



RedFlow Limited

ABN 49 130 227 271

Appendix 4D and Interim financial report

For the half-year ended 31 December 2011

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Appendix 4D

Name of Entity: RedFlow Limited
ABN: 49 130 227 271

Reporting period: Half-year ended 31 December 2011
Previous corresponding period: Half-year ended 31 December 2010

Results for announcement to the market

Results		%		\$
Revenue from ordinary activities	up	388.26%	to	2,828,542
Loss from ordinary activities after tax attributable to members	up	144.98%	to	(6,175,322)
Net loss for the half-year attributable to members	up	144.98%	to	(6,175,322)

Dividends

The directors do not recommend the payment of a dividend for the reporting period.

Brief Explanation of the figures reported above

Please refer to the review of operations on page 3.

Net tangible assets per security

Net tangible assets per security	31 December 2011	31 December 2010
	\$0.19	\$0.24

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of RedFlow Limited (the "Company") and the entities it controlled for the half-year ended 31 December 2011.

Directors

The following persons were directors of RedFlow Limited during the half-year and up to the date of this report:

Howard Stack	Chairman (non-executive) (Appointed: 9 February 2012)
Peter Louis Pursey AM	Chairman (non-executive) (Resigned: 11 January 2012)
Anne-Marie Birkill	Director (non-executive)
Ken Smith	Director (non-executive) (Appointed: 23 November 2011)
Phillip Gordon Hutchings	Director (executive)
Christopher Hans Winter	Director (executive)
Paul Robert Ingram Clarke	Company Secretary

Review of operations

The loss of the Group after income tax on a consolidated basis for the half-year ended 31 December 2011 was \$6,175,322 (2010: \$2,520,696).

RedFlow Limited showed solid progress as a leader in advanced energy storage.

Highlights of the half-year were:

- Total sales of goods for the six month period ending December 2011 of \$2.45 million.
- Total production of zinc bromine battery modules (ZBMs) increased significantly for the half-year.
- Delivery of all sixty R510 residential energy storage units to Ausgrid as part of the *Smart Grid, Smart City* project, with completion of the first forty installations in Newcastle.
- Progress on the outsourced ZBM manufacturing transition, with commercial supply of initial components underway, first sub-assemblies being evaluated and design and fit-out of production equipment in progress at the selected factory site in Singapore.
- Formalisation of the ZBM 'cost-down' project in collaboration with the outsourced manufacturing partner with the aim of market leadership in manufacturing costs for stationary energy storage.
- Third party ZBM testing underway at leading US laboratory Sandia National Labs along with RedFlow Limited's own testing producing results in line with expectations.
- Manufacture of the first 90 kW M-class energy storage system underway for demonstration in conjunction with Australia's largest rooftop solar PV array at the University of Queensland from Q2 2012.
- Commencement of design and manufacturing of the US version of the R510 residential energy storage system as the first step for the US product launch in 2012.
- Release of the Draft Energy White Paper 2011 "*Strengthening the foundations for Australia's energy future*" by the Australian Government with specific mention of RedFlow Limited and its energy storage technology.
- Capital raising completed of 12 million shares issued to institutions and sophisticated investors at an issue price of \$1 per share and 842,000 shares issued under a Share Purchase Plan to existing shareholders at an issue price of \$1 per share. The \$12.8 million funds raised from the share issues have been used to fund the continued expansion of the operations of RedFlow Limited in accordance with its strategic plan.

RedFlow Limited enters 2012 in a strong position and is progressing well with a clear strategy to expand production, reduce ZBM unit costs, demonstrate cycling performance and broaden its markets for advanced energy storage.

Directors' report (continued)

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 on page 5.

This report is made in accordance with a resolution of directors.



