

Redflow Limited

ABN 49 130 227 271

**Appendix 4D and Interim Financial Report
For the half-year ended 31 December 2022**

Redflow Limited

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For the half-year ended 31 December 2022

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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 28 February 2023.

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 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	45.0% to	645,637
Loss from ordinary activities after tax	up	19.9% to	(6,224,717)
Loss for the half-year	up	19.9% to	(6,224,717)

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 \$6,224,717 (31 December 2021: \$5,193,639).

3. Net tangible assets

	31 December 2022 Cents	31 December 2021 Cents
Net tangible assets per ordinary security	8.96	9.30

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 2022. The information should be read in conjunction with Redflow Limited's 31 December 2022 Annual Report and the attached Interim Financial Report. This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by PricewaterhouseCoopers.

Redflow Limited

Directors' report

For the half-year ended 31 December 2022

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 2022.

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
David Knox	Director (Non-executive)	2 March 2017 (Resigned 28 February 2023)
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 development, manufacture and sale of its zinc-bromine flowing electrolyte battery.

Review of operations

Redflow has continued to make significant progress with its strategy in the first half of FY2023.

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

- The launch of the third-generation zinc bromine flow battery ZBM3 with major technology advances which will deliver significant cost and efficiency savings;
- Delivery of key reference projects in Australia, including:
 - (i) Australian Government's Bureau of Meteorology emission reduction and reliability project now completed, with a third radar site now operational in rural NSW;
 - (ii) A third project for Knox City Council at their Regional Netball Centre following on from successful deployments at two childcare centres in 2019. The 60 kWh project incorporated the recently approved Deye Hybrid inverter which is a new market development for the Australian commercial and industrial market; and
 - (iii) The first shipment of ZBM3 batteries was delivered for the 560 kWh deployment at Southern Ocean Lodge on Kangaroo Island, South Australia
- A Master Service Agreement was signed with leading US Engineering Procurement and Construction company Black & Veatch to streamline the procurement of ZBM batteries for global projects with an initial focus on key US opportunities currently in our pipeline;
- The one year operational milestone was achieved in the USA at Redflow's flagship 2 MWh Anaergia project in January 2023. The deployment is continuing to attract significant industry interest with regular site visits by end customers, partners, government entities and 3rd party engineering companies; and
- Announced of a new \$5 million research collaboration with The University of Queensland within the Australian Research Council (ARC) Research Hub administered by Deakin University which will further extend our global technical leadership in our core chemistry and identify new opportunities to enhance operational performance.

Redflow Limited
Directors' report
For the half-year ended 31 December 2022

In September we completed a successful \$10 million capital raising to accelerate growth - comprising \$5 million placement that introduced well known tier one Australian based institutional investors to the Company's register and an oversubscribed \$5 million SPP. We would like to thank all shareholders who participated in this important raise.

At a core market level, we have seen a rapid increase in the industry focus on energy storage alternatives to Lithium chemistries and longer duration requirements in our target markets. Lithium shortages and safety concerns, longer duration requirements and an increasing focus on energy security has accelerated market awareness of commercially ready, operationally proven energy storage solutions like Redflow. We have invested prudently over the last 12 months to be well positioned for these market tailwinds.

Over the first half of FY23 we have achieved material growth in our sales pipeline which now contains multiple GWh of qualified opportunities and significant additional opportunities at the prospect stage. Several key opportunities which are at advanced stages in our pipeline are multi-MWh contracts. Some of these opportunities have taken longer than originally expected to convert to sales, but based on our most recent customer and partner engagements, we remain confident that we will receive these orders. Once received they will represent a critical scale up and reference point against our growth strategy and builds on our industry positioning to achieve further market success.

Our investment in building our US presence and capabilities on the back of our reference 2 MWh deployment with Anaergia is also beginning to pay dividends. We continue to invest in an experienced US team and critical market accreditations including the UL certification of the ZBM3 battery. In addition, the US Inflation Reduction Act provides a multi-billion dollar transformational program for energy storage deployments with a mix of material tax credits and localisation incentives that Redflow is well placed to benefit from.

