



Redflow Limited
ACN 130 227 271

ASX Announcement

24 June 2021

Redflow Undertakes Capital Raising to Support Growth

Key Highlights:

- **Capital raising comprises:**
 - **\$5 million investment by US based New Technology Capital Group, LLC; and**
 - **pro rata non-renounceable entitlement offer to raise up to \$17.71 million (before costs) if fully subscribed**
- **New Technology Capital Group may provide additional funding of \$5 million**
- **Funding to underpin growth, supporting pursuit of business development opportunities, key projects, completion of Gen3 battery development and general working capital requirements**
- **Redflow's Board fully supports the Entitlement Offer and its Directors have each agreed to participate**

Australian energy storage company Redflow Limited (ASX: RFX; **Redflow** or the **Company**) is pleased to announce a capital raising comprising a \$5 million investment by United States (**US**) based New Technology Capital Group, LLC and a pro rata non-renounceable entitlement offer to raise up to \$17.71 million (before costs) if fully subscribed.

Following a series of recent achievements over the last 12 months that have demonstrated ongoing market progress, Redflow has experienced a significantly increased level of customer interest in its unique zinc bromine flow battery technology and its ability to support large scale deployments including large scale MWh projects. At the same time, market recognition of the need for medium to longer storage duration and the role of flow batteries in the energy ecosystem has materially increased.

Redflow is therefore raising funds to capitalise on its growing set of sales opportunities and market momentum.

Executing on Strategic Priorities

When Redflow last raised capital from shareholders in July 2020, the Company was well positioned to accelerate key engineering projects to deliver a more cost competitive product through the Gen3 Battery and also develop enhanced battery features. Redflow also noted that it would progress strategic growth opportunities, progress supplier cost reduction discussions and continue discussions with potential strategic investors and partners in Australia and overseas.

Since the prior raising, Redflow has executed on its strategic objectives and achieved a number of important milestones, including:

- Signed its largest single global battery sale to Anaergia for 192 batteries to support two megawatt hours (MWh) of energy storage in California. The Project is valued at US\$1.2 million (excluding taxes) for the system and includes development and launch of Redflow's new Energy Pod Z – its core multi battery module for large scale systems

- Identified a strong market opportunity in the US, with interest levels substantially growing following Redflow's 2 MWh project announcement
- Partnered with Optus to use Redflow batteries in at least 56 black spot sites as part of the Australian Government's Mobile Network Hardening Program
- Received an order in June 2021 for an initial 56 batteries with Industrial Battery Housing units and components for 56 sites from Optus integrator EnerSys for immediate delivery, with a contract value of A\$525,000. Further battery orders to complete the battery systems across the 56 sites are expected in the coming months
- Continued to grow its deployment footprint, with over 130 Redflow active deployments globally, representing a 25% increase over the previous 12 months and delivered 1.3 GWh of energy to end customers
- A steady and growing business in Australia through Redflow's integration partners, including recent participation in the NSW Government Department of Primary Industry Energy Efficiency Solutions project
- Announced collaboration with TRUMPF, a leading European high-tech company with more than A\$5 billion in revenues, to deliver scalable high-voltage grid-level energy storage deployments
- Successfully progressed Gen3 development, with end customer trials commencing from December 2020
- Undertaken significant work on analysing additional cost down and productivity potential with the introduction of Gen3, including planning for automation in target manufacturing processes and establishing volume commercial frameworks for key components and materials
- Progressed key engineering enhancements, including the development of Industrial Battery Housing units and the ability to work with existing lead acid systems for the Optus roll out
- Effectively managed costs throughout the COVID period, including moderation of production and reduced corporate costs.

Redflow's Thailand manufacturing facility is now scaling up to meet battery orders with a confirmed backlog of orders of over 350 batteries as of 21 June 2021.

Having developed a strong order book and growing pipeline, Redflow is well positioned to execute on current and future opportunities in key growth markets, supported by the Gen3 battery planned to be introduced into the production environment at the end of this calendar year. Target markets continue to include telecommunications, commercial and industrial and remote/community systems.

US Focus

Following the significant interest generated from the announcement of the 2 MWh sale with Anaergia in California on 9 March 2021, Redflow is now engaged across a number of promising sales opportunities in the US market which would have a material positive impact on the Company.

