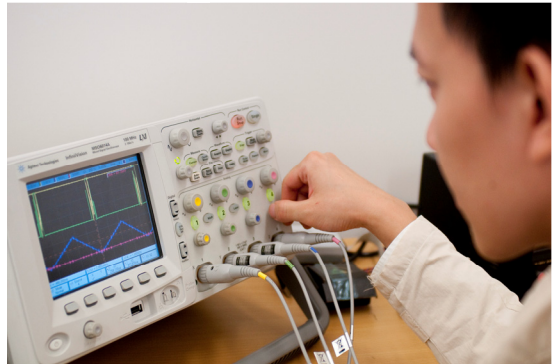




RedFlow Technologies Ltd



Quarterly Report
Period ending 31 December 2009

Corporate Directory

Board of Directors

Mr Chris Winter (CEO)
Mr Alex Winter (CTO)

Mr Phillip Hutchings (Chairman)
Mr Richard Aird (Executive Director)

Company Secretary

Mr Iain Smith

Auditors

Price Waterhouse Coopers

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Bankers

Commonwealth Bank of Australia

Solicitors

Hemming & Hart

Group Companies

RedFlow Technologies Ltd

ACN

130 227 271

RedFlow Pty Ltd

RedFlow International Pty Ltd

ACN

116 992 253

128 888 997

Fast Facts - Company Overview

General Information

- RedFlow is one of the world's leading developers and manufacturers of kilowatt scale zinc-bromine (ZnBr) batteries.
- RedFlow is an unlisted public company, owned by management and external investors.
- It is located in Brisbane, Australia, with representation in Seattle, USA.

Zinc Bromine Batteries

- RedFlow's proprietary zinc-bromine battery modules (ZBM) provide 5 kW of power, and store 10 kWh of energy in a 240 kg sealed unit. Multiple ZBMs can be linked together for higher power and capacity.

Energy Storage Products

- RedFlow supplies its ZBM batteries in ready-to-run energy storage systems that include all necessary electronics and enclosures.
- Currently available in the Grid+ BOS® and Power+BOS® products. These are certified for grid connection, with 10 kWh to 30 kWh capacities.
- Both products are available with either conventional lead-acid batteries or zinc-bromine batteries.
- RedFlow's ZBM will also shortly be available

as a stand-alone OEM package, designed to augment large lead-acid battery banks.

- RedFlow plans to release several other products (both smaller and larger) during 2010.

Customers

- RedFlow's products are used by major electricity utilities and renewable energy companies to supply reliable power to end users.
- The company deals with customers in Australia and in several locations internationally.

Applications

- RedFlow's products:
 - Reduce peak demand on electricity grids;
 - Make intermittent solar energy more reliable;
 - Increase the value of the Smart Grid;
 - Reduce the operating cost of off-grid power systems.
- RedFlow Power+BOS® systems are installed with solar PV for managing peak load on rural electricity grids.
- With sophisticated control and communications systems, RedFlow's products are Smart-Grid ready.

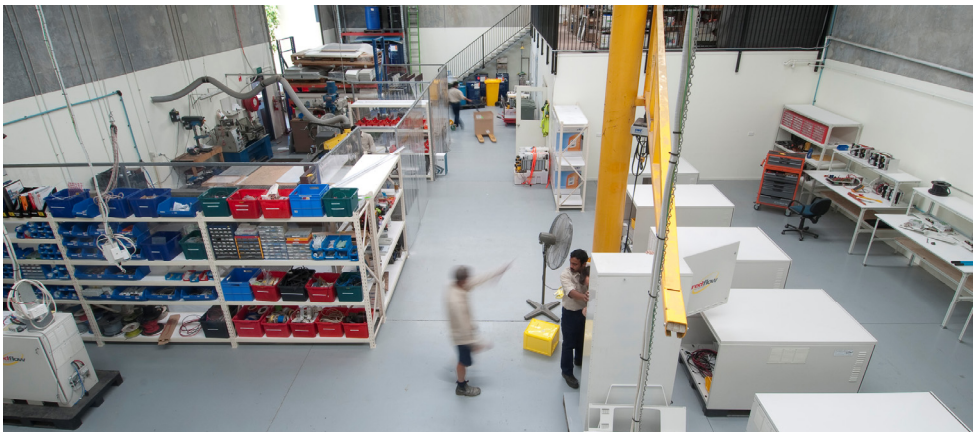
HIGHLIGHTS OF THE QUARTER

It is pleasing to report that RedFlow finished 2009 on a positive note. The December 2009 quarter was very constructive for RedFlow with additional sales, growth in RedFlow's international profile and the completion of several key milestones.