In Australia, Energy Market Operator's (AEMO) Integrated Service plan was published in July 2022 and highlighted the need for 640GWh of dispatchable energy storage by 2050 to integrate increasing amounts of variable renewable generation to offset the retirement of traditional generation sources like coal fired power stations. AEMO's further update in February 2023 highlighted the increasing urgent need for longer duration storage to address the increasing level of reliability risks as part of the energy transition. At the state level, Queensland's Energy and Jobs plan highlights the critical role of energy storage in achieving 70% renewables for the State by 2032, where we believe we are well placed to play a key role.

Based on our pipeline, the investments in additional capabilities we have made and our operational track record, we are confident that we have a strong value proposition in our target markets and the ability to ramp up to meet expected demand in the timeframe required.

The loss of the Group after income tax on a consolidated basis for the half-year ended 31 December 2022 was \$6,224,717 (2021: \$5,193,639).

The Group's independent auditor's report for the half-year ended 31 December 2022, contains a material uncertainty section drawing members' attention to the contents of Note 2(b) 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 2022.

Redflow Limited
Directors' report
For the half-year ended 31 December 2022

As we continue to execute on Redflow's long term growth strategy, we are developing our sales pipeline, maintaining 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. We therefore expect the business will need additional working capital this year to allow execution against our growth strategy. As noted in the 2022 AGM Chairman's address, Management and the Board continue to evaluate all potential sources of working capital to support Redflow's long term growth strategy.

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

28 February 2023
Brisbane



Auditor's Independence Declaration

As lead auditor for the review of Redflow Limited for the half-year ended 31 December 2022, 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 black ink, appearing to read 'Tim Allman', written over a horizontal line.

Tim Allman
Partner
PricewaterhouseCoopers

Brisbane
28 February 2023

Redflow Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue from contracts with customers	4	645,637	1,174,242
Other income	5	2,350,684	1,360,829
Expenses			
Raw materials and consumables used		(2,555,197)	(2,226,725)
Other expenses from ordinary activities:			
Administrative expenses		(506,581)	(477,882)
Depreciation and amortisation	6	(244,428)	(229,181)
Interest and finance expense		(7,388)	(13,721)
Business development		(198,069)	(42,360)
Travel and accommodation		(220,027)	(37,990)
Professional fees		(891,054)	(874,430)
Payroll expenses		(4,416,922)	(3,674,638)
Other expenses		(169,278)	(148,692)
Loss before income tax expense		(6,212,623)	(5,190,548)
Income tax expense		(12,094)	(3,091)
Loss after income tax expense for the half-year		(6,224,717)	(5,193,639)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		88,180	(1,957)
Other comprehensive income/(loss) for the half-year, net of tax		88,180	(1,957)
Total comprehensive loss for the half-year		(6,136,537)	(5,195,596)
		Cents	Cents
Basic earnings per share	18	(3.98)	(3.79)
Diluted earnings per share	18	(3.98)	(3.79)

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 2022

	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	11,426,890	9,049,762
Trade and other receivables	9	3,819,245	1,485,725
Inventories	10	3,494,131	3,624,662
Other current assets		813,390	1,057,601
Total current assets		19,553,656	15,217,750
Non-current assets			
Property, plant and equipment	11	1,579,647	994,416
Intangible assets	12	506,802	477,784
Right-of-use assets		325,643	408,811
Total non-current assets		2,412,092	1,881,011
Total assets		21,965,748	17,098,761
Liabilities			
Current liabilities			
Trade and other payables	13	1,734,077	4,118,439
Lease liabilities		169,300	168,456
Other current liabilities		1,150,721	954,778
Provisions	14	1,963,782	1,710,282
Total current liabilities		5,017,880	6,951,955
Non-current liabilities			
Lease liabilities		156,686	241,548
Provisions	14	184,738	125,198
Total non-current liabilities		341,424	366,746
Total liabilities		5,359,304	7,318,701
Net assets		16,606,444	9,780,060
Equity			
Issued capital	15	153,733,948	140,702,054
Reserves		5,878,049	5,858,842
Accumulated losses		(143,005,553)	(136,780,836)
Total equity		16,606,444	9,780,060