In the US, 3.5 GWh of new energy storage went online in the US in 2020, more than was deployed in the six years between 2013 and 2019, when a total of 3.1 GWh was installed.¹ Leading the charge is California, which has one of the one of the country's most aggressive decarbonisation targets: 100% zero-carbon electricity by 2045. Significant growth is therefore expected in medium to longer duration energy storage in California and other US markets. The new administration of President Biden is expected to accelerate the transition to a green economy and the Secretary of Energy, Jennifer M. Granholm, has explicitly recognised the role of flow batteries in the future US energy ecosystem.²

¹ Energy Storage News, *In 2020 the US went beyond a gigawatt of advanced energy storage installations for first time ever*, March 2021

² See US Department of Energy, *DOE Announces \$24.5 Million for Manufacturing Innovation to Build a Clean, Resilient Electric Grid*, March 2021

Redflow believes that the US energy storage market provides a substantial opportunity that warrants significant further focus and investment. This will be a key focus of Redflow's activity and expenditure over the next 12 months. Planned initiatives include business development resourcing and activities, battery certification (including UL certification for Gen3), operational support and opportunities for local sourcing of materials.

Proceeds to Underpin Growth Opportunities

The current round of funding will ensure that Redflow is capitalised to execute on its current contracts, can progress value enhancing engineering developments and can pursue business development opportunities across its key global markets and verticals, with the aim of converting current and future opportunities into sales and revenue.

The proceeds from this capital raising will support:

- Current business development opportunities, and increased business development activities to grow the pipeline of potential future projects, including building a presence in the US
- Completion of Gen3 battery development and its introduction into production in Thailand
- Ramp up of manufacturing to significant increase current capacity and the introduction of automation of key processes as demand grows
- Successful execution of key current projects
- Core R&D with a focus on identification and testing of new materials and suppliers to drive down cost and improve core battery performance
- General working capital requirements.

Details of the Capital Raising

Redflow is mindful of providing its existing shareholders with an opportunity to participate in the Company's capital raising. As such, the Company has structured the raising as follows:

1. Institutional Investment

An institutional investment in fully paid ordinary shares (**Shares**) in Redflow to US based New Technology Capital Group, LLC (the **Investor**), an institutional specialist technology investor, raising \$5 million (with the opportunity for an additional \$5 million by mutual consent of Redflow and the Investor) (the **Investment**).

- The initial investment will raise \$5,000,000 for \$5,300,000 worth of Shares (**Subscription Shares**), by way of the Investor making a prepayment for Subscription Shares, and the funds are expected to be received on or about Tuesday 29 June 2021 (**Settlement**). Redflow will issue the Subscription Shares, at the Investor's request, within 18 months of the date of the funding. The number of shares to be issued will be determined by applying the Purchase Price (as detailed further below) to the subscription amount, but subject to a Floor Price.
- An additional investment of up to \$5,000,000 for Subscription Shares worth \$5,000,000 may be undertaken by mutual consent of the Investor and Redflow within three years of the agreement. Redflow is under no obligation to draw down on this investment and the Investor is under no obligation to provide it.

The Purchase Price of the Subscription Shares will be equal to \$0.12 initially, representing a premium of approximately 87.5% to the closing price of Redflow's shares on 21 June 2021. Subject to the Floor Price described below, following 24 July 2021, the Purchase Price will reset to the average of the five daily volume-weighted average prices selected by the Investor during the 20 consecutive trading days immediately prior to the date of the Investor's notice to issue shares, less an 2.5% discount (or an 5% discount if the Subscription Shares are issued after the first anniversary of the initial placement) (rounded down to the nearest one tenth of a cent if the share price is at \$0.10 or below, half a cent if the share price is at above \$0.10 and at \$0.20 or below, or whole cent if the share price is above \$0.20). The Purchase Price will, nevertheless, be the subject of the Floor Price of \$0.04. If the Purchase Price formula results in a price that is less than the Floor Price, Redflow may forego issuing shares and instead opt to repay the applicable

subscription amount in cash (with a 5% premium), subject to the Investor's right to receive Subscription Shares at the Floor Price in lieu of such cash repayment. The Purchase Price will not be the subject of a cap.

Redflow will also have the right (but no obligation) to forego issuing shares in relation to the Investor's request for issuance and instead opt to repay the subscription amount by making a payment to the Investor equal to the market value of the shares that would have otherwise been issued. The Company will make an initial issuance of 16.8 million Subscription Shares to the Investor at the time of the Settlement, towards the ultimate number of Subscription Shares to be issued. Alternatively, in lieu of applying these shares towards the aggregate number of the Subscription Shares to be issued by Redflow, the Investor may make a further payment to the Company equal to the value of these shares determined using the Subscription Price at the time of the payment.