Highlights included:

- Securing our first export sale. A New Zealand utility customer purchased a Power+BOS®-based stand-alone power system (SAPS), with the potential for additional sales in 2010/11.
- A second major Australian electricity distribution utility ordered a Grid-BOS® unit for a high profile demonstration.
- Ongoing discussions and meetings were held with US-based companies & utilities regarding sales opportunities. RedFlow has received a high level of interest and expects to deploy its first US systems in 2010.
- The Phase Two expansion of our zinc bromine battery manufacturing plant in Brisbane got underway in December.
- Prospective involvement in the Australian Federal Government \$100 million Smart Grid, Smart City project with discussions with several prospective bidders.

- We are currently pursuing opportunities presented by the \$1.5 billion Australian Solar Flagships program.
- Ongoing product optimisation has resulted in enhanced performance and manufacturability of our current Generation Two zinc-bromine battery module.
- Significant expansion of our global sales activities with the appointment of:
 - ◆ A National Sales Manager for Standalone Power System units (SAPS) in Australia/NZ; and
 - ◆ Our first permanent representation in the US to manage business development and product demonstration in North America.
- Completion of another six Power+BOS® systems for Ergon Energy, along with the first demonstration of real-time control to maximise the value of distributed energy storage for electricity utilities.
- Increasing interest in our products from electricity utilities and renewable energy companies in Australia and globally, with frequent unsolicited requests for product information. We are now being invited to present at numerous events both in Australia and overseas.



The expansion for additional zinc-bromine battery capacity manufacturing commenced in December 2009

- Plans for a larger capital raising early in 2010 have now been put in place.

As a result of these successes, RedFlow will shortly have trial installations underway with three leading electrical distribution utilities in the Australasian region.

SALES & BUSINESS DEVELOPMENT

RedFlow was very active in business development over the last quarter.

The group of electricity distribution utilities and energy related companies interested in our products has grown significantly. As a result, we conducted marketing visits to prospective clients in Western Australia, New South Wales, New Zealand and USA.

During December, one of Australia's largest electrical distribution utilities ordered a Grid+BOS® unit for a high profile demonstration trial. This unit is being manufactured for delivery in February 2010. It will be integrated with solar PV and smart household devices to showcase the future for environmentally friendly domestic electrical installations.

Distribution utilities in New Zealand have a need for electricity storage, both for grid support and to assist with SAPS (stand alone power systems) installations. Our initial visit there during October highlighted this interest. This was followed by a visit to our Brisbane factory for technical discussions (and site inspections of our existing installations in the Ergon Energy network).

Following that, RedFlow received an initial trial order for an integrated SAPS system from one of New Zealand's largest utilities. This is for a lead-acid based Power+BOS® system, packaged with control systems and a customised diesel generator unit. As is common with utilities, our initial products are lead acid-based allowing time for the customer to become familiar with the RedFlow product, power electronics and integration before transitioning to the higher performance zinc bromine batteries.

This unit is currently being manufactured and will be shipped and installed later in the first quarter of 2010. This order is a milestone as it represents our first export sale.

Late in the quarter, RedFlow significantly boosted our sales effort with two additional appointments:

- We have appointed Gary Jubb as the inaugural National Sales Manager in Australia and NZ for SAPS (stand alone power systems) applications. Gary has a strong background in distributed generation, having worked in the electrical industry for more than thirty years. For the past ten years, he has held senior sales positions within the SAPS and PV industries in both Australia and New Zealand.
- In the USA, we have established a permanent presence with the engagement of Mr. Christopher Freitas to support our business development activities in North America. Christopher's primary role will be to develop and support demonstration projects for our energy storage systems



A RedFlow Power+BOS® energy storage system installed in Queensland

with US and Canadian customers. Christopher has a strong background in developing and deploying enabling technologies for renewable energy systems. He has worked as an electrical engineer in the solar electric industry for over 20 years and was a co-founder of OutBack Power, a leading US manufacturer of power electronic components.

