Redflow Limited

ACN 130 227 271

Entitlement Offer Booklet

In relation to

A fully-underwritten pro-rata non-renounceable entitlement offer of two New Shares for every seven Shares held at an issue price of $0.11 per New Share to raise up to approximately $6.06 million

The Entitlement Offer closes at 5pm (Sydney time) on Thursday 19 June 2014

An investment in the Company should be considered speculative

This Entitlement Offer Booklet is important and should be read in its entirety. If you do not understand any part of this document or are in doubt as to what you should do, you should contact your professional adviser immediately. This document is provided for information purposes and is not a prospectus or other disclosure document under the Corporations Act.

Underwriter to the Offer

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IMPORTANT INFORMATION

This Entitlement Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act 2001 to shareholders with a registered address in Australia, New Zealand, United Kingdom, Singapore and Hong Kong recorded in the register of members on 7pm (Sydney time) Monday 2 June 2014 (**Record Date**).

This document is not a prospectus under Australian law or under any other law. Accordingly, this document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

This booklet may contain forward-looking statements, opinions and estimates. Forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this letter and the attached materials. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to the Company as of the date of this letter. Except as required by law or regulation (including the ASX Listing Rules) the Company undertakes no obligation to update these forward-looking statements.

Before making any decision to invest, Eligible Shareholders must make their own investigations and analyses regarding the Company, its business, financial performance, assets, liabilities and prospects, rely on their own inquiries and judgements in the light of their own personal circumstances (including financial and taxation issues) and seek appropriate professional advice.

This booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US person' (as defined in Regulation S under the US Securities Act of 1933, as amended (US Person)). Shares may not be offered or sold in the United States or to, or for the account or benefit of, any US Person absent registration or an exemption from registration. This booklet has been prepared for publication only in Australia, New Zealand, United Kingdom, Hong Kong and Singapore and may not be released elsewhere.

Capitalised terms have the meaning given to them in section 6.

MESSAGE FROM THE CHAIRMAN & MANAGING DIRECTOR

5 June 2014

Dear Shareholder,

Entitlement Offer to raise up to approximately $6.06 million

As announced recently, Redflow has placed 18,567,742 shares at $0.12 per share raising approximately $2.2 million to interests associated with Simon Hackett (**Share Placement**). Simon was the founder of Internode and Agile Communications and is a Director of NBN Co.

Following this Share Placement, the Company is pleased to offer existing shareholders (including those that have received shares under the Share Placement) the opportunity to participate in this Entitlement Offer. Simon Hackett has also agreed to take up his Share Placement rights under this Entitlement Offer.

This Entitlement Offer provides you with the opportunity to subscribe for two New Shares for every seven Shares held at 7pm (Sydney time) on 2 June 2014 at an issue price of $0.11 per New Share. The Issue Price represents a discount of approximately 36.4% to the closing price on Monday 26 May 2014 and a 13.5% discount to the 1 month VWAP as at that date. The Entitlement Offer will raise up to approximately $6.06 million (before costs) and is fully-underwritten by Morgans Corporate Limited.

This Entitlement Offer, together with the recent Share Placement, will ensure the Company is funded until approximately the end of 2015 by which time the company is expected to be cash flow positive.

These funds, together with the proceeds from the Share Placement, will be used primarily for:

- operating costs and overheads ($6.0m);
- additional machinery and equipment ($0.75M);
- additional inventory ($0.-6m);
- ZBM research and development ($0.5M); and
- Capital raising costs ($0.35M)

The Company has made significant progress over the past 18 months and is now at a stage where it has a product which is ready for, and in the process of being transitioned to volume manufacture by our contract manufacturer, Flextronics.

The two key tasks identified in August 2012 at the time of the previous capital raising following the company restructure were:

- Partnering with major system integrators who intend to incorporate Redflow's ZBM batteries into their energy storage systems.
- Outsourcing of Redflow's ZBM battery manufacture to meet the cost, quality, and quantity targets which will be required by its systems integrator customers.

We believe the Company is at the point of delivering these objectives.

Three systems integrators have agreed to build energy storage systems for commercial trials for major customers for identified market applications. Some are commercial-in-confidence, but further particulars are described in the presentation in Section 3 of this Entitlement Offer Booklet. We are also in discussions with other system integrators.

Commercial manufacture of our battery is in the process of being transitioned to the Flextronics plant in Juarez, Mexico. The first stage has been accomplished successfully, and the second stage, which is more complex, is expected to be completed in the final quarter of 2014. It is a detailed process which cannot be rushed.

Product Development

Changes in design, manufacture and materials have resulted in significant improvements to our battery over the past 18 months. Battery life has been significantly increased, and the consistency and reliability of the end product progressed to the point where it is ready for commercial manufacture and sale.

We also now have a battery which contains all DC componentry, which widens our potential market applications and together with the imminent completion of the Cleantech funded high voltage prototype system also widens our potential markets for higher voltage applications.

Reducing the manufactured cost of the battery will increase market penetration, and open up new markets such as residential storage systems. Cost reductions are targeted for 2015, and beyond. This will be done in conjunction with Flextronics and there is a mechanism in place to ensure both Flextronics and Redflow are incentivised to benefit from these savings.

As battery life increases, the cost of energy throughput per kWh reduces and we have high expectations in this regard, based upon both our internal research and development, and the inputs from our collaboration partners, and suppliers.

Advantages over other technologies

The product's key advantages are detailed in the presentation in Section 3 of this Entitlement Offer Booklet and in summary it has a small footprint, is lightweight, safe, scaleable and there are no exotic or heavy metals used.

Performance can be monitored remotely which will provide end users with the ability to monitor state of charge and any performance issues proactively.

Compared to the well known lead acid and lithium technologies, we are confident our battery has several advantages in relevant applications. While our battery will not compete in power applications where lithium and lead acid are well suited, those technologies are not able to compete cost effectively with our battery where energy is required to be delivered over a long period of time.

There is no other zinc-bromine battery with sub 50 kWh capacity which can economically target applications such as telecommunication towers and the residential market which have daily energy loads of, on average, approximately 25kWh.

Our product offering has been modified over the last twelve months to reflect customer requirements. An important recent addition is that we now have a battery with all DC componentry, and with a 48V DC nominal current, market opportunities available to us have expanded. This is of particular importance for the telecommunications market.