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 2022

	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 for the half-year, net of tax	-	88,180	-	88,180
Total comprehensive income/(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>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	126,772,988	4,664,383	(124,961,558)	6,475,813
Adjustment in accounting for prior period	1,025,684	-	1,427,657	2,453,341
Balance at 1 July 2021 - restated	127,798,672	4,664,383	(123,533,901)	8,929,154
Loss after income tax expense for the half-year	-	-	(5,193,639)	(5,193,639)
Other comprehensive loss for the half-year, net of tax	-	(1,957)	-	(1,957)
Total comprehensive loss for the half-year	-	(1,957)	(5,193,639)	(5,195,596)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	10,534,502	-	-	10,534,502
Employee share options - value of employee services	-	536,621	-	536,621
Shares issued to employees	368,880	(368,880)	-	-
Share options issued to external parties	-	205,889	-	205,889
Balance at 31 December 2021	<u>138,702,054</u>	<u>5,036,056</u>	<u>(128,727,540)</u>	<u>15,010,570</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 2022

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		779,618	1,574,741
Payments to suppliers and employees (inclusive of GST)		(8,081,046)	(6,783,224)
Grants/R&D tax incentive received		36,600	-
Interest received		49,110	9,917
Interest and bank charges paid		(7,388)	(13,721)
Income taxes paid		(4,267)	(4,269)
Net cash used in operating activities		(7,227,373)	(5,216,556)
Cash flows from investing activities			
Payments for property, plant and equipment (inclusive of GST)		(300,566)	(526,148)
Purchase of intangible assets (inclusive of GST)		(99,650)	(27,802)
Proceeds from sale of property, plant and equipment (inclusive of GST)		9,243	-
Net cash used in investing activities		(390,973)	(553,950)
Cash flows from financing activities			
Proceeds from capital raising		10,621,600	10,859,804
Transaction costs from capital raising (inclusive of GST)		(540,328)	(357,832)
Repayment of borrowings		(84,018)	(89,261)
Net cash from financing activities		9,997,254	10,412,711
Net increase in cash and cash equivalents		2,378,908	4,642,205
Cash and cash equivalents at the beginning of the financial half-year		9,049,762	9,808,283
Effects of exchange rate changes on cash and cash equivalents		(1,780)	3,785
Cash and cash equivalents at the end of the financial half-year	8	<u>11,426,890</u>	<u>14,454,273</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 2022

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 2022 was authorised for issue in accordance with a resolution of the Directors on 28 February 2023.

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 2022 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 2022 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 2022 annual financial report for the financial year ended 30 June 2022. 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.

(b) Going concern

The Group made an operating loss after income tax of \$6,224,717 (2021: \$5,193,639) and an operating cash outflow of \$7,227,373 (2021: \$5,216,556) for the half-year ended 31 December 2022. Cash held at bank as at 31 December 2022 was \$11,426,890 (30 June 2022: \$9,049,762).

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 with recent installations generating significant 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 transition to a positive cash flow from operations and raising further funding from existing and new investors as well as other governmental incentive and grant programs where available and applicable.

The following events and strategies have occurred or have been initiated by the Directors to secure the Group's going concern status during the 2023 financial year and for at least the 12 months after the date of the Directors' declaration:

- Commenced manufacture of the Gen3 battery in Q1 FY23 to reduce production costs;
- Following on from the successful installation and ongoing operation of the Anaergia project in the US, the sales pipeline has continued to grow, with key opportunities in multi MWh systems have progressed in recent months;
- Undertaking activities to source additional funding, including:

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 2. Basis of preparation (continued)

- (i) Continued engagement with individuals, collaboration partners, investors, and other sources of potential investment;
- (ii) Exploring government grant opportunities, Australia and USA, on the back of recent government policy updates and other government and non-government supported finance opportunities; and

- Prudent management of production, raw material and capital expenditure.

