NOVONIX

ANNUAL REPORT

2018

NOVONIX LIMITED

ABN 54 157 690 830

Annual Report – 30 June 2018

Corporate directory

Directors	A Bellas *B.Econ, DipEd, MBA, FAICD, FCPA* G A J Baynton *M.Econ St, MBA, B.Bus* P M St Baker *B.Eng* R Cooper *BE (Mining), MEngSc, MAusIMM, MAICD* Admiral R J Natter, US Navy (Ret.) Andrew N. Liveris *AO, BE (Hons) Doctor of Science (honoris causa)*
Secretary	S M Yeates *CA, B.Bus*
Principal registered office in Australia	Level 12, 114 Edward Street, Brisbane QLD 4000
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000 www.linkmarketservices.com.au
Auditor	PricewaterhouseCoopers 480 Queen Street Brisbane QLD 4000 www.pwc.com.au
Solicitors	McCullough Roberson Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000 www.mccullough.com.au
Bankers	Commonwealth Bank of Australia
Stock exchange listing	NOVONIX Limited (formerly Graphitecorp Limited) shares are listed on the Australian Securities Exchange (ASX).
Website address	www.novonixgroup.com

Competent Person's Statement

The information in this Annual Report that relates to the JORC Mineral Resource for NOVONIX Limited's Mt Dromedary Project has been based on information compiled by Mr Robert Dennis who is a Member of Australian Institute of Geoscientists and a full time employee of RPM Limited. Mr Dennis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dennis has consented to the inclusion of the matters based on his information in the form and context in which it appears.

Review of operations and activities

HIGHLIGHTS FOR FY2018

- Company name change to NOVONIX Limited
- PUREgraphite anode material pilot plant installed in Tennessee, USA
- PUREgraphite pilot plant producing high quality battery anode product
- PUREgraphite product trials commence with multiple prospective customers
- PUREgraphite completes trials and selects commercial production equipment
- NOVONIX BTS achieves 35% growth in testing equipment sales for the year
- BTS wins orders from ten ‘Fortune 500’ companies
- BTS installs battery cell pilot line and commences electrolyte R&D
- BTS team adds Ken Broom, Ex-COO of fifth-largest Chinese battery maker
- Mt Dromedary Project studies scaling from 50ktpa to 200ktpa
- High-grade Copper discovered at Mt Dromedary Project for further exploration
- Appointment of Admiral Robert J. Natter (US Navy Ret.) to NOVONIX Board
- Intention to appoint Andrew N. Liveris A.O. (DOW Chemical) to the Board
- Government of Canada provides C$1m funding for BTS growth and R&D
- $5 million placement including A$1m by Mr Liveris and Admiral Natter
- Early conversion of all 2017 convertible notes by investors

SUMMARY

FY2018 has been a year focused on implementation and integration of transactions that have expanded and diversified the NOVONIX business across the rapidly growing lithium-ion battery market.

The company has transitioned from a developer of a large, high-grade natural graphite deposit into a battery technology and materials company with operations in the USA and Canada and sales and equipment deployed in fourteen countries.

The NOVONIX group now includes three key assets:

PUREgraphite	• Maker of graphite-based battery anode materials that extends battery life by more than 30% • 50/50 joint venture between NOVONIX and Coulometrics • NOVONIX holds an option to increase achieve 75% • Currently building Phase 1 production capacity • Based in USA; Established in 2017
NOVONIX Battery Technology Solutions	• A manufacturer and innovator in highest-precision battery testing equipment that reduces R&D cycle time from years to weeks • Provides battery development services to OEMs • Undertaking R&D programs in new battery-materials for electrolyte, silicon and new materials • Based in Canada with sales in 14 countries • Established in 2013
MOUNT DROMEDARY graphitePROJECT	• Large, world-class, high-grade (18% TGC) natural graphite deposit located in an established mining region in QLD, Australia • Pending mining lease approval for 50KTPA base-case operation • Potential to scale mining activities up to 200ktpa • Considering partnering/divestment opportunities

The Lithium-Ion battery anode materials market is currently split approximately 50:50 between artificial graphite and natural graphite, with three main graphite products types, natural, artificial and blended graphite. Via NOVONIX, investors have exposure to all three product types, which is a unique proposition when compared with most graphite battery anode materials companies in the market.

The BTS division's High-Precision Coulometry technology is now a flagship product, being embraced worldwide by most major battery makers, auto-makers, electronics companies and cordless equipment manufactures.

Q1 FY2018

The first quarter of FY2018 was focused on integration of the NOVONIX Battery Testing Services Inc (BTS) business based in Canada (acquired on 1 June 2017) and design and procurement of the **PUREgraphite** pilot plant to be built in the USA.

As part of the integration and transformation of the company from an explorer into a battery technology and materials company we changed the company name to NOVONIX Limited, leveraging the established and growing brand we acquired in the global Lithium-ion battery market.

During the first quarter of FY2018, we also undertook due diligence on processing equipment including physical trials and we commenced procurement process for precursor materials and external processing options based in the USA. We also strengthened the Board with the appointment of Admiral Robert J. Natter (US Navy Ret.) and we received C$500,000 in funding from the Government of Canada to support the marketing of NOVONIX testing equipment and growth in sales.

Q2 FY2018

The second quarter of FY2018 was focused on engineering, procurement and construction of the PUREgraphite pilot plant in the USA. The pilot plant was installed ready for commissioning by the end of the quarter as planned. The PUREgraphite business also made good progress in product development, identifying supply options for precursor materials and for local USA based processing including multiple trials and subsequent cell making and cell and materials performance testing.

We further strengthened the Board with the announcement of the future appointment of Andrew N. Liveris A.O. (then Chairman and CEO of DOW Chemical Company). We also raised a further A$5m in equity funding via placement to institutional and sophisticated investors (including A$1m investment by Admiral Natter and Mr Liveris) to meet our final payment obligation towards the PUREgraphite joint venture in the USA and to fund the expansion of the BTS business in Canada. NOVONIX also saw the early conversion of all 2017 convertible notes by investors during that quarter.

Q3 FY2018

The third quarter of FY2018 was focused on the commissioning of the PUREgraphite pilot plant, commencement of product trials by a few prospective customers and early stage engineering for commercial scale production. Importantly, we demonstrated the pilot plant was producing high quality battery anode product during the quarter which included the manufacturing of the anode material followed subsequent cell making and cell and materials performance testing and benchmarking against industry leaders. This was a critical step ahead of working with prospective customers.

The NOVONIX BTS business in Canada notched up its 10th 'Fortune 500' company customer for the year during the third quater. The BTS business also recruited Ken Broom (Ex-COO of fifth-largest Chinese battery maker) to oversee the design, procurement, construction and operation of a battery cell pilot line at our facility in Halifax Canada, to support the expansion into new areas of the BTS business.

Q4 FY2018

The final quarter of FY2018 was focused on PUREgraphite customer trials and engineering and procurement for a commercial scale production plant. Orders were placed for the first lot of commercial scale production equipment in July which are expected to be delivered in December/January and commissioned and in production in Q1CY2019.

The BTS business continued its sales and supply of testing equipment and services as well as installing and commissioning of the Company's proprietary battery cell pilot line. The BTS business outperformed our expectations, achieving a 35% increase in sales of its battery testing equipment for the year and is well positioned with orders for the current year to see continued strong growth in that business.