Having a sub 60V DC battery also opens up significant potential opportunities in the residential market as this is within most safety limits. In the case of residential applications, the battery can be used daily (with solar) and the grid supply would then become a backup source of power.

With the imminent completion of the Cleantech funded project, we will have also proven our capacity to provide large scale, scaleable high voltage storage solutions for off grid and micro grid applications.

Further, as a new technology there is scope for both incremental and transformational improvements from ongoing research and development in materials whereas other technologies such as lead acid and lithium are relatively mature. In short, our battery size and modularity gives us flexibility across a wide range of markets and applications.

Sales

Extensive external research shows continued growth in global demand for effective energy storage solutions. There is increasing support from governments who have begun mandating storage from 2017. Industry recognition that flow batteries will be part of the total energy storage market is accepted and Redflow is now in a good position to capitalise on this.

Independent research reports acknowledge the indispensable role energy storage has, given the growth of intermittent renewable wind and solar energy generation worldwide.

As previously announced, commercial trials for specific customers are currently underway with Emerson, Raytheon, and SMS and we are in early stage discussions with other system integrators. We have non-binding forward order estimates from systems integrators, and our key focus now is converting these to firm orders which is expected to begin in third quarter 2014.

Although the fundamental strategy of the Company has not changed since the Company restructure in 2012, the applications and market segments we initially focussed on have changed. The current early focus on the telecommunications market is a result of reviewing markets which have storage issues requiring resolution which our battery is well suited for.

Several markets remain to be explored and then prioritised. Targeted applications include rural, remote and mini and micro grids, UPS systems, DC microgrids and renewable integration for remote and rural supplies. The impending successful completion of the Cleantech funded development of a 288kWh modular container using a 600V DC bus is an important milestone for this sector. Once finalised in September, this scaleable and modular development will be a prototype/proof of concept for larger scale MW storage systems.

Competing zinc-bromine flow battery companies

ZBB (Nasdaq: ZBB) has a battery with similar chemistry but very different manufacturing processes and targeted applications. The smallest ZBB battery is 50kWh (compared to the Redflow 8kWh) and thus some applications such as telecommunications mobile towers are not suitable where a typical load is 1.0kWh to 1.5kWh requiring a maximum of 24kWh – 36kWh if used all day. Other competitors such as Premium Power and Primus Power have even larger batteries.

The Redflow battery can be modularised and placed in a series to achieve higher energy output thereby providing a more flexible and tailored cost effective solution. We believe we have the right sized battery for several reasons:

- Manufacturing economies of scale can be achieved with smaller rated batteries. With larger batteries each one developed is effectively a small project in itself whereas with smaller batteries economies of scale, repeatability and consistency of manufacture can be more readily achieved.

- The Redflow battery is modular by design allowing higher energy output to be achieved by simply adding more batteries together providing flexibility not available from larger batteries. Thus, larger scale applications and markets are also available to us in addition to smaller sized applications.

- Having several batteries in a string provides natural redundancy in the event of the failure of one. The system will continue operating even if there is one or two batteries removed from the string. With a large system if the battery stops working the entire system stops. Ongoing research and development can be easily and cost effectively trialled.

We are confident we have a product which is more flexible than these competitors and which will enable us to compete effectively with them.

External collaborations

In addition to our own internal research and development, significant progress has been made by collaborating with external companies and research entities to ensure our product development is maximized. Our collaborating partners include CSIRO, the University of Sydney, Albermarle, ICL and others.

Our partners have assisted in improving the cost and performance of our battery considerably over the past 12 months. Further improvements under early stage testing are, once completed, capable of being incorporated into our current product and future generations of our battery.

Risk

Technical, commercial and market risk never disappears, particulalry for new products and these specific and generic risks are outlined in Section 4.

However, the primary risks we forsee at the moment are:

- ensuring that we convert the non-binding forward order estimates our system integrator partners have provided, and others we see as prospective, into firm customer orders sufficient to achieve positive cash flow; and
- the successful transition of manufacturing to Flextronics. This is a complex battery and transitioning the manufacturing know-how to Flextronics requires careful execution on both sides. A detailed plan of execution to completion has been agreed with Flextronics and is in progress.

Funding

Following the successful Share Placement, the Company has approximately $5 million cash (post Share Placement and pre Entitlement Offer) and expects to receive a research and development tax incentive of approximately $1 million in September 2014. This Entitlement Offer is planned to ensure we have adequate resources to fund operations under the current business plan until a cash flow positive position is achieved. Operating expenses are not expected to change significantly but the mix of staff will change as we transition to a more sales focussed Company.

The Company does not expect to have to fund large orders from approved customers. Funding orders would have resulted in a reduction of our working capital as we grew sales. This is a material benefit for a company in its early growth phase.

With forecasted sales of at least 250 to 300 batteries per month by the end of 2015, the Company should be cash flow positive based on current pricing and anticipated cost reductions. With projects presently underway with our system integrators, and the significant inquiries we are receiving, we believe this target is readily achievable.

The Offer

This Entitlement Offer Booklet contains details about the Entitlement Offer, instructions on how to participate in the Entitlement Offer and risk factors relevant to an investment in Redflow.

It is important that you carefully read this booklet and the other publicly available information about the Company on our website (www.redflow.com) and consider in particular the risk factors set out in section 4 before making any investment decision. With this Entitlement Offer Booklet you will also find your Entitlement and Acceptance Form which details your Entitlement and provides instructions on how to participate in the Entitlement Offer.

The Entitlement Offer closes at 5pm (Sydney time) on Thursday 19 June 2014. To participate, you need to ensure that either your completed Entitlement and Acceptance Form and Application Money or your Application Money submitted by BPAY® are received before this time in accordance with the instructions set out on the form and in section 2 of this booklet.

Eligible Shareholders may also apply for New Shares in excess of their Entitlement, although any application for Additional New Shares may be scaled back at the Company's discretion.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

Directors Intentions

The non-executive directors intend to take up their Entitlements where available. Howard Stack, Bruce Brown and Stuart Smith will also act as sub-underwriters to Morgans.

On behalf of the Directors, we thank you for your continued support.