The Group has a track record over the last decade of successfully raising equity and grant funding to finance product development and operations. However, due to the funding sources referred to above being uncommitted at the date of this report, there remains a material uncertainty which may cast significant doubt over whether the Group can continue as a going concern and, therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

The Directors believe that the Group will be successful in the above matters. In addition, the Directors believe Redflow will be able to raise additional equity 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 2022.

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 Company and its controlled entities not continue as a going concern.

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. The Group is not reliant on one single customer, however sales to two customers for the half-year period were both just under 37% of the total sales revenue with the balance split amongst six main customers.

Note 4. Revenue from contracts with customers

	31 December 2022 \$	31 December 2021 \$
From continuing operations		
Revenue from contracts with customers*	<u>645,637</u>	<u>1,174,242</u>

* Includes sale of goods at a point in time \$645,637 (2021: \$639,532) and sale of goods over time \$nil (2021: \$501,710).

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 5. Other income

	31 December 2022	31 December 2021
	\$	\$
Government grants	36,600	-
R&D tax incentive	2,264,974	1,350,912
Interest	49,110	9,917
Total other income	<u>2,350,684</u>	<u>1,360,829</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 2022.

Note 6. Depreciation and Amortisation

	31 December 2022	31 December 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation	220,436	207,734
Amortisation	23,992	21,447
Total depreciation and amortisation	<u>244,428</u>	<u>229,181</u>

Note 7. Financial assets and liabilities

	31 December 2022	30 June 2022
	\$	\$
Trade and other receivables	3,819,245	1,485,725
Other current assets	813,390	1,057,601
Cash and cash equivalents	11,426,890	9,049,762
	<u>16,059,525</u>	<u>11,593,088</u>
	31 December 2022	30 June 2022
	\$	\$
Financial liabilities at amortised cost - trade and other payables	1,734,077	1,440,039
Financial liabilities at fair value - equity issue obligation	-	2,678,400
Lease liabilities	325,986	410,004
	<u>2,060,063</u>	<u>4,528,443</u>

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 8. Cash and cash equivalents

	31 December 2022	30 June 2022
	\$	\$
Cash and cash equivalents	<u>11,426,890</u>	<u>9,049,762</u>

Note 9. Trade and other receivables

	31 December 2022	30 June 2022
	\$	\$
<i>Current assets</i>		
Outstanding invoices*	126,614	58,068
Research & Development grant income receivable	3,692,631	1,427,657
Expected credit loss	-	-
	<u>3,819,245</u>	<u>1,485,725</u>

Research and Development grant income receivable consists of \$1,335,456 for FY23 and \$2,357,175 for FY22.

**Other than the amounts disclosed above, the Company has also issued advance invoices amounting to \$470,077 in line with the terms of the purchase agreements which are expected to be collected in the next 12 months.*

Note 10. Inventories

	31 December 2022	30 June 2022
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	3,877,931	3,885,624
Less: Provision for impairment	(955,943)	(980,962)
	<u>2,921,988</u>	<u>2,904,662</u>
Finished goods - at net realisable value	<u>572,143</u>	<u>720,000</u>
	<u>572,143</u>	<u>720,000</u>
	<u>3,494,131</u>	<u>3,624,662</u>

The decrease in the provision for impairment for raw materials amounted to \$25,019. It was recognised as a reduction in expense during the half-year ended 31 December 2022 and included in 'raw materials and consumables used'.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 11. Property, plant and equipment