These two appointments highlight RedFlow's transition towards fully commercialised revenue generation as our products mature from demonstration trials to fully-fledged commercial sales agreements.

SMART GRID APPLICATIONS

Many electrical distribution utilities around the world are now looking at some degree of upgrade to "Smart Grid" technologies.

The term "Smart Grid" refers to the installation of an intelligent monitoring system that keeps track of all electricity flowing in the system. The aim is to use modern low cost communications to (for example) control appliances at consumers' homes to save energy, lower overall costs and increase

reliability and transparency. Smart meters such as those being installed in various networks in Australia may be part of a smart grid, but the Smart Grid is much more than that.

A really effective Smart Grid must include some level of energy storage. As a result, there is growing interest in battery systems designed for grid connection and remote control (such as RedFlow's zinc bromine battery solutions).

In Australia, the Federal Government is accelerating the large scale demonstration of a Smart Grid with its Smart Grid, Smart City project.

This is a \$100 million grant program that will select an electricity distribution utility for a major trial program to get underway in mid 2010. Distributed Energy Storage (like RedFlow's products) is a required element of the project.

Applications for the Smart Grid, Smart City project have to be submitted during January 2010. RedFlow has had discussions with several utilities who may be submitting bids.



The RedFlow team with a zinc-bromine battery powered Power+BOS® energy storage system, January 2010

ERGON ENERGY TRIALS

During the quarter, RedFlow manufactured another six systems as part of the ongoing installations under the AEST project. These are all zinc-bromine based Power+BOS® systems.

The units are ready for shipment and once specific site location details in Southeast Queensland are finalised, we will install them.

We have also implemented the first stage of our real-time peak-demand reduction system based around the coordinated operation of multiple Power+BOS® systems to target a specific issue in the electricity network.

PRODUCT DEVELOPMENT

Product development continued during the quarter, with particular focus on the following elements:

- Refining the design of our Generation Two zinc-bromine battery module for ease of manufacture and reliability;
- Optimising the battery control units for continuous discharge and feed-in of AC power at maximum rates;

- Developing ancillary power electronics for the zinc-bromine OEM-ZBM system - a new product to be launched later in 2010 designed to augment existing large scale lead-acid installations;
- Packaging of battery systems into lower cost enclosures;
- Packaging a 5kVA diesel generator set matched to our Power+BOS® system, for stand alone power systems (SAPS); and
- Development of an integrated satellite SCADA option for our standard communications and control unit, the RTU. Initial deployment is expected in Q3 2010.

MANUFACTURING OPERATIONS

During December, we commenced the upgrade of our existing factory to the Phase Two operations. This was ongoing during the Christmas and New Year period.

The expanded Phase Two factory will comprise:

- A new dedicated zinc-bromine manufacturing plant (with more than



A typical RedFlow Power+BOS® installation in a SWER network in Queensland

double the floor area of the Phase One plant);

- New tools and machines to lift productivity; and
- An increase in maximum capacity to 30 battery modules per month (compared with eight during 2009 Phase One period).

Production in the new Phase Two plant will resume late in January. It will progressively ramp up during the first half of 2010 as new equipment is installed and additional staff are recruited.

CORPORATE NEWS

During the quarter, RedFlow raised additional equity capital from the issue of additional shares. We also welcomed a new shareholder.

Plans for a larger capital raising early in 2010 have now been settled. An initial round of meetings with prospective institutional investors was very encouraging.

Funds from the share issue will be used for:

- The remaining costs associated with the Phase Two factory upgrade;
- Additional working capital for inventories

of materials and components for the increased levels of production; and

- Expansion of our staff levels to meet the higher production and sales demand.

INTERNATIONAL BUSINESS DEVELOPMENT

RedFlow sees itself as a participant in the global energy storage industry. There is rapidly growing interest around the world in cost-effective energy storage, especially in the USA.

We have established links with several related companies, research groups and distribution utilities in USA. RedFlow will build on this during a further round of meetings in US during January 2010.

Chris Winter CEO

If you have any questions, I would be pleased to assist.

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Completed Power+BOS® energy storage units ready for delivery to Ergon Energy



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