Phillip Gordon Hutchings
Director

Brisbane
21 February 2012



Auditor's Independence Declaration

As lead auditor for the review of RedFlow Limited for the half-year ended 31 December 2011, 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 'Steven Bosiljevac', with a long horizontal flourish extending to the right.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
21 February 2012

Consolidated statement of comprehensive income

For the half-year ended 31 December 2011

	31 December 2011	31 December 2010
Note	\$	\$
Revenue from continuing operations		
Sale of goods	2,448,238	549,586
Other revenue from ordinary activities	380,304	29,730
	<u>2,828,542</u>	<u>579,316</u>
Expenses		
Raw materials and consumables used	(2,314,295)	(331,562)
Other expenses from ordinary activities		
Administrative expenses	(1,439,652)	(142,220)
Other expenses	(388,272)	(310,408)
Interest and finance expense	(10,404)	(2,248)
Business development	(205,369)	(214,011)
Professional fees	(240,826)	(311,769)
Payroll expenses	(4,405,046)	(1,787,794)
Loss before income tax	<u>(6,175,322)</u>	<u>(2,520,696)</u>
Income tax expense	-	-
Loss for the half-year	<u>(6,175,322)</u>	<u>(2,520,696)</u>
Other comprehensive income for the half-year	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year	<u>(6,175,322)</u>	<u>(2,520,696)</u>
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		
	Cents	Cents
Basic earnings per share	(7.99)	(9.20)
Diluted earnings per share	(7.99)	(9.20)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	12,461,693	9,084,908
Trade and other receivables		514,232	498,127
Inventories	5	2,035,941	1,414,411
Other current assets		161,610	112,338
Total current assets		15,173,476	11,109,784
Non-current assets			
Property, plant and equipment		1,820,004	1,984,124
Intangible assets	6	7,071,854	5,420,649
Total non-current assets		8,891,858	7,404,773
TOTAL ASSETS		24,065,334	18,514,557
LIABILITIES			
Current liabilities			
Trade and other payables		859,267	764,937
Borrowings		-	9,240
Other current liabilities		975,926	648,946
Deferred revenue	7	-	1,040,335
Total current liabilities		1,835,193	2,463,458
Non-current liabilities			
Provisions		34,005	23,391
Total non-current liabilities		34,005	23,391
TOTAL LIABILITIES		1,869,198	2,486,849
NET ASSETS		22,196,136	16,027,708
EQUITY			
Contributed equity	8	38,874,083	26,788,652
Reserves		845,380	587,061
Accumulated losses		(17,523,327)	(11,348,005)
TOTAL EQUITY		22,196,136	16,027,708

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 31 December 2011

<i>Attributable to owners of RedFlow Limited</i>				
Note	<i>Contributed equity \$</i>	<i>Reserves \$</i>	<i>Accumulated losses \$</i>	<i>Total \$</i>
Balance at 1 July 2010	7,050,012	128,720	(4,054,849)	3,123,883
Loss for the half-year	-	-	(2,520,696)	(2,520,696)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,520,696)	(2,520,696)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	19,710,504	-	-	19,710,504
Employee share options - value of employee services	-	181,407	-	181,407
	19,710,504	181,407	-	19,891,911
Balance at 31 December 2010	26,760,516	310,127	(6,575,545)	20,495,098
Balance at 1 July 2011	26,788,652	587,061	(11,348,005)	16,027,708
Loss for the half-year	-	-	(6,175,322)	(6,175,322)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,175,322)	(6,175,322)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	8 12,085,431	-	-	12,085,431
Employee share options - value of employee services	-	258,319	-	258,319
	12,085,431	258,319	-	12,343,750
Balance at 31 December 2011	38,874,083	845,380	(17,523,327)	22,196,136