Redflow has agreed to issue 3,903,810 shares in satisfaction of a fee payable to the Investor.

2. Entitlement Offer

Under the Entitlement Offer, eligible Redflow shareholders may apply for one new share for every four fully paid ordinary shares in the Company held at 7.00pm AEST on Tuesday 29 June 2021 (the **Record Date**), at an issue price of \$0.059 per New Share, to raise approximately A\$17.71 million before costs if fully subscribed (**Entitlement Offer**).

The Entitlement Offer price represents a discount of:

- 8% to the last price at which Shares traded on Monday 21 June 2021 of A\$0.064 per Share; and
- 8% to the 10 day volume weighted average price of Redflow's shares trades on ASX up to and including Monday 21 June 2021 of A\$0.064 per Share.

For every 1 New Share subscribed, each Participating Shareholder will also receive 1 Attaching Option expiring on 30 July 2022 and exercisable at \$0.10.

The Option provides a further opportunity for Redflow shareholders to continue to participate in the Company's potential future upside and under a Black-Scholes valuation method³ are worth \$0.018 each as calculated on 22 June 2021.

Shareholders who are registered as shareholders at the Record Date with a registered address in Australia, New Zealand, the United Kingdom, Hong Kong or Singapore ("Eligible Shareholders") will be eligible to participate in the Entitlement Offer.

Entitlements

Entitlements in respect of new shares will be rounded down to the nearest whole number and holdings on different registers or sub-registers will not be aggregated to calculate entitlements. The Entitlement Offer is non-renounceable and entitlements cannot be traded on ASX.

Eligible Shareholders will also be able to apply for additional Shares over and above their pro rata entitlement (Additional New Shares), with such oversubscriptions to be satisfied from Entitlements that were not taken up by other shareholders under the Entitlement Offer. If demand for Additional New Shares exceeds the number of Additional New Shares available, the number of Additional New Shares issued will be scaled back on a pro rata basis.

Attaching Options will be granted in respect of any Additional New Shares.

³ Based on closing price of \$0.064 on 21 June 2021, exercise price of \$0.10, annualised volatility calculated at 108% based on daily share price movement between 22 June 2020 and 21 June 2021, term of 12 months and risk free rate of 0.5%.

New Shares

Pursuant to the Entitlement Offer, Redflow will issue up to approximately 300.1 million New Shares. The New Shares issued under the Entitlement Offer will be fully paid ordinary shares and will rank equally in all respects with the existing Shares on issue.

Further Information

The Entitlement Offer will be made under a Prospectus. Redflow has today lodged the Prospectus with ASX and will despatch to Eligible Shareholders a copy of the Prospectus and the Entitlement and Acceptance Form.

The anticipated timetable for the Entitlement Offer is as follows:

EVENT	DATE
Announcement of Entitlement Offer	24 June 2021
Existing shares quoted on an 'ex-entitlement' basis	28 June 2021
Record Date	7.00pm AEST 29 June 2021
Entitlement Offer opens Entitlement Offer Booklet and acceptance forms despatched to Eligible Shareholders	2 July 2021
Entitlement Offer Closes	5.00pm AEST 23 July 2021
Announcement of shortfall (if any) under the Entitlement Offer	28 July 2021
Allotment date of new shares issued under the Entitlement Offer	30 July 2021
Despatch of holding statements for New Shares issued under the Entitlement Offer Normal trading of New Shares issued under the Entitlement Offer	2 August 2021

The timetable is subject to change and Redflow reserves the right to withdraw or vary the timetable for the offer without notice. In particular, Redflow reserves the right to extend the closing date for the Entitlement Offer, to accept late applications whether generally or in particular cases or to withdraw the Entitlement Offer without prior notice.

The Redflow Board fully supports the Entitlement Offer and the Company's Directors have each agreed to participate in the Entitlement Offer.

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

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About Redflow www.redflow.com

Redflow Limited, a publicly listed Australian company (ASX: RFX), produces zinc-bromine flow batteries that tolerate daily hard work in harsh conditions. Redflow batteries are designed for deep cycling, long-duration stationary energy storage applications in the commercial & industrial, and telecommunications sectors and are scalable from a single battery installation through to grid-scale deployments. Redflow batteries are sold, installed, and maintained by an international network of energy system integrators. Redflow's smart, self-protecting batteries offer unique advantages, including secure remote management, 100 per cent daily depth of discharge, tolerance of high ambient temperatures, a simple recycling path, no propensity for thermal runaway, and sustained energy delivery throughout their operating life.