During the fourth quarter of FY2018, the Company continued to advance the mining lease approval for its Mt Dromedary Graphite Project, responding to requests for additional engineering and other information from the Department of Natural Resources and Mines. The company also commenced a high-level study of the potential to scale the project from 50ktpa to 200ktpa to better understand the economics involved. This work is ongoing.

Image: PUREgraphite – Located within the Coulometrics Battery Development Facility located in Chattanooga, Tennessee, USA

PUREgraphite Overview

PUREgraphite is a 50:50 joint venture between NOVONIX and Coulometrics established to develop and commercialise ultra-high purity high performance graphite anode material for the lithium-ion battery market focused on the electric vehicle, energy storage and specialist applications.

PUREgraphite became operational on 1 April 2017 and is a US based and registered company that has commenced operations from within the Coulometrics Battery Development Facility in Chattanooga, Tennessee, USA. The combined facilities include materials processing, electrode and battery cell making and battery testing which enables PUREgraphite to rapidly advance its materials development and to benchmark and demonstrate performance of its materials in commercial-standard batteries.

The CEO of PUREgraphite is Dr Edward Buiel who is also the founder and owner of Coulometrics. Dr

Buiel has over 20 years of experience in developing and commercializing battery technologies, with a focus on carbon-based anode materials. NOVONIX contributed US$5 million to PUREgraphite to fund the exclusive acquisition of all graphite-related intellectual property from Coulometrics and ongoing exclusivity from Coulometrics and Dr Edward Buiel for development of graphite products and battery anode materials using that technology.

The Coulometrics graphite IP includes innovative high-performance graphite anode materials (demonstrated to outperform leading materials currently in the market) and production methods expected to deliver production costs significantly lower than existing producers. NOVONIX also contributed US$5 million to fund operations of the JV to cover anticipated capital and operating costs in the first two to three years of operation (2017, 2018, 2019).

Coulometrics provides facilities, plant and equipment and services under a predefined service arrangement which has enabled the joint venture to transition directly into operation with a facility and staff immediately in place.

Under the Joint Venture arrangements agreed with Coulometrics, NOVONIX also holds a Call Option to acquire half of Coulometrics' interest in PUREgraphite to achieve an interest in PUREgraphite of 75%.

PUREgraphite - Progress

The PUREgrahite business plan has two streams. The first stream is aimed at producing and supplying graphite anode material to niche battery producers the USA, while the second stream is targeted at supplying the large-scale electric vehicle and energy storage markets.

The objective for stream one is to establish a 1,000 tpa anode material production capability as early as possible and to start manufacturing and selling graphite anode material targeting specialist applications in the US domestic market which is estimated to be approximately 5,000 tpa.

Significant progress has been made toward this goal since formation of the JV in April 2017 with the first half of the year focused on product development, process development, pilot plant engineering, and pilot plant delivery and the second half of the year focused on commercial process equipment trials and selection, plant engineering and commencement of prospective customer trails and working with prospective customers on battery development using our anode materials.

Milestones achieved by PUREgraphite during the year in review include:

- Tested existing conventional graphitization furnace production technologies
- Optimisation of graphitization furnace designs for graphite anode production
- Tested a wide selection of precursor materials optimized for LIB performance
- Down-selection of promising feedstock materials
- Graphitization furnace trials conducted with equipment vendors
- Pilot system designed, procured, delivered and installed by Q4 2017
- Started working with multiple beachhead customers trialing our materials
- Commercial production scale equipment selection completed
- Particle shaping & grinding tech developed, and vendor trials completed
- Particle coating and carbonization equipment selection completed

During the year PUREgraphite also made a very significant decision to undertake 100% of all processing/manufacturing in house and not to outsource a few selected process steps, as originally planned. This change in strategy was the result of extensive due diligence and processing trials run with companies within the USA and elsewhere where we found capabilities limited and not able to meet our requirements in some cases, excessively high processing and logistics costs and greater risk of leakage of intellectual property and trade secrets.

The change in strategy has required PUREgraphite to undertake significantly more engineering, procurement and construction and has taken longer to establish commercial production capability, but we believe has better positioned the business compete with higher quality product with significantly lower production costs and without the risk of leakage of intellectual property and trade secrets via outsourcing.

PUREgraphite designed, installed, commissioned and started operating a small pilot plant within the Tennessee facility within its first year enabling it manufacture finished product and to commence customer product trials. Since then PUREgraphite has been actively working with several US based battery companies undertaking battery development and trials incorporating our anode materials.

Engineering and procurement for a 1,000 tpa production plant (incorporating all production processes in-house) was completed over the course of FY2018. The first lot of production equipment will arrive in December/January and we forecast commercial production in Q1CY2019. PUREgraphite's current plans are to progressively increase production capacity within the Tennessee facility to 1,000 tpa over the course of CY2019.

The second stream of the PUREgraphite business plan aimed at supplying the large-scale electric vehicle and energy storage markets and includes customer engagement, product qualification, large-scale production planning (up to 100,000 tpa) and success with the first stream to establish PUREgraphite's credentials as a producer in the market.

Efforts to date have included engagement with several large electric vehicle and energy storage battery makers who have confirmed volume requirements and their interest in commencing a process of testing and qualifying our graphite anode materials once commercial production is commenced. Non-disclosure and/or confidentiality agreements have been negotiated with most of these parties and planning is underway to commence testing programs in the near term.

The team has also made significant progress in investigating technologies that have potential to optimize or accelerate large-scale production methods, while also investigating locations for large scale production where the JV can leverage low-cost power in certain locations within the USA.

Another significant work stream for PUREgraphite is its down-selection and sourcing program for precursor materials around the world. This program involves head-to-head testing of materials though the JV's processing, purification, coating and blending processes, and building and testing the finished products in commercial battery cells. This work is progressing well, with the identification of several high-quality supply options that can meet the JV's specifications.

PUREgraphite - Next Steps for FY2019 and Beyond

FY2019:

- Procurement and installation of first commercial production equipment in current facility in Tennessee (250-500tpa)
- Initial commercial-scale production and sales to beachhead customers already identified and working closely with PUREgraphite (all U.S.A. based)
- Continued product development with emphasis on extreme fast charging, longer-life and improved stability and safety
- Aim to ramp internal production to 1,000 tpa capacity over CY2019
- Aim to commence product trials with large number of prospective customers

NOVONIX
Battery Technology Solutions

Image: NOVONIX Battery Technology Solutions (BTS) facility located in Dartmouth (near Halifax), Nova Scotia, CANADA

ABOUT NOVONIX Battery Technology Solutions (BTS)

NOVONIX Battery Testing Services Inc was acquired by the Company on 1 June 2017 for C$5m, with the founders Dr Chris Burns and Dr David Stevens receiving partial payment in the form of shares in NOVONIX and both continuing as CEO and CTO respectively under executive employment contracts incorporating equity-based incentive plans.

As the new parent company, GRAPHITECORP Limited changed its name in July to NOVONIX Limited, adopting the name of the established business to leverage the strong brand that has been developed within the lithium-ion battery sector and to better represent the operations and future direction of the company.

