentum achieved over Q4 FY2023 and recent weeks.

Given the substantial progress made, with the 20 MWh project with the Californian Energy Commission being the first deal of several large-scale projects in the Company's pipeline, Redflow's Board wanted to ensure that the Company's current shareholders were given priority to participate in the accelerated growth coming through via the entitlement offer¹.

To enable shareholders to absorb recent newsflow regarding the Company's progress, the Board of Redflow extended the Company's entitlement offer deadline to 11 August 2023.

Simon Hackett, Redflow's largest shareholder, has confirmed his participation of \$250,000 in the entitlement offer.

Financial update

The Appendix 4C quarterly cashflow report for Q4 FY2023 is attached.

Cash receipts for Q4 FY 2023 were \$279k (Q4 FY2022: \$291k) and trade receivables were \$12k.

As at 30 June 2023, Redflow had a cash balance of \$5.5 million.

The following is a Summary of Receipts and Expenditures for the Q4 FY2023 business activities (refer also accompanying Appendix 4C):

A\$'000	June Quarter	Year to date (12 months)
Receipts from customers	279	1,186
Product manufacturing and operating costs	-1,290	-4,971
Research and development	-1,437	-5,199
SG&A (Corporate Overhead)	-1,454	-6,605
Investing activities	-227	-720
Financing activities	-	10,043
Other	-	-125

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

¹ See slides 30 - 35 of the Investor Presentation 8 June 2023. The Offer Booklet is not investment advice and does not take into account investment objectives of eligible shareholders, financial situation, tax position or particular needs. Before deciding to apply for shares, eligible shareholders should consider whether they are a suitable investment in light of their personal circumstances and seek professional guidance.

Payments to related parties over Q4 FY23 were \$208k, relating to fees paid to directors over the quarter.

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

-- ENDS --

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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

Jun-23

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	279	1,186
1.2	Payments for		
	(a) research and development	-1,437	-5,199
	(b) product manufacturing and operating costs	-1,290	-4,971
	(c) advertising and marketing	-345	-1,348
	(d) leased assets	-42	-168
	(e) staff costs	-821	-3,158
	(f) administration and corporate costs	-246	-1,931
1.3	Dividends received (see note 3)		
1.4	Interest received	58	174
1.5	Interest and other costs of finance paid	-14	-20
1.6	Income taxes paid	0	-4
1.7	Government grants and tax incentives	2,407	2,444
1.8	Other (provide details if material)	0	125
1.9	Net cash from/(used in) operating activities	-1,451	-12,870

		Current quarter	Year to date (12 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	-202	-598
	(d) investments		
	(e) intellectual property	-25	-132
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property plant and equipment	0	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	-227	-720
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	0	-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	0	10,043
4	Net increase (decrease) in cash and cash equivalents for the period	-1,678	-3,547
4.1	Cash and cash equivalents at beginning of period	7,189	9,050
4.2	Net cash from/(used in) operating activities (Item 1.9 above)	-1,451	-12,870
4.3	Net cash from/(used in) investing activities (Item 2.6 above)	-227	-720
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from/(used in) financing activities (Item 3.10 above)	0	10,043
4.5	Effect of movement in exchange rate on cash held	2	10
4.6	Cash and cash equivalents at end of the quarter	5,513	5,513

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	5,513	7,189
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)	5,513	7,189

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	208
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)	-1,451
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,513
8.3	Unused finance facilities available at quarter end (Item 7.5)	0
8.4	Total available funds (Item 8.2 + Item 8.3)	5,513
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.8
<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 ?	
	<i>Answer:</i>	
	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?	
	<i>Answer:</i>	
	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?	
	<i>Answer:</i>	
<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: 31-Jul-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.