	31 December 2022	30 June 2022
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	611,685	611,685
Less: Accumulated depreciation	(595,760)	(594,132)
	15,925	17,553
 Plant and equipment - at cost	 6,191,999	 5,463,690
Less: Accumulated depreciation	(4,628,277)	(4,486,827)
	1,563,722	976,863
	1,579,647	994,416

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

	31 December 2022	30 June 2022
	\$	\$
<i>Leasehold improvements</i>		
Opening net carrying amount	17,553	21,628
Depreciation charge	(1,628)	(4,075)
Closing net carrying amount	15,925	17,553
 <i>Plant and equipment</i>		
Opening net carrying amount	976,863	596,152
Additions	717,136	646,072
Disposal	(15,304)	-
Depreciation charge	(120,342)	(263,434)
Foreign exchange movement	5,369	(1,927)
Closing net carrying amount	1,563,722	976,863
 <i>Total property, plant and equipment</i>		
Opening net carrying amount	994,416	617,780
Additions	717,136	646,072
Disposal	(15,304)	-
Depreciation charge	(121,970)	(267,509)
Foreign exchange movement	5,369	(1,927)
	1,579,647	994,416

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 12. Intangible assets

	31 December 2022	30 June 2022
	\$	\$
<i>Non-current assets</i>		
Patents, trademarks and designs - at cost	1,019,828	966,863
Less: Accumulated amortisation	(525,146)	(505,239)
Net carrying amount	494,682	461,624
Software - at cost	186,026	186,026
Less: Accumulated amortisation	(173,906)	(169,866)
Net carrying amount	12,120	16,160
	506,802	477,784

Reconciliations

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

	31 December 2022	30 June 2022
	\$	\$
<i>Patents, trademarks and designs</i>		
Opening net carrying amount	461,624	415,690
Additions	52,965	85,872
Disposals	-	-
Amortisation charge	(19,907)	(39,938)
Closing net carrying amount	494,682	461,624
<i>Software</i>		
Opening net carrying amount	16,160	24,240
Additions	-	-
Amortisation charge	(4,040)	(8,080)
Closing net carrying amount	12,120	16,160
<i>Total intangible assets</i>		
Opening net carrying amount	477,784	415,690
Additions	52,965	110,112
Disposals	-	-
Amortisation charge	(23,947)	(48,018)
Closing net carrying amount	506,802	477,784

Note 13. Trade and other payables

	31 December 2022	30 June 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	907,375	956,775
Customer deposits	258,160	171,523
Accrued expenses	568,542	311,741
Equity issue obligation under Share placement agreement	-	2,678,400
	1,734,077	4,118,439

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 14. Provisions

	31 December 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Annual Leave	479,073	376,713
Long Service Leave	211,204	186,145
Warranties	1,273,505	1,147,424
	1,963,782	1,710,282
<i>Non-current liabilities</i>		
Long service leave	184,738	125,198
	2,148,520	1,835,480

Note 15. Issued capital

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 \$	30 June 2022 \$
Ordinary Shares - Fully Paid	179,719,362	1,466,933,907	153,733,948	140,702,054

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Opening balance	1 July 2022	1,466,933,907		140,702,054
Issue of ordinary shares (i)	27 July 2022	41,666,667	\$0.036	1,500,000
Issue of ordinary shares (ii)	1 August 2022	26,315,789	\$0.038	1,000,000
Issue of ordinary shares (iii)	19 August 2022	111,627,907	\$0.043	4,800,000
Issue of ordinary shares (iv)	14 September 2022	20,000,000	\$0.040	800,000
Issue of ordinary shares (v)	14 September 2022	116,279,001	\$0.043	5,000,000
Issue of ordinary shares (vi)	25 November 2022	4,651,162	\$0.043	200,000
Share consolidation (vii)	2 December 2022	(1,608,725,073)		
Issue of ordinary shares (viii)	20 December 2022	970,002	\$0.230	223,101
Less: transaction costs arising on share issue (ix)				(491,207)
Closing balance	31 December 2022	179,719,362		153,733,948

Redflow Limited was approved for consolidation of the issued share capital of Redflow Limited on the basis that every 10 fully paid ordinary shares be consolidated into 1 fully paid ordinary share, on 24 November 2022 upon resolution of AGM. Share consolidation is applied retrospectively to prior period shares.