Yours sincerely,

Howard Stack
Chairman

Stuart Smith
Managing Director

KEY FEATURES OF THE ENTITLEMENT OFFER

Summary of Offer

Issue Price	$0.11 per New Share
Discount	13.5% to the 1 month VWAP of Shares traded on ASX up to, and including, 26 May 2014 36.4% to the last price at which shares traded on 26 May 2014
Entitlement	Two New Shares for every seven Shares held on the Record Date (2 June 2014)
Additional New Shares available	Eligible Shareholders may apply for New Shares in excess of their Entitlement. The Directors may scale back applications for Additional New Shares in their absolute discretion
Maximum number of New Shares that can be issued under the Entitlement Offer	55,073,534
Approximate number of Shares that will be on issue if the Entitlement Offer is fully subscribed	247,830,900
Amount to be raised if the Entitlement Offer is fully subscribed (before costs)	Approximately $6.06 million

Key dates

Record Date to determine Entitlements	7pm (Sydney time) on 2 June 2014
This booklet and Entitlement and Acceptance Forms despatched	5 June 2014
Opening date of the Entitlement Offer	5 June 2014
Closing Date — last date for lodgement of Entitlement and Acceptance Forms and payment of Application Money	5pm (Sydney time) on Thursday 19 June 2014
Trading of New Shares expected to commence on a deferred settlement basis	20 June 2014
Issue of New Shares	26 June 2014
Holding statements for New Shares expected to be despatched	27 June2014
Normal trading of New Shares expected to commence on ASX	27 June2014

Eligible Shareholders that wish to participate in the Entitlement Offer are encouraged to subscribe for New Shares as soon as possible after the Entitlement Offer opens. The Company reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer (including extending the Entitlement Offer or accepting late applications) without notice.

1 Details of the Entitlement Offer

1.1 The Entitlement Offer

Eligible Shareholders are invited to participate in a pro-rata non-renounceable Entitlement Offer to raise up to approximately $6.06 million (before costs). The Entitlement Offer will be conducted on the basis of two New Shares for every seven Shares held on the Record Date, at an Issue Price of $0.11 per New Share, which is payable in full on application. Fractional entitlements will be rounded up.

The Issue Price represents:

- a discount of approximately 13.5% to the 1 month VWAP of the Company's Shares of $0.125 up to and including 26 May 2014; and
- a discount of approximately 36.4% to the last close price of $0.15 per Share on 26 May 2014.

The Entitlement Offer is fully-underwritten by Morgans Corporate Limited (**Morgans**).

1.2 Eligible Shareholders

This booklet contains an offer of New Shares to Eligible Shareholders. Eligible Shareholders are those holders of Shares who:

(a) are registered as a holder of Shares on the Record Date;

(b) have a registered address in Australia, New Zealand, United Kingdom, Hong Kong or Singapore;

(c) are not in the United States, are not a US Person and are not acting for the account or benefit of a person in the United States or a US Person; and

(d) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

The Entitlements of Eligible Shareholders who also hold options to subscribe for Shares will be calculated on the basis of the number of Shares they hold on the Record Date, disregarding any options which have not been exercised before that time.

Shareholders that are not Eligible Shareholders are Ineligible Shareholders.

1.3 Additional New Shares

Eligible Shareholders that have fully subscribed for their Entitlements under the Entitlement Offer will be able to subscribe for additional shares (**Additional New Shares**). Additional New Shares will be sourced from Entitlements that were not taken up under the Entitlement Offer.

Eligible Shareholders can subscribe for Additional New Shares by completing the relevant part of the Entitlement and Acceptance Form, or through BPAY®**.**

There is no guarantee that those Eligible Shareholders will receive the number of Additional New Shares applied for, or any. The number of Additional New Shares will not exceed the shortfall from the Entitlement Offer. The Directors reserve the right to allot and issue Additional New Shares in their absolute discretion.

To the extent that any of the Entitlements of Eligible Shareholders are not allocated as Additional New Shares, these Entitlements will be subscribed for by the Underwriter, subject to the terms of the Underwriting Agreement.

1.4 Ranking of New Shares

New Shares and Additional New Shares issued under the Entitlement Offer will rank equally with existing Shares.

1.5 Withdrawal of Entitlement Offer

The Board reserves the right to withdraw all or part of the Entitlement Offer at any time before the issue of New Shares, in which case the Company will refund Application Money without payment of interest.

1.6 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application or payment once it has been accepted, except as allowed by law.

1.7 No Entitlements trading

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements that they do not take up.

1.8 Discretion to deal with shortfall

To the extent there is any shortfall in subscriptions for New Shares and Additional New Shares under the Entitlement Offer, the Directors reserve the right to allocate top up Shares or place any shortfall at their discretion within three months of the close of the Entitlement Offer.

1.9 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

1.10 Purpose of the Entitlement Offer

This Entitlement Offer, together with the recent Share Placement, will ensure the Company is funded until approximately the end of 2015 by which time the company is expected to be cash flow positive. These funds, together with the proceeds from the Share Placement, will be used primarily for:

(a) operating costs and overheads ($6.0m);

(b) additional machinery and equipment ($0.75M);

(c) additional inventory ($0.6m);

(d) ZBM research and development ($0.5M); and

(e) capital raising costs ($0.35M).

1.11 Underwriting

The Entitlement Offer is fully-underwritten by Morgans who will be paid an underwriting fee. The underwriting fee is an amount equal to 5% of the amount raised under the Entitlement Offer.

The Underwriting Agreement is in a standard form for transactions of this size and type and contains customary covenants, indemnities and representations and warranties by the Company and terminating events which if they occur, will relieve the Underwriter of its underwriting obligations – a summary is set out in Section 5.

1.12 Participation by Directors

The Directors have advised the Company as follows in relation to their participation in the Entitlement Offer:

(a) Mr Howard Stack intends to take up his Entitlement of 2,128,728 New Shares and has provided sub-underwriting of up to an additional $200,000.

(b) Mr Bruce Brown intends to take up his Entitlement of 481,940 New Shares and has provided sub-underwriting of up to an additional $75,000.

(c) Mr Richard Aird intends to take up his Entitlement of 42,972 New Shares.