NOVONIX BTS is based in Dartmouth (near Halifax), Nova Scotia Canada and makes the most accurate lithium-ion battery cell test equipment in the world now used by leading battery makers and researchers and equipment manufacturers including PANASONIC, CATL, BOSCH, Dyson, 3M, and Alcatel-Lucent.

The primary drivers for the acquisition of the NOVONIX BTS business were to acquire the market-leading HPC Testing technology which provides battery researchers with substantial competitive advantage by reducing R&D cycle time from years to weeks, to leverage the strong brand name and customer relationships in the lithium-ion battery industry, and to leverage the NOVONIX founders' skills in developing both battery materials and testing technologies.

In less than three years, NOVONIX BTS has deployed more than 1,000 of its HPC testing units in 14 countries.

At the time of acquisition NOVONIX BTS was forecasting C$2m in sales for the Canadian financial year ending March 2017.

NOVONIX BTS had also developed new testing equipment including high power high precision systems with several existing customers pre-ordering some of the equipment ahead of its release.

NOVONIX BTS - Progress

Since settlement on 1 June, the NOVONIX BTS business has been smoothly integrated into the company and we have invested in accelerating and diversifying the business leveraging the considerable talent and capability that exists.

The foundational business developing and selling its flagship state-of-the-art HPC battery cell testing equipment has continued to thrive with sales revenue growing 35% YOY to C$2.14m and including sales to ten "Fortune 500" companies. The company successfully launched their second larger HPC product (20A) with strong early sales placing the first of these units with a major battery maker in Asia and a key R&D facility in California.

To support the growth, we relocated the BTS business to nearby Dartmouth to a facility more than five times larger and expanded the team three-fold.

To leverage the talent and capability of the group we have embarked on an electrolyte IP development program which aligns with the core competency and backgrounds of the founders of the business and aligns well with the PUREgraphite JV as we will be focusing on development of optimal electrolyte formulations to support our PUREgraphite products. As part of tooling-up for this electrolyte development program, we have invested in the establishment of a 100%-owned electrolyte lab and a battery cell manufacturing pilot line in our NOVONIX BTS facility.

Photo: Professor Jeff Dahn of Dalhousie University with Dr Chris Burns NOVONIX COO inspecting the electrode slitting operation at the NOVONIX battery cell manufacturing facility

Photo: Images of 18650 cylindrical and small pouch format lithium-ion batteries in various stages of assembly at the NOVONIX battery cell manufacturing facility in Nova Scotia Canada

To help fund this growth and diversification the NONONIX BTS team have successfully gained support from the Government of Canada, with the award of approximately C$1m in funding (and a further C$0.5m pending) to assist with sales and marketing, R&D and equipment acquisition.

During the year we expanded our team three-fold. This included the appointment of a battery manufacturing expert Ken Broom who is an ex-COO of the 5th largest Chinese battery maker (BAK) and formerly held many senior roles with leading North American battery maker, E-One Moli Energy.

BTS has also been busy developing new innovative and potentially breakthrough battery testing technologies. For example, NOVONIX BTS applied for a patent during the year to protect the intellectual property surrounding the Differential Thermal Analysis (DTA) technology. Since the announcement of the DTA technology in March 2018, a list of companies have registered to work with NOVONIX BTS to refine and use the DTA technology.

NOVONIX BTS - Next Steps for FY2019 and Beyond

FY2019:

- Continued strong sales growth for the battery testing equipment business
- Launch of a 2A Battery Testing Product for the larger education sector
- Expansion of the battery testing services side of the business
- Development of new testing technologies
- Commissioning and fine tuning the new battery cell pilot manufacturing line
- Commencement of the new internal electrolyte IP development program
- Commencement of new battery cell design and prototyping services
- Negotiation, agreement and commencement of partnership with Dalhousie University for R&D in next generation battery materials and technologies

Photo: Professor Mark Obrovac of Dalhousie University and Dr Chris Burns COO NOVONIX inspecting the electrode coating line at the NOVONIX battery cell manufacturing facility

The Company will, from October 2018, sponsor the Professor Mark Obrovac Battery Research Group at Dalhousie University. Dalhousie University is an international leader in battery materials research, and NOVONIX itself was spun out of Professor Jeff Dahn's lab at Dalhousie in 2013 to develop the HPC technology to accelerate battery research cycle time to weeks from years.

The research agreement is an excellent investment opportunity NOVONIX aimed at staying in the forefront of next generation battery technology and has the potential to generate significant commercially valuable IP in next generation battery materials. The agreement will also deepen the long-term relationship and synergies between Dalhousie University and NOVONIX.

The research will be focused on developing advanced next-generation battery materials and will leverage Professor Obrovac's significant experience in silicon materials, anode and cathode materials, liquid and solid electrolytes and binder materials. The Professor Obrovac Research Group comprises approximately 12 postdocs, PhD and MSc graduate students at any one time.

Objectives Beyond FY2019

- Develop and commercialize new testing and battery material IP and other technologies (e.g. electrolyte and silicon additives)
- Consider strategic M&A opportunities with alignment and synergies
- Targeting 30%+ YOY growth and possibly accelerating growth via M&A

MOUNT DROMEDARY

graphitePROJECT

ABOUT Mount Dromedary Graphite Project

The Mount Dromedary Graphite Project is world-class, high-grade (18%+) natural graphite deposit outcropping at surface over a 3km strike length and located in an established mining region in Australia next to quality transport infrastructure and international ports.

From drilling approximately 30% of the known mapped deposit to date, the project has a total JORC Mineral Resource Estimate to 1.908 Million tonnes of contained graphite and a Measured and Indicated Resource containing 1.316 Million tonnes of graphite.

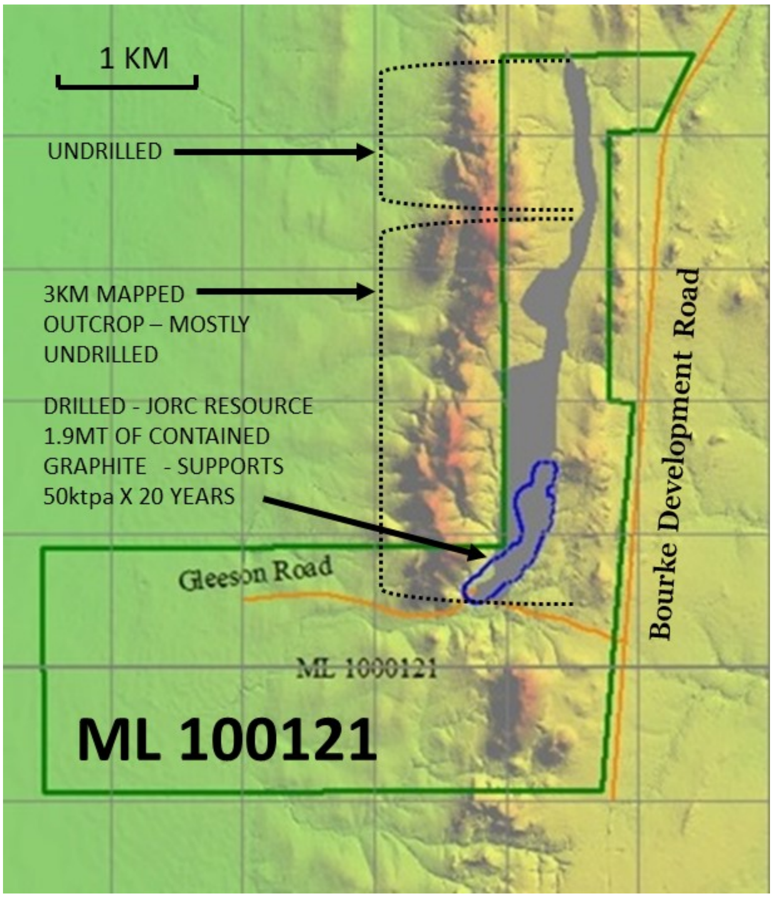


Image: Map of the Mount Dromedary Graphite Project Showing the mapped deposit

The deposit is adjacent (<1km) to sealed highway connecting to multiple export ports with bulk and containerized export options. The project also has access to attractive back-haul and container transport capacity (road and ocean).