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 15. Issued capital (continued)

- (i) On 27 July 2022, Redflow Limited issued 41,666,667 ordinary shares at \$0.036 per share in accordance with the terms of its Share Placement Agreement with New Technology Capital Group LLC.
- (ii) On 1 August 2022, Redflow Limited issued 26,315,789 ordinary shares at \$0.038 per share in accordance with the terms of its Share Placement Agreement with New Technology Capital Group LLC.
- (iii) On 19 August 2022, Redflow Limited issued 111,627,907 ordinary shares at \$0.043 to existing and new sophisticated investors via entitlement offer (placement).
- (iv) On 14 September 2022, Redflow Limited issued 20,000,000 ordinary shares at \$0.040 per share in accordance with the terms of its Share Placement Agreement with New Technology Capital Group LLC.
- (v) On 14 September 2022, Redflow Limited issued 116,279,001 ordinary shares at \$0.043 to eligible shareholders via share purchase plan.
- (vi) On 25 November 2022, Redflow Limited issued 4,561,162 ordinary shares at \$0.043 to existing board member via placement share.
- (vii) On 2 December 2022, Redflow Limited consolidated all the existing shares upon approval from the AGM on 24 November 2022. 1,917 of shares resulted from the rounding up of share consolidation.
- (viii) On 20 December 2022, Redflow Limited issued 970,002 ordinary shares at \$0.230 upon vesting of performance rights issued to employees as a long term incentive.
- (ix) Transaction costs were associated with the capital raising in July 2022, August 2022 and September 2022.

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 2022 (30 June 2022: \$nil).

Note 17. Commitments

The Group has \$109,887 additional commitments at 31 December 2022 (30 June 2022: \$338,307) in committed capital for Plant and Equipment purchases.

Note 18. Earnings per share

Basic and dilutive earnings per share

	31 December 2022 Cents	31 December 2021 Cents
Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group		
Basic earnings per share	(3.98)	(3.79)
Diluted earnings per share	(3.98)	(3.79)

Redflow Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2022

Note 18. Earnings per share (continued)

Reconciliation of earnings used in calculating earnings per share

	31 December 2022	31 December 2021
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	<u>(6,224,717)</u>	<u>(5,193,639)</u>
<i>Weighted average number of shares used as the denominator</i>		
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>156,255,231</u>	<u>137,086,201</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>156,255,231</u>	<u>137,086,201</u>

Redflow Limited was approved for consolidation of the issued share capital of Redflow Limited on the basis that every 10 fully paid ordinary shares be consolidated into 1 fully paid ordinary share, on 24 November 2022 upon resolution of AGM. Share consolidation is applied retrospectively to prior period shares.

For half-year ended 31 December 2022, 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

Subsequent to the end of the half-year, the following event has occurred:

- On 27 February 2023 Redflow signed an MOU with Energy Queensland to collaborate further on energy storage

No other matter or circumstance has arisen since 31 December 2022 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 2022	31 December 2021
	\$	\$
Payment for goods and services:		
Payroll expenses paid to related party employees	45,547	7,938

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 2022

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 2022 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

28 February 2023
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 2022, 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, significant accounting policies and 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 2022 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 2 in the half-year financial report, which indicates that the Group incurred a net loss of \$6,224,717 during the year ended 31 December 2022 and an operating cash outflow of \$7,227,373 and highlights that the ability to fund development, production and marketing of the Group's products is dependent on its ability to generate positive cash flow from operations and raise funding from investors and government incentive and grant programs.

These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion 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 2022 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.

PricewaterhouseCoopers.

PricewaterhouseCoopers



Tim Allman
Partner

Brisbane
28 February 2023