(d) Under the terms of the employee share plan, Mr Smith may take up his Entitlement of 714,285 New Shares but has to then sell those New Shares and apply the proceeds against the loan balance. Accordingly, as there is no benefit to the Company nor Mr Smith, he will not take up his Entitlement. Mr Smith has provided sub-underwriting of up to an additional $50,000.

1.13 Opening and Closing Date for applications

The Entitlement Offer opens for acceptances on Thursday 5 June 2014 and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5pm (Sydney time) on Thursday 19 June 2014, subject to the Directors being able to vary the Closing Date in accordance with the Listing Rules.

1.14 Allotment of New Shares and ASX quotation

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted no later than Thursday 26 June 2014. However, if the Closing Date is extended, the date for allotment may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX.

2 How to participate

2.1 What you may do — choices available

Before taking any action you should carefully read this Entitlement Offer Booklet and the other publicly available information about the Company on our website (www.redflow.com) and consider the risk factors set out in section 4.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance Form. If you are an Eligible Shareholder you may:

Alternatives	**See section**
Take up your Entitlement in full or in part	2.2
Take up your Entitlement in full and apply for Additional New Shares	2.2 and 2.3
Allow your Entitlement to lapse	2.7

2.2 If you wish to accept your Entitlement in full or in part

Either:

Payment by cheque or bank draft

If you are paying for your New Shares by cheque, bank cheque or bank draft, complete and return the Entitlement and Acceptance Form with your payment. The Share Registry must receive your completed Entitlement and Acceptance Form together with full payment for the number of New Shares for which you are applying by no later than 5pm (Sydney time) on Thursday 19 June 2014.

Your cheque, bank cheque or bank draft must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to 'Redflow Limited' and crossed 'Not Negotiable'.

You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. We will not re-present any dishonoured cheques.

or:

Pay by BPAY®

If you are paying for your New Shares by BPAY®, please refer to your personalised instructions on your Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY®:

- you do not need to complete or return the Entitlement and Acceptance Form but are taken to have made the declarations on that personalised Entitlement and Acceptance Form; and
- amounts received by the Company in excess of the Issue Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional Shares as your Excess Amount will pay for in full.
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Money.

When completing your BPAY® payment, please make sure to use the specific Biller Code and unique reference number provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form (i.e. where you have multiple holdings), please only use the reference number specific to the Entitlement on that form. If you inadvertently use the same reference number for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which the reference number applies.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by **5pm (Sydney time) on Thursday 19 June 2014.**

Excess Application Money that is not sufficient to subscribe for a number of New Shares or Additional New Shares multiplied by the Issue Price will be refunded to you except where that amount is less than $2.00, in which case it will be retained by the Company. The method by which you receive the refund will be at the discretion of the Company. No interest will be paid to Eligible Shareholders on any Application Money received or refunded.

2.3 Applying for Additional New Shares

If you have applied to take up all of your Entitlement, you may also apply for Additional New Shares.

If you apply for Additional Shares and your application is successful (in whole or in part) your Additional New Shares will be issued at the same time that other New Shares are issued under the Entitlement Offer. There is no guarantee that you will receive any Additional New Shares. The Directors reserve their right to allot and issue Additional New Shares in their absolute discretion.

2.4 Acceptance of the Entitlement Offer

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY®, you:

(a) agree to be bound by the terms of this Entitlement Offer Booklet and the provisions of the Company's constitution;

(b) authorise the Company to register you as the holder(s) of the New Shares allotted to you;

(c) declare that all details and statements made in the Entitlement and Acceptance Form are complete and accurate;

(d) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer;

(e) acknowledge that once the Company receives the Entitlement and Acceptance Form or your payment by BPAY®, you may not withdraw it except as allowed by law;

(f) agree to apply for, and be issued with up to, the number of New Shares that your payment will pay for at the Issue Price of $0.11 per New Share;

(g) authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;

(h) declare that you were the registered holder(s) at the Record Date (2 June 2014) of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;

(i) acknowledge that the information contained in this Entitlement Offer Booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;

(j) represent and warrant that the law of any place (other than Australia, New Zealand, United Kingdom, Hong Kong and Singapore) does not prohibit you from being given this Entitlement Offer Booklet or making an application for New Shares; and

(k) represent and warrant that you are an Eligible Shareholder and have read and understood this Entitlement Offer Booklet and the Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this booklet and the Entitlement and Acceptance Form.

By completing, and the Company receiving, your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

(a) you are not in the United States and are not a US Person (see section 5.1(e) below), and are not acting for the account or benefit of, a US Person and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;

(b) you acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore, and accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and

(c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or that is a US Person, or is acting for the account or benefit of a US Person.

2.5 Payment for New Shares

The Issue Price of $0.11 per New Share is payable in full on application.

The Application Money payable for your Entitlement is set out on the Entitlement and Acceptance Form.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be for the benefit of the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

2.6 Address details and enquiries

Completed Entitlement and Acceptance Forms (including payment of Application Money by BPAY®) should be forwarded in the enclosed reply paid envelope to the Company's Share Registry by mail to the following address:

Redflow Limited
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

If you would like further information you can:

(a) contact your stockbroker, accountant or other professional adviser; or

(b) Call the Redflow Entitlement Offer Helpline on 1300 131 678 (inside of Australia) and +61 1300 131 678 (outside of Australia) at any time from 8:30 am to 5:30 pm (Brisbane time) Monday to Friday during the entitlement offer period.

2.7 If you do not wish to accept all or any part of your Entitlement

To the extent you do not accept all or any part of your Entitlement, it will lapse.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

3 Investor presentation

See attached.

4 Risk factors

4.1 General

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its products, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Entitlement Offer Booklet and the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

4.2 Specific Risk Factors

In addition to the general risks set out in section 4.1, the Directors believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for Shares. Each of these factors could have a materially adverse impact on the Company, its expansion plans, operating and product strategies and its financial performance and position.

These include:

(a) **Funding risk**

The Company operates on a negative cash operating basis in that its operating expenses exceed its revenue and will continue to do so for some time. There is no guarantee that the monies raised under the Entitlement Offer will be adequate or sufficient to achieve its stated objectives or meet the funding requirements of the Company under its current business plan.

If the Company requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions which are commercially acceptable to the Company.