Extensive metallurgical testing has been done to determine suitability for producing an export grade concentrate. Based on the metallurgical test results a preliminary design for the processing plant was completed.

Given the most attractive growth and premium pricing opportunity in the graphite market relates to the use of graphite in lithium-ion batteries, NOVONIX commissioned thermal purification, battery test cell construction and electrochemical testing on graphite concentrate produced from the Mount Dromedary deposit by independent companies based in the USA.

Physical examination of the powders and electrochemical tests on the LIB cells were performed and the results showed that the materials have good purity, good electrochemistry with high reversible capacity and is most importantly appear to be well suited for LIB applications, including high-end automotive applications.

Preliminary mine plans were developed to support our submission of the Mining License Application and the Environmental Authority Application. The mine plans were based on the results of the drilling programs, assays, geological modelling, metallurgical test work undertaken, and economic analysis

Late in FY2017 the company submitted an application for a mining lease with the Queensland Department of Natural Resources and Mines (DNRM) for the Mount Dromedary Graphite Project. Contemporaneously, the company submitted its application for an Environmental Authority for the project with the Queensland Department of Environment and Heritage Protection (DEHP).

These applications incorporate a mining and milling operation for the Mount Dromedary Graphite Project with production of up to 50,000tpa of graphite concentrate. The area of the mining lease is approximately 1,132 ha and has been selected to capture the Company's graphite resource and allow for appropriate infrastructure.

In April 2017 DEHP issued the company a request for more information pertaining to our Environmental Authority Application.

The company undertook further work including the installation of additional base line water monitoring bores and provision of more engineering data and information relating to our waste rock, tailings and environmental management plans.

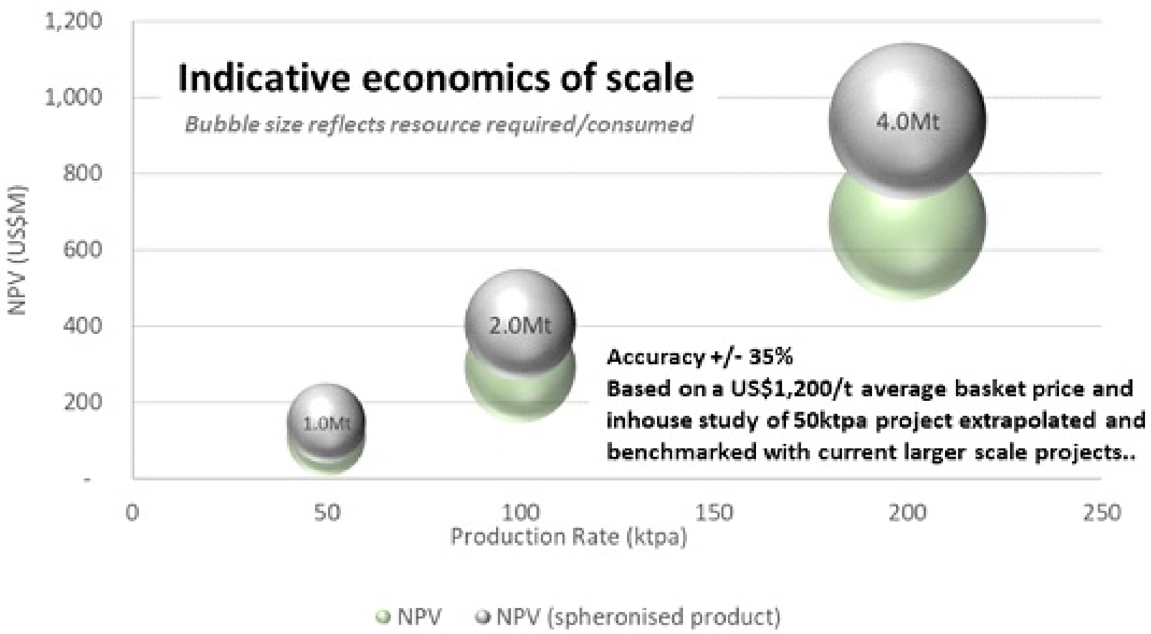
Mount Dromedary Graphite Project - Progress

During FY2018 NOVONIX completed the additional permit related engineering work and made further submissions to the regulator which is now under review. At this stage we anticipate the granting of the Mining Lease and Environmental Authority around the end of 2018 or in the first half of 2019.

In the second half of the financial year the Company undertook a high-level study to assess scaling the project to higher tonnages and to understand the potential for scaling the project and the impact on economics for the project.

This study concluded that the deposit has potential for >4.0 Mt of total contained graphite which can support a project four times larger at 200ktpa.

Financial modelling highlighted the potentially significant economic benefits of scaling the project, assuming market demand existed to support these volumes (refer graph below).



Based on this larger-scale scenario modeling, the Company is currently undertaking an assessment of the work and resources required to evaluate at greater detail the higher-volume project opportunity.

The Company will also look at partnering options for the project to help fund the additional feasibility work, and ideally, to fund the development of the mine.

High-Grade Copper (Cu) discovery at Mount Dromedary Project in July 2018

While exploring the tenement beyond the graphite deposit, the Company has identified high-grade Copper (Cu) ore hosted in Malachite found during surface sampling within the Mining Lease Application area. Assay results from ALS laboratories confirmed grades of up to 16.85% Cu.

High-grade Copper ore, if extensive within the Mount Dromedary project, may be of strategic interest in the battery materials and EV market supply strategy.

Since the discovery of the high-grade copper ore, the Company has undertaken further sampling and field-work to assess the extent of these Copper occurrences and awaits the analytical results in respect of the additional samples.

Photo: Malachite Sample Found at the Mount Dromedary Graphite Project Mining Area.

OUTLOOK

NOVONIX is well positioned to participate in these rapidly growing battery, electric vehicle and energy storage markets.

NOVONIX BTS expects continued strong growth in sales for its breakthrough HPC battery testing technology which helps that cut battery R&D time to weeks from years. BTS aims to grow its services business in battery testing and will commence battery cell design and prototyping services utilising its new battery manufacturing pilot line.

BTS has commenced an internal electrolyte R&D program and a next generation battery materials R&D partnership with Dalhousie University to stay at the forefront of the battery industry.

The PUREgraphite Joint Venture has now demonstrated its capability to manufacture in pilot scale high-performance EV grade battery anode materials that can deliver longer battery life. PUREgraphite is now building its first commercial scale production plant and is actively working with multiple US based beachhead customers.