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2011

	31 December 2011	31 December 2010
Note	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,920,290	763,456
Payments to suppliers and employees (inclusive of goods and services tax)	(8,426,669)	(2,945,956)
Grants received	-	165,000
Interest received	226,844	29,615
Interest paid	(10,404)	-
Net cash (outflow) from operating activities	(6,289,939)	(1,987,885)
Cash flows from investing activities		
Payment for property, plant and equipment	(259,819)	(539,822)
Purchase of intangible assets	(149,323)	-
Development costs	(1,952,825)	(1,658,720)
Net cash (outflow) from investing activities	(2,361,967)	(2,198,542)
Cash flows from financing activities		
Proceeds from capital raising, net of transaction costs	8 12,037,931	19,766,505
Repayment of borrowings	(9,240)	(74,578)
Net cash inflow from financing activities	12,028,691	19,691,927
Net increase in cash and cash equivalents	3,376,785	15,505,500
Cash and cash equivalents at beginning of half-year	9,084,908	793,625
Cash and cash equivalents at end of half-year	12,461,693	16,299,125

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the half-year ended 31 December 2011

1 CORPORATE INFORMATION

The interim financial report of RedFlow Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 21 February 2012. The directors have the power to amend and reissue the financial statements.

RedFlow Limited (the "parent") 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.

2 BASIS OF PREPARATION

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by RedFlow Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2011 and corresponding interim financial reporting period. These financial statements and accounting policies are available from the ASX website.

(a) Impact of standards issued but not yet applied by the entity

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. RedFlow Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

Notes to the consolidated financial statements

For the half-year ended 31 December 2011

2 BASIS OF PREPARATION (continued)

(a) Impact of standards issued but not yet applied by the entity (continued)

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The group does not expect the new standard to have any impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group will not be impacted by these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Notes to the consolidated financial statements

For the half-year ended 31 December 2011

2 BASIS OF PREPARATION (continued)

(a) Impact of standards issued but not yet applied by the entity (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective 1 January 2014 and 1 January 2013 respectively)

In December 2011, the IASB made amendments to the application guidance in IAS 32 *Financial Instruments: Presentation* to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. These amendments will have no impact on RedFlow Limited as it does not offset financial assets and financial liabilities. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from 1 January 2013. The AASB is expected to make equivalent changes to IAS 32 and AASB 7 shortly. The group intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

Notes to the consolidated financial statements

For the half-year ended 31 December 2011

2 BASIS OF PREPARATION (continued)

(b) Going concern

The Group incurred an operating loss after income tax for the half-year of \$6,175,322 (2010: \$2,520,696) and an operating cash outflow of \$6,289,939 (2010:\$1,987,885) for the half-year ended 31 December 2011. Cash held at bank as at 31 December 2011 was \$12,461,693 (30 June 2011: \$9,084,908).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities in accordance with its comprehensive business strategic plan. The Group has been successful in developing its new technology to a commercially ready stage which has generated a significant industry interest in the Groups products. Nevertheless, the ability to fund production and marketing of the Group's products is dependent upon its ability to raise further capital from existing and/or new investors. As a result of the above conditions there is material uncertainty over whether the Group can continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have initiated the following strategies to secure the going concern status:

- A requirement to raise funds through further equity raisings during the next twelve months. While the planning for the equity raisings is ongoing, the form, quantum and exact timing of the raisings is yet to be determined;
- Planned reduction of the cost base through progressive reductions in the scope of RedFlow activities as the company engages with partners to ensure ZBM development and market penetration is accelerated whilst reducing the monthly fixed costs; and
- Completion of the transfer of ZBM manufacturing to Jabil resulting in cost reduction and increase in volumes.

The Directors believe that the Company will be successful in developing the business to a cash flow positive phase and continuing to raise funding until that time. Accordingly the Directors have prepared this 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 half-year financial report as at 31 December 2011. Accordingly, no adjustments have been made to the half-year 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.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

3 EXPENSES

	<i>31 December 2011</i>	<i>31 December 2010</i>
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation	423,939	39,753
Total depreciation	<u>423,939</u>	<u>39,753</u>
<i>Amortisation</i>		
Amortisation	450,943	156,881
Total amortisation	<u>450,943</u>	<u>156,881</u>
Total depreciation and amortisation	<u><u>874,882</u></u>	<u><u>196,634</u></u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>10,404</u>	<u>2,248</u>