(b) **Performance risk**

If the Company's products fail to perform as expected, it could lose existing and future business, and its ability to develop, market and sell its batteries and energy storage systems could be harmed.

The Company's products are complex and could have unknown defects or errors, which may give rise to claims against it, diminish its brand or divert its resources from other purposes. Despite testing, new and existing products have contained defects and errors and may in the future contain manufacturing or design defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which may adversely affect its business and the Company's operating results.

(c) **Reliance on development of channels to market**

The Company will rely on a small number of key strategic partners and its business plan is predicated on a steady expansion of the customer bases through development of its strategic integrator relationships. There may be a materially adverse effect on the Company if one or more of these relationships is lost and not replaced.

(d) **Intellectual property and patent risk**

The ability of the Company to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of the Company's business.

To protect its proprietary intellectual property, the Company has applied for patents through its wholly owned subsidiary RedFlow R&D Pty Ltd. The patent applications are at various stages of the examination process. There is a risk that some or all of the patent applications not be accepted, either in Australia or overseas and that other persons may be able to commercially exploit the proprietary intellectual property.

The granting of protection such as a registered patent does not guarantee that the rights of third parties are not infringed or that competitors will not develop technology to avoid the patent. Patents are territorial in nature and patents must be obtained in each and every country where protection is desired. There can be no assurance that any patents which the Company may own or control will afford the Company significant protection of its technology or its products have commercial application.

Competition in obtaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to disputes. The Company has, and may in the future, enter into commercial agreements under which intellectual property relevant to the Company and its ZBMs, and which is created by the counterparty or jointly created by the Company and the counterparty, will not be owned exclusively by the Company. In these circumstances the Company will seek to negotiate an appropriate licence to use any such intellectual property.

There is a risk that such newly created intellectual property not exclusively owned by the Company, will be material to the Company and there is no guarantee that the Company will be able to enter into appropriate agreements to use it either at all or on commercially acceptable terms and conditions, or on a timely basis. The inability to secure rights to use such intellectual property could have a material impact on the Company's ability to sell or otherwise commercialise its products, and its financial performance.

(e) **Reverse engineering risk and trade secret risk**

There is a risk of the Company's products being reverse engineered or copied. RedFlow relies on trade secrets to protect its proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, contractors, consultants, outside scientific collaborators and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

(f) **Manufacturing risks generally**

There are risks which are inherent in manufacturing operations including machinery breakdowns, damage from flood and fire, below standard workmanship or materials, employee issues (including accidents), workplace health and safety and so on. Any adverse impact on production could have a materially adverse impact on the Company's ability to meet customer needs and the risk of customer claims and the Company's ability to achieve its expansion plans or its financial performance.

(g) **Specific manufacturing risks**

(i) **Commercialisation risk**

If the Company is unable to develop, manufacture and market products that improve upon existing battery technology and gain market acceptance, its business may be adversely affected.

The Company is researching, developing and manufacturing zinc bromide flow batteries. The market for advanced rechargeable batteries is at a relatively early stage of development, and the extent to which the Company's zinc bromide batteries will be able to meet it customers' requirements and achieve significant market acceptance is uncertain. Rapid and ongoing changes in technology and product standards could quickly render the Company's products less competitive, or even obsolete if it fails to continue to improve the performance of its battery chemistry and systems. One or more new, higher energy rechargeable battery technologies could be introduced which could be directly competitive with, or superior to, the Company's technology. Competing technologies that outperform the Company's batteries could be developed and successfully introduced, and as a result, there is a risk that the Company's products may not be able to compete effectively in its target markets. If the Company's battery technology is not adopted by its customers, or if its battery technology does not meet industry requirements for power and energy storage capacity in an efficient and safe design the Company's batteries will not gain market acceptance.

There is a risk that expected sales do not convert to firm non-cancellable sales which could impact on the relationship with Flextronics and even possibly the cancellation of our agreement.

Many other factors outside of the Company's control may also affect the demand for its batteries and the viability of adoption of advanced battery applications, including:

- performance and reliability of battery power products compared to conventional and other non-battery energy sources and products;
- success of alternative battery chemistries, such as nickel-based batteries, lead-acid batteries and conventional lithium-ion batteries and the success of other alternative energy technologies, such as fuel cells and ultra capacitors; and
- cost-effectiveness of the Company's products compared to products powered by conventional energy sources and alternative battery chemistries.

(ii) **Manufacturing capacity risk**

As the Company will build its manufacturing capacity based on its projection of future supply agreements, its business revenue and profits will depend upon its ability to enter into and complete these agreements, achieving competitive manufacturing yields and drive volume sales consistent with its demand expectations.

In order to fulfill the anticipated product delivery requirements of its potential customers, the Company will invest in capital expenditures in advance of actual customer orders, based on estimates of future demand. If market demand for the Company's products does not increase as quickly as it has anticipated and align with the Company's manufacturing capacity, or if the Company fails to enter into and complete projected development and supply agreements, the Company may be unable to offset these costs and to achieve economies of scale, which could materially affect its business and operating results. Alternatively, if the Company experiences sales in excess of its estimates, its manufacturers may be unable to support higher production volumes, which could harm customer relationships and overall reputation. The Company's ability to meet such excess customer demand could also depend on its ability to raise additional capital and effectively scale its manufacturing operations.

The Company will outsource its manufacturing operations to meet its production needs. The manufacturer may have the need to procure equipment and supplies from various suppliers, that procurement may require long lead times. Therefore, the Company may experience delays, additional or unexpected costs and other adverse events in connection with its manufacturing capacity.

If the Company is unable to achieve and maintain satisfactory production yields and quality its relationships with certain customers and overall reputation may be harmed, and its sales could decrease.

(iii) **Outsourcing risk**

Problems in the Company's manufacturing and assembly processes could limit its ability to produce sufficient batteries to meet the demands of potential customers.

The manufacturing and assembly of safe, high-power batteries is a highly complex process that requires extreme precision and quality control throughout a number of production stages. As the Company will outsource the manufacturing and assembly of batteries, the Company will be unable to directly control delivery schedules, quality assurance, manufacturing yields and production costs. Any defects in battery packaging, impurities in the electrode materials used, contamination of the manufacturing environment, incorrect welding, excess moisture, equipment failure or other difficulties in the manufacturing process could cause batteries to be rejected, thereby reducing yields and affecting the Company's ability to meet customer expectations.