PUREgraphite is now on track to commence commercial scale production and sales during the current financial year. PUREgraphite expects to be the first North American company successfully producing and selling commercial quantities of EV-grade anode battery materials in the North American market.

This will be a significant milestone for the company and the industry seeking new and alternate supply options for critical battery materials.

The Company's Board and management are excited by the opportunities we are pursuing and are actively looking for ways to accelerate, grow and diversify as we move forward.

TENEMENT LIST

Tenement	Permit Holder	Grant date	NVX Rights	Expiry date
EPM 26025	Exco Resources Limited	14/12/2015	100% (Sub-Blocks Normanton 3123 D, J, N, O and S)	13/12/2020
EPM 17323	MD South Tenements Pty Ltd (Subsidiary of NOVONIX Limited)	20/10/2010	100%	19/10/2021
EPM 17246	MD South Tenements Pty Ltd	26/10/2010	100%	25/10/2018*

*Renewal application has been lodged.

Directors' report

Your Directors present their report on the consolidated entity consisting of NOVONIX Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group.

Directors and Company Secretary

The following persons were Directors of NOVONIX Limited during the whole of the financial year and up to the date of this report:

G A J Baynton
A Bellas
P M St Baker
R Cooper
D Price (alternate for R Cooper)

Admiral R J Natter was appointed a Director on 14 July 2017 and continues in office at the date of this report.

Andrew N. Liveris was appointed as Director on 1 July 2018 and continues in office at the date of this report.

The Company Secretary is Mrs S Yeates. Mrs Yeates was appointed to the position of Company Secretary on 18 September 2015. She is a Chartered Accountant, Founder and Principal of Outsourced Accounting Solutions Pty Ltd. She holds similar positions with other public and private companies.

Principal activities

During the year, the principal activities of the Group included the development and implementation of a downstream integration strategy transforming the business into a supplier of advanced battery materials, equipment and services to the global Lithium-ion Battery (LIB) market.

Dividends

The Directors do not recommend the payment of a dividend. No dividend was paid during the year.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 3 – 17 of this annual report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows.

Contributed equity increased by $15,954,911 (from $22,208,494 to $38,163,405) as the result of the conversion of 17,139,788 loan notes, the issue of 4,361,861 shares to sophisticated investors, the exercise of 2,000,000 options and the payment of a sign-bonus bonus of 1,000,000 ordinary shares to the founders of NOVONIX Battery Testing Services Inc.

The net cash received from the increase in contributed equity was used principally to finance the establishment of the group's battery testing and materials businesses.

There were no other significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results of operations

Comments on likely developments and expected results of operations are included in the review of operations and activities on pages 3 – 17.

Events since the end of the financial year

Since the end of the financial year the NOVONIX Limited has issued 9,166,667 unsecured convertible loan notes to sophisticated investors at $0.60 each raising $5,500,000. The loan notes have a coupon interest rate of 10% per annum capitalised over a term of 24 months.

Environmental regulation

The Group is subject to significant environmental regulation in respect of its mining, exploration and development activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

Information on Directors

The following information is current as at the date of this report.

A Bellas. *Chair – non-executive*	
Experience and expertise	Tony was appointed as Chair of the Company on 11 August 2015. He brings almost 30 years of experience in the public and private sectors. Tony was previously CEO of the Seymour Group, one of Queensland's largest private investment and development companies. Prior to joining the Seymour Group, Tony held the position of CEO of Ergon Energy, a Queensland Government-owned corporation involved in electricity distribution and retailing. Before that, he was CEO of CS Energy, also a Queensland Government-owned corporation and the State's largest electricity generation company, operating over 3,500 MW of gas-fired and coal-fired plant at four locations. Tony had a long career with Queensland Treasury, achieving the position of Deputy Under Treasurer. Tony is a director of the listed companies shown below and is also a director of Loch Exploration Pty Ltd, Colonial Goldfields Pty Ltd and West Bengal Resources (Australia) Pty Ltd.
Other current directorships	Chairman of Corporate Travel Management Ltd, ERM Power Ltd, Shine Limited and State Gas Limited. Chairman of the Endeavour Foundation.
Former listed directorships in last 3 years	None.
Special responsibilities	Chairman of the Board Member of the Audit Committee
Interests in shares and options	3,929,354 ordinary shares

P M St Baker. *Managing Director*	
Experience and expertise	Mr St Baker was previously the Managing Director and CEO of ERM Power Limited for eight years until October 2014 during which time the company transformed from a private power development company into one of Australia's fastest growing diversified energy companies with an annual turnover growing from $10million to over $2 billion. Mr St Baker oversaw the development of ERM Power's retail sales and gas exploration business and the expansion of its power generation business. Prior to joining ERM Power, Mr St Baker had a 16 year career with BHP Billiton. His focus there was on delivering improved operational performance.
Other current directorships	Non-executive Director of ERM Power Limited.
Former listed directorships in last 3 years	Managing Director of ERM Power Limited.
Special responsibilities	Managing Director
Interests in shares and options	9,976,903 ordinary shares 895,833 performance rights 5,000,000 options

G A J Baynton. *Executive Director*	
Experience and expertise	Mr Baynton founded Graphitecorp in April 2012. He has been a Director of Australian exploration companies for over 19 years. He is founder and Executive Director of investment and advisory firm, Orbit Capital. Mr Baynton has experience in investment banking, merchant banking, infrastructure investment, IPOs, public company directorships, Queensland Treasury and the Department of Mines and Energy. He is a Fellow of the Geological Society of London.
Other current directorships	Non-executive Director of Superloop Limited (ASX: SLC) and Executive Director of State Gas Limited.
Former listed directorships in last 3 years	Asia Pacific Data Centre Group (ASX:AJD) – resigned 04/02/2015
Special responsibilities	Member of the Audit Committee
Interests in shares and options	29,561,827 ordinary shares

R Cooper. *Non-Executive Director*	
Experience and expertise	Mr Cooper is a mining engineer with more than 25 years' industry experience, having held leadership roles across a diverse range of commodities, both in Australia and overseas. He has a broad foundation of operating and technical experience in both operations and project development. Mr Cooper has previously held leadership positions with BHP Billiton as General Manager of Leinster Nickel Operations within Nickel West, and as Asset President of Ekati Diamonds in Canada. He more recently held positions with Discovery Metals as General Manager-Operations in Botswana and as General Manager-Development in their Brisbane office. Robert is currently the CEO of Round Oak Minerals Pty Limited (formerly CopperChem Pty Limited), a 100% owned subsidiary of the Washington H Soul Pattinson Group of companies.
Other current directorships	Non-executive Director of Syndicated Metals Limited and Verdant Minerals Limited.
Former listed directorships in last 3 years	None.
Special responsibilities	Chairman of the Audit Committee.
Interests in shares and options	200,000 ordinary shares

D Price. *Alternative Non-Executive Director*	
Experience and expertise	Dean has over 17 years of corporate finance experience practising in the areas of mergers & acquisitions, capital raising and restructuring. Dean is currently an executive director of Pitt Capital Partners, a wholly owned subsidiary of Washington H Soul Pattinson & Company Limited and is responsible for generating investment ideas, sourcing new investment opportunities and working with portfolio companies to grow those businesses.
Other current directorships	None.
Former listed directorships in last 3 years	None.
Special responsibilities	None.
Interests in shares and options	None.