4 CASH AND CASH EQUIVALENTS

	<i>31 December 2011</i>	<i>30 June 2011</i>
	\$	\$
Cash at bank and in hand	12,461,693	9,084,908
	<u>12,461,693</u>	<u>9,084,908</u>

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

Balances as above	12,461,693	9,084,908
	<u>12,461,693</u>	<u>9,084,908</u>

5 INVENTORIES

	<i>31 December 2011</i>	<i>30 June 2011</i>
	\$	\$
<i>At cost</i>		
Raw Materials	1,477,792	1,006,204
Work in progress	45,414	-
Finished goods	512,735	408,207
	<u>2,035,941</u>	<u>1,414,411</u>

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

6 INTANGIBLE ASSETS

	31 December 2011	30 June 2011
	\$	\$
<i>Development costs</i>		
Cost (gross carrying amount)	7,460,758	5,507,933
Accumulated amortisation	(829,896)	(436,354)
Net carrying amount	<u>6,630,862</u>	<u>5,071,579</u>
<i>Patents, trademarks and designs</i>		
Cost (gross carrying amount)	386,803	229,261
Accumulated amortisation	(67,386)	(22,028)
Net carrying amount	<u>319,417</u>	<u>207,233</u>
<i>Capitalised lease surrender</i>		
Cost (gross carrying amount)	162,100	162,100
Accumulated amortisation	(40,525)	(20,263)
Net carrying amount	<u>121,575</u>	<u>141,837</u>
<i>Total intangible assets</i>		
Cost (gross carrying amount)	8,009,661	5,899,294
Accumulated amortisation and impairment	(937,807)	(478,645)
Net carrying amount	<u>7,071,854</u>	<u>5,420,649</u>

(a) Reconciliation of carrying amount at beginning and end of the period

<i>Development costs</i>		
Balance at the beginning of the period		
Carrying amount - 1 July	5,071,579	2,241,997
Development cost recognised as an asset	1,952,825	3,265,936
Amortisation charge	(393,542)	(436,354)
Carrying amount - 31 December 2011	<u>6,630,862</u>	<u>5,071,579</u>
<i>Patents, trademarks and designs</i>		
Balance at the beginning of the period		
Carrying amount - 1 July	207,233	94,771
Additions	149,323	126,743
Amortisation charge	(37,139)	(14,281)
Carrying amount - 31 December 2011	<u>319,417</u>	<u>207,233</u>
<i>Capitalised lease surrender</i>		
Balance at the beginning of the period		
Carrying amount - 1 July	141,837	-
Additions	-	162,100
Amortisation charge	(20,262)	(20,263)
Carrying amount - 31 December 2011	<u>121,575</u>	<u>141,837</u>
<i>Total intangible assets</i>		
Balance at the beginning of the period		
Carrying amount - 1 July	5,420,649	2,336,768
Development cost recognised as an assets	1,952,825	3,265,936
Additions	149,323	288,843
Amortisation charge	(450,943)	(470,898)
Carrying amount - 31 December 2011	<u>7,071,854</u>	<u>5,420,649</u>

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

7 DEFERRED REVENUE

	<i>31 December 2011</i>	<i>30 June 2011</i>
	\$	\$
Deferred revenue	-	1,040,335
	-	1,040,335

Deferred revenue related to amounts invoiced under terms of sales agreements but not yet recognised as revenue in terms of accounting policy 2(e) of the 30 June 2011 Annual Report.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

8 CONTRIBUTED EQUITY

	31 December		31 December	
	2011	30 June 2011	2011	30 June 2011
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares				
Fully paid	81,541,672	68,649,672	38,874,083	26,788,652
	81,541,672	68,649,672	38,874,083	26,788,652

(b) Movements in ordinary share capital:

