



RedFlow Limited

ACN 130 227 271

Wednesday 24 August 2011

Letter from the Chairman

Dear Shareholder,

On behalf of the Directors, it is my pleasure to invite you to subscribe for additional shares under the Share Purchase Plan in RedFlow Limited, Australia's leading advanced electricity storage company.

Since our successful IPO in December 2010, RedFlow has grown its energy storage business significantly. In keeping with our Business Plan, the company has:

- Negotiated its biggest ever sales contract with Ausgrid, the largest utility in Australia, with sixty units to be deployed as part of Australia's first commercial Smart Grid;
- Doubled its factory floor space in Brisbane and lifted total staffing numbers to approximately 100;
- Built a whole new systems assembly factory and warehouse, together with bedding down the expanded zinc-bromine battery manufacturing plant;
- Negotiated with one of the world's biggest outsourced contract manufacturers for large scale and high quality manufacturing of its core zinc-bromine battery; and
- Completed a companywide implementation of an advanced enterprise resource planning (ERP) software system to manage our customer orders, manufacturing, supply chain, finance and product development functions.

As a result, RedFlow is now well positioned to continue its growth as planned.

Thanks to the drive of your management team, the transition to outsourced manufacturing is taking place approximately nine months ahead of the schedule that was expected at the time of the IPO late last year.

This means that RedFlow can shortly start receiving battery components by airfreight which will allow expanded production. This range of outsourced components will progressively expand, leading to outsourcing of the complete battery module scheduled for the second quarter of 2012.

From then on, RedFlow's own production facility will swing to large scale prototyping of the next generation battery modules, with improved performance and cost characteristics.

Lifting our production capability will allow our sales teams to further expand our sales and initiate our entry into selected overseas markets. The coordination of increased production through outsourced manufacture and expanding sales is our major commercial focus for the company over the next twelve months.

To meet the working capital needs of this expanded growth, your Directors undertook an Institutional Share Placement earlier this month. We are pleased to advise that that was very successful and we welcome a range of professional institutional investors to our share register.

The Directors also resolved that existing shareholders should have the same opportunity to buy further shares at \$1.00 per share and, for that reason, the company is making the Share Purchase Plan offer which is outlined in the attached booklet.

In terms of the demand for energy storage, you no doubt will have seen frequent newspaper articles about the rising cost of retail electricity prices in Australia. That is in part caused by the changing patterns of our electricity usage, particularly in relation to increasing peak demand at evening times. In addition, the cost of solar PV generation is falling and its penetration is increasing worldwide. Both of these are examples of where energy storage is needed in grid connected applications and where our energy storage systems have been deployed.

The company continues to see strong interest in our products and our ability to meet this customer demand will be greatly eased by increased production volumes flowing from our larger scale manufacturing.

On behalf of the Board, I commend the Share Purchase Plan to you. Details of how you can subscribe for additional shares, with no brokerage costs, are detailed in the attached Share Purchase Plan offer booklet.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P Pursey".

Peter Pursey, AM
Chairman