Admiral R J Natter. *Non-Executive Director*	
Experience and expertise	Robert Natter retired from active military service a decade ago and now has more than 10 years of experience in both the government and private sectors in the North American market. In his Navy career, Robert Natter served as the Commander of the U.S. Seventh Fleet operating throughout Asia and the Indian Ocean; Commander in Chief of the U.S Atlantic Fleet; and the first Commander of U.S. Fleet Forces, overseeing all Continental U.S. Navy bases, facilities and training operations. He is currently Chairmen of the U.S. Naval Academy Alumni Association, serves on the Board of BAE Systems, Inc (the U.S. based subsidiary of BAE Systems Plc) and on the Board of Allied Universal (a privately held US based security company with 140,000 employees). He was on the Board of the National U.S. Navy Seal Museum and was Chairman of G4S Government Solutions Inc.
Other current directorships	Non-executive Director of Corporate Travel Management Limited.
Former listed directorships in last 3 years	None.
Special responsibilities	None.
Interests in shares and options	750,000 ordinary shares 750,000 options

Andrew N. Liveris. *Non-Executive Director*	
Experience and expertise	A recognized global business leader with more than 40 years at the Dow Chemical Company, Mr Liveris' career has spanned roles in manufacturing, engineering, sales, marketing, and business and general management around the world. During more than a decade as Dow's CEO, Liveris has led the Company's transformation from a cyclical commodity chemicals manufacturing company into a global specialty chemical, advanced materials, agro-sciences and plastics company.
Other current directorships	Non-executive director of Saudi Arabian Oil Company (Saudi Aramco) and Worley Parsons Limited (ASX: WOR).
Former listed directorships in last 3 years	Executive Chairman of DowDuPont Inc (NYSE: DEDO). Non-executive director of International Business Machines (IBM) Corporation (NYSE: IBM),
Special responsibilities	None.
Interests in shares and options	2,007,574 ordinary shares 5,000,000 options

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Audit Committee	
	A	**B**	**A**	**B**
A Bellas	10	10	2	2
G A J Baynton	10	10	2	2
P M St Baker	10	10	-	-
R Cooper	10	10	2	2
Admiral R J Natter	10	10	-	-
D Price	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration report (Audited)

The Directors present the NOVONIX Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report

(b) Remuneration policy and link to performance

(c) Elements of remuneration

(d) Link between remuneration and performance

(e) Remuneration expenses for executive KMP

(f) Contractual arrangements for executive KMP

(g) Non-executive Director arrangements

(h) Additional statutory information

(a) Key management personnel covered in this report

Non-executive and Executive Directors (see pages 20 to 24 for details about each Director)
A Bellas (Non-executive Chairman) G A J Baynton (Executive Director) P M St Baker (Managing Director) R Cooper (Non-executive Director) R Natter (Non-executive Director) D Price (Alternate non-executive Director)

Other key management personnel

Name	*Position*
J C Burns (appointed 2 June 2017)	CEO – Materials and Testing Business
D A Stevens (appointed 2 June 2017)	CTO – Materials and Testing Business
N Liveris (appointed 28 July 2017)	Vice President – Business Development

Changes since the end of the reporting period
Andrew Liveris was appointed as a non-executive director on 1 July 2018.

(b) Remuneration policy and link to performance

The role of a remuneration committee is performed by the full Board of Directors. The board reviews and determines the remuneration policy and structure annually to ensure it remains aligned to business needs, and conforms with our remuneration principles. In particular, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- align with shareholder interests and are acceptable to shareholders

Remuneration report (continued)

Element	Purpose	Performance metrics	Potential value	Changes for FY 2018
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	None.
STI	Reward for in-year performance	Based on individual KPI's.	100% of base salary (if bonus paid in cash) 150% of base salary (if bonus paid in shares)	Introduction of STI's.
LTI	Alignment to long-term shareholder value	Market price and performance vesting conditions	Variable subject to share price.	None.

Balancing short-term and long-term performance

Annual incentives are set at a maximum of 100% of base salary (150% if paid in shares) in order to drive performance.

Long term incentives are assessed periodically and are designed to promote long-term stability in shareholder returns.

Assessing performance

The board of directors is responsible for assessing performance against KPIs and determining the STI and LTI to be paid.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Executives receive their fixed remuneration as cash. FR is reviewed annually and is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The board has the flexibility to take into account capability, experience, value to the organisation and performance of the individual. The Group has not engaged an external remuneration consultant during FY2018.

Superannuation is included in FR for executives. In FY 2018, fixed remuneration was not increased.

(ii) Short term incentives

Short term incentives for all key management personnel have been implemented for FY2018. All KMP are eligible to receive a cash bonus of up to 100% of their base salary at the end of the financial year subject to the executive achieving the KPIs set for them during the financial year.

The Company reserves the right to pay any STI cash bonus by way of an issue of fully paid ordinary shares at the board of director’s sole discretion. If the Company determines that the cash bonus is to be paid in shares, the value of the shares the executive shall receive will be calculated at 150% of the cash bonus amount. For the purpose of calculating the number of shares to be issued to the executive, the issue price of the shares shall be based on the 10 day volume weighted average price of shares.

If an executive does not achieve each of the KPIs during the financial year, the Managing Director shall determine the appropriate pro rate STI cash bonus to be received by the Executive. The Board of Directors shall make this determination for both the Managing Director and the Executive Director.

Structure of the short-term incentive plan

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td>Max opportunity</td><td colspan="4">KMP executives: 100% of fixed remuneration if paid in cash; 150% of fixed remuneration if paid in shares.</td></tr>
<tr><td rowspan="5">Performance metrics</td><td colspan="4">The STI metrics align with our strategic priorities.</td></tr>
<tr><th>Metric</th><th>Target</th><th>Weighting</th><th>Reason for selection</th></tr>
<tr><td>PUREgraphite production and expansion targets</td><td>June 2018</td><td>40%</td><td>Focus of the groups growth strategy.</td></tr>
<tr><td>Battery Technology Services business expansion and product development targets</td><td>June 2018</td><td>30%</td><td>Focus of the groups growth strategy.</td></tr>
<tr><td>Execution of business strategy, and management of operations, including investor communications.</td><td>Ongoing</td><td>30%</td><td>Focus on the groups growth strategy and shareholder value.</td></tr>
<tr><td>Delivery of STI</td><td colspan="4">STI awarded in cash will be paid after the end of the financial year. STI awarded in shares will be awarded as soon as practical after the end of the financial year, and where subject to shareholder approval, after shareholder approval is received.</td></tr>
<tr><td>Board discretion</td><td colspan="4">The Board has discretion to adjust remuneration outcomes up or down to avoid any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.</td></tr>
</table>

(iii) Long-term incentives

Executive KMP participate, at the board’s discretion, in the Long Term Incentive Program (“LTIP”) comprising one off grants of options or performance rights, with varying vesting conditions. The company does not have a formal LTIP, rather incentives are awarded at the discretion of the Board.