Date	Details	No. of shares	Issue price	\$
1-Jul-11	Opening balance	68,649,672		26,788,652
22-Aug-11	Issue of ordinary shares (i)	10,245,702	\$1.00	10,245,702
19-Sep-11	Issue of ordinary shares (ii)	842,000	\$1.00	842,000
6-Oct-11	Issue of ordinary shares (i)	1,754,298	\$1.00	1,754,298
7-Oct-11	Issue of ordinary shares (iii)	50,000	\$0.95	47,500
	Less: Transaction costs arising on share issue	-		(804,069)
31-Dec-11	Balance	<u>81,541,672</u>		<u>38,874,083</u>

- (i) On 17 August 2011, RedFlow Limited completed an equity raising of 12 million shares issued to institutions and sophisticated investors at an issue price of \$1.00 per share. Of these shares 10,245,702 shares (Tranche 1) were issued without shareholder approval on Monday 22 August 2011 and commenced trading on the ASX on Tuesday 23 August 2011. The issue of the remaining 1,754,298 shares (Tranche 2) was approved by shareholders under listing rule 7.1 on 30 September 2011 and these shares were issued and commenced trading on the ASX on 6 October 2011. All shares issued under the Placement rank equally with existing shares in the Company.

The funds raised from these share issues have been used to fund the continued expansion of the operations of RedFlow Limited in accordance with its strategic plan.

- (ii) On 17 August 2011, RedFlow Limited announced a share purchase plan (SSP) that provided existing eligible shareholders on the Company's register at 7.00 pm (Brisbane time) on 16 August 2011 with registered address in Australia and New Zealand with the opportunity to apply for up to \$15,000 worth of the Company's ordinary shares (subject to any scale-back), without incurring brokerage or other transaction costs. These funds will be used to fund the continued expansion of the operations of RedFlow Limited in accordance with its strategic plan. 842,000 ordinary shares totalling \$842,000 were issued on 19 September 2011 and commenced trading on the ASX on 19 September 2011.
- (iii) On 7 October 2011, RedFlow Limited issued 50,000 ordinary shares to David Brant, an executive of the Company, under the terms of his executive service agreement. These share rank equally with existing shares in the Company.

9 DIVIDENDS

There were no dividends paid or declared to members during the half-year ended 31 December 2011 (half-year ended 31 December 2010: \$Nil).

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

10 CONTINGENCIES

The Group had no contingent liabilities at 31 December 2011 (2010: \$Nil).

11 RELATED PARTY TRANSACTIONS

There were no related party transactions for the half-year ended 31 December 2011.

12 EVENTS AFTER BALANCE DATE

Since 31 December 2011 there have been no other matter or circumstances not otherwise dealt with in the interim financial report that have significantly affected the Group.

13 SEGMENT INFORMATION

Management provides oversight of the business by reviewing and reporting financial results on a consolidated basis to the board of directors. The Group operates out of Australia and does have overseas customers, however, 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.

14 DILUTED EARNINGS PER SHARE

Options granted to employees and external parties during the half-year 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.

Therefore the diluted earnings per share is equal to the basic earnings per share, per AASB 133 *Earnings per Share*. Options issued have not been included in the determination of basic earnings per share.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on page 6 to 18 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, 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 2011 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.



Phillip Gordon Hutchings
Director

Brisbane
21 February 2012



Independent auditor's review report to the members of RedFlow Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RedFlow Limited, which comprises the consolidated balance sheet as at 31 December 2011, and 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, selected explanatory notes and the directors' declaration for the RedFlow Limited (the consolidated entity). The consolidated entity comprises both RedFlow Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and 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*. As the auditor of RedFlow Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RedFlow Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) in the financial report, which indicates that the ability of the Group to meet their debts and commitments as and when they fall due is dependent upon its ability to raise further capital from investors.

These conditions, along with other matters set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The PricewaterhouseCoopers logo is a stylized, cursive script of the company name.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Steven Bosiljevac'.

Steven Bosiljevac
Partner

Brisbane
21 February 2012