(iv) **Regulatory risk**

The Company uses hazardous substances including zinc bromide, zinc chloride and hydrochloric acid in the manufacture of its ZBMs. Various regulatory requirements apply to the storage, handling and disposal of such chemicals. There is a risk that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Company.

(v) **Supply risk**

The Company's manufacturing operations depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies including services from reliable suppliers in adequate quality and quantity in a timely manner. It may be difficult for the Company to substitute one supplier for another, change volumes with suppliers, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply or increased industry demand. This may adversely affect the Company's operations.

The prices of raw materials, parts and components and manufacturing equipment may increase due to changes in supply and demand and volumes. In addition, currency fluctuations and the continued weakening of the Australian dollar against foreign currencies may adversely affect the Company's purchasing power for raw materials, parts and components and manufacturing equipment from foreign suppliers.

(vi) **Warranty risk and product liability**

There is an inherent risk of defective workmanship or materials in the manufacture of the Company's products and for exposure to product liability for damages suffered by third parties attributable to the use of the product. Defective products may have a materially adverse impact on the Company's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. The Company will mitigate this risk via the usual contractual provisions which exclude liability for consequential loss and so on, but it is not possible to protect the company against reputational loss.

(vii) **Testing risk**

Extended life-cycle testing on the Company's batteries is not complete and a failure to achieve sufficient battery life and continuous improvement in battery life could lead to claims, and loss of sales and market share.

(h) **Personnel risk**

RedFlow may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals.

The Company believes that its future success will depend in large part on its ability to attract and retain highly skilled technical, managerial and marketing personnel who are familiar with its key customers and are experienced in the battery industry. Industry demand for employees with experience in battery chemistry and battery manufacturing processes exceeds the number of personnel available, and the competition for attracting and retaining these employees is intense. This competition will intensify if the advanced battery market continues to grow, possibly requiring increases in compensation for current employees over time.

The Company cannot be certain that it will be successful in attracting and retaining the skilled personnel necessary to operate its business effectively in the future. Due to the highly technical nature of its batteries, the loss of any significant number of the Company's existing engineering and project management personnel could have a material adverse effect on its business and operating results.

The Company relies heavily on its senior executives and engineering team, in particular, Chief Engineer, Dr Alexander Winter. There can be no assurance that the Company will be able to retain its key personnel or recruit suitable technical staff as replacements. The loss of key personnel could have a materially adverse impact on the Company.

(i) **Information technology**

The Company relies heavily on its computer hardware, software and information technology systems. Should these not be adequately maintained secured or updated or the Company's disaster recovery processes not be adequate, system failures may negatively impact on its performance.

(j) **Dividends**

There is no guarantee as to future earnings of the Company or that the Company will be profitable at any time in the future and there is no guarantee that the Company will be in a financial position to pay dividends at any time in the future.

(k) **Exchange rates**

The Company is potentially exposed to movements in exchange rates. The Company's financial statements are expressed and maintained in Australian dollars. However, a portion of the Company's income and costs are earned in foreign currencies and this proportion may increase materially. Exchange rate movements affecting these currencies may impact the profit and loss account or assets and liabilities of the Company, to the extent the foreign exchange rate risk is not hedged or not appropriately hedged.

4.3 **General Risk Factors**

(a) **Share market**

On completion of the Entitlement Offer, the New Shares may trade on ASX at higher or lower prices than the Issue Price. Investors who decide to sell their New Shares after the Entitlement Offer may not receive the amount of their original investment. There can be no guarantee that the price of New Shares will increase after listing. The price at which the New Shares trade an ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

(b) **Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's business or financial condition Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

(c) **Tax risk**

Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

(d) **Legislative and regulatory changes**

Legislative of regulatory changes, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

5 Additional information

5.1 Shareholders outside Australia, New Zealand, Hong Kong and Singapore general restrictions

This Entitlement Offer Booklet and accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the New Shares, or to otherwise permit an offering of New Shares, outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore. The New Shares may not be offered in a jurisdiction outside Australia, New Zealand, United Kingdom, Hong Kong or Singapore where such an offer is not made in accordance with the laws of that place.

The distribution of this Entitlement Offer Booklet in jurisdictions outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore may be restricted by law and therefore persons who come into possession of this document outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore should seek advice on, and observe, any such restrictions. A failure to comply with these restrictions may constitute a violation of applicable securities laws.

It is the responsibility of any applicant to ensure compliance with any laws of the country relevant to their application. Return of a duly completed Entitlement and Acceptance Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws and that the applicant is physically present in Australia, New Zealand, United Kingdom, Hong Kong or Singapore.

(a) **New Zealand securities law requirements**

The Entitlement Offer will be offered in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). This Entitlement Offer Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand).

This Entitlement Offer Booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(b) **United Kingdom**

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the Entitlements or the New Shares. This document is issued on a confidential basis to 'qualified investors' (within the meaning of section 86(7) of FSMA) in the United Kingdom, and these securities may be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated in the United Kingdom or will be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together 'relevant persons'). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

(c) **Hong Kong**

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and New Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong, or elsewhere that is directed at, or the contents of which are likely to be accessed and read by, the public of Hong Kong (except of permitted to do so under the securities law of Hong Kong) other than with respect to Entitlements or New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(d) **Singapore**

This document and other material relating to the Entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or may be made the subject of an invitation for subscription or purchase whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Future Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's Shares, (ii) an 'institutional investor' (as defined in the SFA) or (iii) a 'relevant person' (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements and New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(e) **United States**

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

This Entitlement Offer Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act. The Entitlement Offer is not being made to US persons or persons in the United States.

5.2 Ineligible Shareholders

The Company is not extending the Entitlement Offer to Ineligible Shareholders having regard to the cost of complying with legal and regulatory requirements outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore, the number of Ineligible Shareholders and the number and value of New Shares which could be offered to Ineligible Shareholders.

