

RedFlow Limited

ACN 130 227 271

23 February 2011

Half-Year Financial Report

RedFlow Limited (ASX: RFX) today announced its half-year financial report for the six months ended 31 December 2010.

Key Points – Financial

- Revenue for the period was \$579,316, up significantly from the comparable period to 31 December 2009. The increase reflects RedFlow's transition to commercial sales of energy storage products incorporating the company's proprietary zinc bromine battery module (ZBM).
- The loss after tax was \$2,520,696, in line with expectations due to the company's strong growth in staffing levels, product optimisation and marketing investment.
- Cash at the end of the half was \$16,299,125 following the successful IPO and fundraising during the last quarter of 2010.

Overview

RedFlow's Chairman, Mr Peter Pursey said: "The half-year results indicate the company is performing in accordance with the staged development plan outlined in the company's IPO Prospectus.

"2011 has started well, with substantial progress in all key areas running to plan. The company's programme to expand its facilities and personnel to support commercialisation growth plans, are well underway.

"The Brisbane-based manufacturing expansion is a major planned capital expenditure for the company in the first half of 2011. This key activity is proceeding well and in line with time and budget expectations.

"RedFlow is actively engaged in progressing longer term arrangements for developing large scale offshore contract manufacturing, which are designed to meet the company's future commercial requirements.

"Significant progress has also been made regarding the company's strategic relationships to distribute the company's products in selected territories."

Mr Phil Hutchings, CEO of RedFlow said: "This was an excellent result in a period of significant growth and change for RedFlow. The revenue reflected our successful transition to commercial sales of ZBMs, and was somewhat constrained by the pressure we put on our suppliers to meet customer demand."

Sales Programme

The half-year was a particularly active period, with distribution arrangements finalised for RedFlow products in New Zealand with Powerco, the second largest distribution utility in that country. The company is in negotiations for similar arrangements for the United Kingdom and France, plus selected Asian markets, with Stored Energy Solutions and ST Engineering respectively.

Domestically, RedFlow secured its biggest commercial sale to date with the \$1 million order with Energy Safe Victoria for hybrid ZBM/solar PV/diesel generator power supply units. Some of these units were delivered during the December half, and all units have now been installed.

The programme to expand RedFlow's sales team and broaden its customer base is progressing well.

Facilities Expansion

RedFlow's new Phase Two factory was opened on 10 August 2010, by Mr Andrew Fraser, Queensland Treasurer and Minister for Employment and Economic Development. This gave RedFlow extra capacity for ZBM manufacture, and for most of the last quarter, it operated on a two shift basis to meet demand.

Concurrently with the IPO preparation during the last quarter, RedFlow's operations team completed the design for further expansion of both the ZBM factory and energy storage systems assembly plant. This combined expansion has been designated Phase Three.

The go-ahead for this was given immediately following the IPO, and at the time of writing:

- Two additional factory leases have been finalised;
- Additional plant and equipment has been ordered (with some already delivered);
- Construction of the production facilities within the leased factories is underway, together with additional office space, warehousing, a training room and expanded battery testing areas; and
- Staffing levels have been increased by approximately 40 percent over the past three months, with further recruitment underway.

The Phase Three expansion will be progressively commissioned during second quarter 2011, and is being implemented while production continues. It will increase ZBM and systems assembly capacity by up to a factor of ten. The total capital budget is approximately \$3 million.

It is designed to be the last significant expansion before the transition to contract manufacturing of ZBMs.

Corporate

The IPO and listing of the company's shares on the ASX was completed late in the quarter.

Organisationally, the half-year was a period of significant expansion of the company's capacity in manufacture, design, sales and commercial and financial support. This program of growth will continue into the current half and is well on track.

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About RedFlow

Founded in 2005, RedFlow is now acknowledged as one of the world leaders in high performance zinc-bromine flow batteries (ZBMs) for grid-connected electricity storage. RedFlow's utility-scale energy storage systems help reduce electricity distribution costs and allow clean solar generated electricity to be used at night.

More information can be found at www.redflow.com.au