Performance Rights

During FY 2018, 750,000 performance rights were granted to Executives (500,000 to Chris Burns, 250,000 to David Stevens). A further 1,750,000 performance rights were granted to Directors and

Executives, and these are subject to shareholder approval (1,000,000 to Philip St Baker, 500,000 to Greg Baynton, and 250,000 to Nick Liveris). The performance rights expire on 1 January 2025. These performance rights vest on 1 January 2020 subject to the following performance related vesting conditions:

- The executive remains employed in the capacity of an executive as at the vesting date;
- 1,000 tonnes of sales contracts for PUREgraphite anode material;
- Production capability of 1,000 tonnes per annum at PUREgraphite;
- Expansion to 10,000 tonnes per annum planned and costed ready for final investment decision with funding plan;
- Maintained or exercised rights to increase the Group's interest in PUREgraphite by 25%;
- Sales revenue for NOVONIX Battery Testing Services, Inc. exceeding CAD$3 million in any 12 month period; and
- The 10 day VWAP of NOVONIX's shares exceeds $1.575 at the vesting date.

In the event that not all vesting conditions are satisfied, but the overall performance of the Company and the Executive has been high, the board can award a portion of the long-term incentive on a discretionary basis.

Options

During FY2018, 1,700,000 options were granted to Directors. 950,000 of the options granted during FY 2018 are subject to shareholder approval at the 2018 AGM. Refer to the table on page 32.

(d) Link between remuneration and performance

During the year, the Group has generated losses from its principal activities supplying advanced battery materials, equipment and services to the global LIB battery market. As the Company is still growing the business, the link between remuneration, Company performance and shareholder wealth is difficult to define. Share prices are subject to the influence of fluctuation in the world market price for graphite and general market sentiment towards the sector, and, as such, increases or decreases may occur quite independently of Executive performance.

Given the nature of the Group's activities and the consequential operating results, no dividends have been paid. There have been no returns of capital in the current or previous financial periods. The details of market price movements are as follows:

	Share price
Year end 30 June 2018	$0.61
Year end 30 June 2017	$0.75
Year end 30 June 2016	$0.35
IPO price - 2 December 2015	$0.20

(e) Remuneration expenses for executive KMP

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (continued)

Name	Year	Fixed remuneration			Variable remuneration			Total
		Cash salary	Post- employment benefits	Sign-on bonus	STI	Performance rights*	Options*	
Executive Directors								
G A J Baynton	**2018**	91,324	8,676	-	-	16,572	-	116,572
	2017	91,324	8,676	-	-	-	-	100,000
P M St Baker	**2018**	122,318	11,620	-	-	34,101	517,757	685,796
	2017	136,986	13,014	-	-	1,914	2,702,261	2,854,175
Other key management personnel (group)								
C Burns (from 2/06/17)	**2018**	203,249	-	-	79,337	16,572	922,413	1,221,571
	2017	16,667	-	875,988^	-	-	7,581	900,236
D Stevens (from 2/06/17)	**2018**	203,249	-	-	79,337	8,286	922,413	1,213,285
	2017	16,667	-	875,988^	-	-	7,581	900,236
N Liveris (from 28/07/17)	**2018**	178,451	16,167	9,406	38,875	9,039	394,349	646,287
	2017	-	-	-	-	-	-	-
Non-executive Director								
A Bellas	**2018**	50,000	4,750	-	-	-	96,466	151,216
	2017	50,000	4,750	-	-	-	-	54,750
R Cooper (from 31/10/16)	**2018**	30,000	2,850	-	-		25,724	58,574
	2017	20,000	1,900	-	-	-	-	21,900
R Natter (from 14/07/17)	**2018**	30,000	-	-	-	-	559,145	589,145
	2017	-	-	-	-	-	-	-
D Price (from 31/10/16)	**2018**	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Total KMP remuneration expensed	**2018**	908,591	44,063	9,406	197,549	84,570	3,438,267	4,682,446
	2017	331,644	28,340	1,751,976	-	1,914	2,717,423	4,831,297

* Performance rights and options granted under the executive performance rights and options plan are expensed over the performance period, which includes the year in which the rights and options are granted and the subsequent vesting period.

^ C Burns and D Stevens were both entitled to be paid sign-on bonuses per their contracts. The sign-on bonuses consisted of cash payments of CAD$500,000 to each of them and the issue of 500,000 ordinary shares in NOVONIX Limited to each of them.

Remuneration report (continued)

(f) Contractual arrangements with executive KMP's

Component	Philip St Baker	Greg Baynton	Chris Burns & David Stevens	Nick Liveris
Fixed remuneration	$150,000 (part-time) Inclusive of superannuation.	$100,000 (part-time) Inclusive of superannuation	$203,249 (CAD $200,000)	$193,518 (USD$150,000)
Contract duration	Ongoing contract	Ongoing contract	Ongoing contract	Ongoing contract
Notice by the individual / company	6 months	6 months	12 months	12 months

(g) Non-executive Director arrangements

The non-executive chairman receives fees of $50,000 per annum plus superannuation. Other non-executive directors receive $30,000 per annum plus superannuation. Fees are reviewed annually by the board taking into account comparable roles. The current base fees were reviewed with effect from 1 December 2015.

The maximum annual aggregate non-executive Directors' fee pool limit is $250,000 and was set out in the 2015 Prospectus.

All Non-executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration relevant to the office of Director.

(h) Additional statutory information

(i) Performance based remuneration granted and forfeited during the year

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of options and performance rights that were granted, exercised and forfeited during FY 2018. The number of options and performance rights and percentages vested/forfeited for each grant are disclosed in section (iv) on pages 33 to 34 below.

Philip St Baker and Greg Baynton were both awarded STI's relating to FY 2018 of 39%, however both have decided to forfeit their awarded STI.

Remuneration report (continued)

	Total STI bonus							
	Total opportunity				LTI performance rights		LTI Options	
	If paid in cash	If paid in shares	Awarded %	Forfeited %	Value granted* $	Value exercised ** $	Value granted* $	Value exercised *** $
2018								
P M St Baker	150,000	225,000	-	100%	165,000^	600,000	-	1,200,000
G A J Baynton	100,000	150,000	-	100%	82,500^	-	-	-
A Bellas	-	-	-	-	-	-	306,250^	-
R Cooper	-	-	-	-	-	-	81,667^	-
R Natter	-	-	-	-	-	-	684,105	-
C Burns	203,249	304,874	39%	61%	82,500	-	-	-
D Stevens	203,249	304,874	39%	61%	41,250	-	-	-
N Liveris	99,993	149,990	39%	61%	45,000^	-	851,700^	-

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options and performance rights granted during the year as part of remuneration. For the performance rights, the value granted is based on an estimate of the number of performance rights expected to vest.

** The performance rights exercised were cash settled and the value exercised represents the cash amount paid. The cash settled amount was determined by reference to the market value of the underlying share at the date of exercise of the performance rights.

*** The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

^ The value granted represents an estimate of the fair value of the share-based payment as the options will not be formally granted until shareholder approval is obtained at the 2018 Annual General Meeting of shareholders.