Where this Entitlement Offer Booklet has been dispatched to Ineligible Shareholders, it is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

5.3 Taxation consequences

The taxation consequences of any investment in New Shares will depend upon your particular circumstances. Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

5.4 Privacy

The information about Eligible Shareholders included on an Entitlement and Acceptance Form is used for the purposes of processing the Entitlement and Acceptance Form and to administer the Eligible Shareholder's holding of New Shares. By submitting an Entitlement and Acceptance Form, each Eligible Shareholder agrees that the Company may use the information provided by an Eligible Shareholder on the form for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Link Market Services Limited
Locked Bag A14
South Sydney NSW 1235
Ph: +61 1300 554 474

5.5 Not investment advice

The Entitlement Offer complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Class Order 08/35.

This Entitlement Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not investment advice and does not take into account your investment objectives, financial situation, tax position and particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest.

5.6 Future performance and forward looking statements

Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Entitlement Offer.

Past Share price performance provides no guidance as to future Share price performance.

5.7 Governing law

This Entitlement Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of applications are governed by the laws applicable in Queensland, Australia.

5.8 Interpretation

Some capitalised words and expressions used in this Entitlement Offer Booklet have meanings which are explained in section 6.

A reference to time in this Entitlement Offer Booklet is to the local time in Brisbane, Australia, unless otherwise stated. All financial amounts in this Entitlement Offer Booklet are expressed in Australian dollars, unless otherwise stated.

5.9 Disclaimer of representations

No person is authorised to provide any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Entitlement Offer Booklet.

Any information or representation that is not in this booklet may not be taken as having been authorised by the Company or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, none of Redflow Limited, or any other person, warrants or guarantees the future performance of Redflow Limited or any return on any investment made in connection with this Entitlement Offer.

5.10 No handling fees

There will be no handling fees payable to brokers for Entitlement and Acceptance Forms lodged by them on behalf of Eligible Shareholders.

5.11 Underwriting Agreement

(a) General

The Company entered into an Underwriting Agreement with Morgans Corporate Limited (**Underwriter**) on 23 May 2014. Under the Underwriting Agreement, the Underwriter agrees to underwrite the issue of 55,073,534 New Shares to be offered at $0.11 cents per New Share by subscribing or procuring the subscription to any shortfall. The Underwriter may nominate any persons to sub-underwrite such portion of the New Shares as the Underwriter, in its absolute discretion, thinks fit.

(b) Fees and expenses

The Underwriter is entitled to receive a fee comprising a cash amount of 5% of the underwritten amount, being the number of New Shares issued under the Entitlement Offer multiplied by the Issue Price.

The Underwriter is also entitled to receive all costs and expenses of and incidental to the Entitlement Offer.

(c) Termination events

The Underwriting Agreement contains a number of termination events. The Underwriter may terminate the Underwriting Agreement prior to the allotment of New Shares if any of the following occurs:

(i) (**market fall**) prior to Completion, the S&P/ASX200 Index closes 10% or more below its level at the close of normal trading on the trading day before the date of this document;

(ii) (**market conditions**) any adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or in the international financial markets or any adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter, it is impracticable to market the offer or to enforce contracts to issue and allot the offer shares or that the success of the offer is likely to be adversely affected;

(iii) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into any Federal, State or Territory Parliament in Australia a new law or ASIC adopts or announces a proposal to adopt a regulation or policy (other than a law or policy which has been announced before the date of this document), any of which does or is likely to prohibit, restrict, regulate or otherwise have a material adverse effect on the success of the offer or which could result in the Underwriter becoming liable under any such law or regulation;

(iv) (**Quotation Approval**) Quotation approval is refused or not granted, other than subject to customary conditions, on or before the allotment and issue of all offer shares or, if granted is subsequently withdrawn or qualified;

(v) (**No Listing Rule Waivers or Approvals**) the Company fails to obtain or procure from ASX any waivers or approvals required under the Listing Rules before the lodgement date;

(vi) (**ASX suspension**) ASX suspends quotation of the Company's shares;

(vii) (**Default**) any representation or warranty contained in this document on the part of the Company is not true or correct when given or if there is any other breach by the Company of its obligations under this document, which is either incapable of remedy or, if able to be remedied, is not remedied within five Business Days;

(viii) (**failure to comply**) the Company fails to comply with its constitution, the Corporations Act or any other applicable law or regulation, including any policy, guideline, order or request made or issued by ASIC or any government agency;

(ix) (**material contracts**) the Company fails to comply with a material contract or any such contract is either terminated or materially amended without the prior written approval of the Underwriter;

(x) (**change to capital structure or constitution**) prior to completion, the Company changes its capital structure or its constitution without the prior written consent of the Underwriter;

(xi) (**financial assistance**) the Company passes or takes any steps to pass a resolution under section 260B of the Corporations Act or engages in any conduct which would require such a resolution, without the prior written consent of the Underwriter;

(xii) (**business**) without the prior written consent of the Underwriter, the Company:

(A) disposes or agrees to dispose of the whole or a substantial part of its business or assets; or

(B) ceases or threatens to cease to carry on its business in its normal and usual manner;

(xiii) (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a material escalation in existing hostilities occurs (whether war has been declared or not) or political or civil unrest involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, the Peoples Republic of China, Indonesia or North or South Korea or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;

(xiv) (**adverse change**) any actual or potential adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed to ASX before the opening date, including any:

(A) change in the earnings, future prospects or forecasts of the Company;

(B) change in the nature of the business conducted by the Company; or

(C) insolvency (within the meaning of the Corporations Act) or deemed insolvency under the Corporations Act, voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator;

(xv) (**new circumstance**) any new circumstance arises that would, in the reasonable opinion of the Underwriter, have been required to be disclosed if it had arisen before this Offer Booklet was issued;

(xvi) (**prescribed occurrence**) an event specified in section 652C(1) or section 652C(2) of the Corporations Act occurs, but replacing 'target' with 'Company';

(xvii) (**Due Diligence Program**) any information supplied by or on behalf of the Company to the Underwriter in relation to the Company or the offer as part of the Company's due diligence program is misleading or deceptive;

(xviii) (**disclosures**) a statement contained in the Offer Booklet or cleansing statement is misleading or deceptive in a material respect;

(xix) (**withdrawal of offer**) the Company withdraws the offer;

(xx) (**Closing Certificate**) the Company does not provide the Closing Certificate when it is required to be provided under this document or a statement in the Closing Certificate is untrue, incorrect or misleading or deceptive, including by omission;

(xxi) (**withdrawal or repayment**) any circumstance arises after the Offer Booklet is issued that results in the Company being required to either repay the money received from Eligible Shareholders or offer them an opportunity to withdraw their valid acceptances for offer shares or valid applications for additional shares and be repaid their application money;

(xxii) (**change in management**) a change in the Board of Directors, Chief Executive Officer or Chief Engineer (Dr Alexander Winter) of the Company occurs without the prior written consent of the Underwriter;

(xxiii) **(legal proceedings and offence by Directors)** any of the following occurs:

(A) a Director is charged with an indictable offence;

(B) the commencement of legal proceedings against the Company or any Director; or

(C) any Director is disqualified from managing a corporation under section 206A of the Corporations Act;

(xxiv) (**Listing Rules**) the Company commits a material breach of the Listing Rules;

(xxv) (**Timetable**) an event specified in the timetable is delayed for more than two Business Days; or

(xxvi) (**failure of Simon Hackett to subscribe for Offer**) any circumstance in which the Simon Hackett fails to subscribe for his full entitlement under the Entitlement Offer by the Closing Date.

(d) **Other**

The Underwriting Agreement otherwise contains covenants, indemnities and representations and warranties by the Company which are customarily found in underwriting agreements for transactions of this size and type.

5.12 Sub-underwriting agreements and Director participation

The Underwriter will enter into sub-underwriting arrangements with a number of counterparties.

Certain Directors of the Company (or their related entities) have agreed to enter into sub-underwriting agreements with the Underwriter as follows:

(a) Mr Stuart Smith, Managing Director of the Company, has entered into a sub-underwriting agreement with the Underwriter. Mr Smith holds a relevant interest in 2,500,000 Shares (representing approximately 1.30% of the Shares). Mr Stuart Smith will not be talking up his Entitlements, however, if the Entitlement Offer is not fully subscribed and Mr Smith is issued the maximum number of Shares he is entitled to under the sub-underwriting agreement, Mr Smith will hold a relevant interest in 2,954,545 Shares (representing approximately 1.19% of the Shares following completion of the Entitlement Offer);

(b) Polvran Investments Pty Ltd (an entity associated with Non-executive Chairman, Mr Howard Stack) has entered into a sub-underwriting agreement with the Underwriter. Mr Stack holds a relevant interest in 7,450,548 Shares (representing approximately 3.87% of the Shares). If entities associated with Mr Stack take up their Entitlements in full, the Entitlement Offer is not fully subscribed and Polvran Investments Pty Ltd is issued the maximum number of Shares it is entitled to under the sub-underwriting agreement, Mr Stack will hold a relevant interest in 11,397,458 Shares (representing approximately 4.60% of the Shares following completion of the Entitlement Offer); and

(c) Mr Bruce Brown, a non-executive Director, has entered into a sub-underwriting agreement with the Underwriter. Mr Brown holds a relevant interest in 1,686,790 Shares (representing approximately 0.88% of the Shares). If entities associated with Mr Brown take up their Entitlements in full, the Entitlement Offer is not fully subscribed and Mr Brown is issued the maximum number of Shares it is entitled to under the sub-underwriting agreement, Mr Brown will hold a relevant interest in 2,850,548 Shares (representing approximately 1.15% of the Shares following completion of the Entitlement Offer).

Under the terms of the sub-underwriting arrangements the sub-underwriters (including Messrs Smith, Stack and Brown):

(a) do not have the ability to terminate the sub-underwriting agreement;

(b) must not deal with any shortfall shares prior to the shares being issued and allotted to them;

(c) agree to accept any consequence of any amendments made by the Underwriter and the Company to the Underwriting Agreement;

(d) give warranties and representations to the Underwriter which are standard for a sub-underwriting agreement of this type; and

(e) indemnify the Underwriter, its related bodies corporate, directors, officers, employees and agents against any losses they incur due to a breach of the sub-underwriting agreement by the sub-underwriter.

Messrs Smith, Stack and Brown will receive a sub-underwriting fee of 1.5% of their respective sub-underwritten amounts.

6 Definitions

Additional New Shares	New Shares you apply for in excess of your Entitlement
Application Money	Money paid by you for New Shares and Additional New Shares
ASIC	The Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable
Board	The board of Directors
Closing Date	5pm (Sydney time) on Thursday 19 June 2014
Company or Redflow	Redflow Limited ACN 130 227 271
Corporations Act	*Corporations Act 2001* (Cth)
Director	A director of the Company
Eligible Shareholder	A Shareholder on the Record Date and who is not an Ineligible Shareholder
Entitlement	The entitlement to one New Share for every four Shares held on the Record Date. The entitlement of each Eligible Shareholder is shown on the personalised Entitlement and Acceptance Form
Entitlement Offer	The offer of New Shares made in this Entitlement Offer Booklet
Entitlement Offer Booklet	This booklet
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Entitlement Offer Booklet
Ineligible Shareholder	A Shareholder with an address in the Register outside Australia, New Zealand, United Kingdom, Hong Kong and Singapore.,
Issue Price	$0.11 per New Share
Listing Rules	The official listing rules of ASX, as amended or waived by ASX from time to time
New Shares	Shares to be allotted and issued offered under the Entitlement Offer including, as the context requires, any additional shares issued under any shortfall.
Record Date	7pm (Sydney time) on 2 June 2014
Register	The register of Shareholders required to be kept under the Corporations Act
Share	A fully paid ordinary share in the Company
Share Placement	The share placement announced to the ASX on 20 May 2014
Share Registry	Link Market Services Limited
Shareholder	A holder of Shares
US or United States	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia

US Person	The meaning given in Regulation S under the US Securities Act
US Securities Act	The *United States Securities Act of 1933*, as amended
VWAP	Volume weighted average price

CORPORATE DIRECTORY

Directors

Mr Howard Stack – Non Executive Chairman
Mr Stuart Smith – Managing Director & Chief Executive Officer
Mr Richard Aird – Non Executive Director
Mr Bruce Brown – Non Executive Director

Senior management
Dr Alexander Winter – Chief Engineer
Dr Michael Giulianini – Chief Technical Officer
Mr Bruce Ebzery – Sales & Business Development Manager

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Auditor

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