(iii) Terms and conditions of the share-based payment arrangements

Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Remuneration report (continued)

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% vested
21/10/2016	21/10/2016	31/12/2017	$0.30	$0.41	100%	100%
21/10/2016	25/07/2017	30/06/2019	$0.30	$0.49	100%	100%
21/10/2016	17/10/2017	30/06/2019	$0.30	$0.47	100%	100%
27/6/2017	02/06/2019	Cessation of employment	$0.74*	$0.59	-	-
21/11/2017	21/11/2017	14/07/2020	$0.80	$0.93	100%	100%
21/11/2017	14/07/2018	14/07/2020	$0.95	$0.91	-	-
21/11/2017	14/07/2019	14/07/2020	$1.10	$0.90	-	-
22/11/2018**	22/11/2018**	06/03/2023	$0.90	$0.44^	-	-
22/11/2018**	06/03/2019	06/03/2023	$1.20	$0.40^	-	-
22/11/2018**	06/03/2020	06/03/2023	$1.40	$0.39^	-	-
22/11/2018**	28/07/2019	Cessation of employment	$0.80	$0.57^	-	-

^ The value per option at grant date represents an estimate of the fair value of the options as they will not be formally granted until shareholder approval is obtained at the 2018 Annual General Meeting of shareholders.
* The exercise price was modified at the 2017 Annual General Meeting of Shareholders.
** Subject to shareholder approval at the Annual General Meeting of Shareholders scheduled for 22 November 2018

The number of options over ordinary shares in the Company provided as remuneration to key management personnel is shown in the table below on page 33. The options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share of NOVONIX Limited.

Performance rights

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

	Grant date	Vesting date	Grant date value
P M St Baker	1/12/2015	31/12/2016	$0.003
P M St Baker	1/12/2015	31/12/2017	$0.003
P M St Baker	22/11/2018*	01/01/2020	$0.33
G A J Baynton	22/11/2018*	01/01/2020	$0.33
C Burns	13/02/2018	01/01/2020	$0.33
D Stevens	13/02/2018	01/01/2020	$0.33
N Liveris	22/11/2018*	01/01/2020	$0.36

* Subject to shareholder approval at the Annual General Meeting of Shareholders scheduled for 22 November 2018

The number of performance rights over ordinary shares in the Company provided as remuneration to key management personnel is shown on page 34. The performance rights carry no dividend or voting rights. See page 28 above for conditions that must be satisfied for the performance rights to vest.

When exercisable, each performance right is convertible into one ordinary share of NOVONIX Limited.

If an executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

Remuneration report (continued)

(iv) Reconciliation of options, performance rights, ordinary shares and loan notes held by KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2018. No options were forfeited during the year.

Options

2018 Name & Grant dates	Balance at the start of the year		Granted as compensation	Vested		Exercised	Balance at the end of the year	
	Unvested	Vested		Number	%		Vested and exercisable	Unvested
R Natter 21 Nov 2017	-	-	750,000	250,000	33%	-	250,000	500,000
P M St Baker 21 October 2016	5,000,000	2,000,000	-	5,000,000	100%	(2,000,000)	5,000,000	-
C Burns 27 June 2017	3,000,000	-	-	-	-		-	3,000,000
D Stevens 27 June 2017	3,000,000	-	-	-	-		-	3,000,000

The amounts paid per ordinary share on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
29/12/2017	$0.30

No amounts are unpaid on any shares on issued on the exercise of options.

Remuneration report (continued)

The table below shows how many performance rights were granted and vested during the year. No performance rights were forfeited during the year.

Performance rights

Name	Year granted	Balance at the start of the year		Vested during the year	Exercised during the year	Granted as compensation	Balance at the end of the year		Maximum value yet to vest*
		Unvested	Vested				Unvested	Vested	$
P M St Baker	2016	750,000	812,500	750,000	(666,667)^	-	-	895,833	-
C Burns	2018	-	-	-	-	500,000	500,000	-	65,928
D Stevens	2018	-	-	-	-	250,000	250,000	-	32,964

* The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the rights that are yet to be expensed. The minimum value of deferred shares yet to vest is nil, as the shares will be forfeited if the vesting conditions are not met.

^ The performance rights exercised were cash settled.

Shareholdings

2018 Name	Balance at the start of the year	Received during the year on conversion of Loan Notes	Received on the exercise of options	Other changes during the year	Balance at the end of the year
Ordinary shares					
A Bellas	3,929,354	-	-	-	3,929,354
G A J Baynton	29,561,827	-	-	-	29,561,827
P M St Baker	7,976,903	-	2,000,000	-	9,976,903
R Cooper	-	100,000	-	100,000	200,000
R Natter	-	-	-	750,000	750,000
D Price	-	-		-	-
C Burns #	1,265,968	-		500,000	1,765,968
D Stevens #	2,109,948	-		500,000	2,609,948
N Liveris					

C Burns and D Stevens were both entitled to be paid sign-on bonuses per their contracts. The sign-on bonuses included the issue of 500,000 ordinary shares in NOVONIX Limited to each of them. These shares were issued on 4 July 2017.

Remuneration report (continued)

Loan Notes

2018 Name	Balance at the start of the year	Loan Notes issued	Loan notes converted to ordinary shares	Balance at the end of the year
Loan notes				
A Bellas	-	-	-	-
G A J Baynton	-	-	-	-
P M St Baker	-	-	-	-
R Cooper	100,000	-	(100,000)	-
D Price	-	-	-	-
C Burns	-	-	-	-
D Stevens	-	-	-	-
N Liveris	-	-	-	-

(v) Other transactions with key management personnel

During the financial year, Philip St Baker was paid rent totalling $33,543 (USD$26,000), for the use of property owned by Mr St Baker in Colorado, USA. Mr St Baker's salary has been reduced accordingly to reflect the additional benefit Mr St Baker is receiving.

There have been no other transactions with key management personnel.

End of remuneration report (audited)

Shares under option and performance rights

Unissued ordinary shares

Unissued ordinary shares of NOVONIX Limited under option at the date of this report are as follow:

Date options granted	Expiry date	Exercise price	Number under option
21 October 2016	30 June 2019	$0.30	3,000,000
21 October 2016	30 June 2019	$0.30	2,000,000
23 February 2017	7 April 2020	$0.60	450,000
27 June 2017	Cessation of employment	$0.74	6,000,000
14 July 2017	14 July 2022	$0.90	525,000
20 December 2017	1 September 2019	$0.60	800,000
21 November 2017	14 July 2020	$0.80	250,000
21 November 2017	14 July 2020	$0.95	250,000
21 November 2017	14 July 2020	$1.10	250,000
21 November 2017	1 July 2021	$0.66	5,000,000
7 February 2018	7 February 2023	$0.785	200,000

Unissued ordinary shares of NOVONIX Limited under performance right at the date of this report total 1,645,833. 895,833 of these performance rights were the performance rights granted as remuneration to Mr St Baker during previous years. The remaining 750,000 performance rights were granted to KMP during the current financial year. Details of the performance rights granted to key management personnel are disclosed on page 34 above.

No performance right holder or option holder has any right to participate in any other share issue of the Company or any other entity.

No options or performance rights have been granted to the Directors of the Company since the end of the financial year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, NOVONIX Limited paid a premium of $36,909 to insure the Directors and secretaries of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(b) Indemnity of auditors

NOVONIX Limited has not agreed to indemnify their auditors.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2018	2017
	$	$
Taxation services		
Research and development tax concession services	-	6,500
Total remuneration for taxation / non-audit services	-	6,500

The auditor of NOVONIX Limited in FY2018 is PricewaterhouseCoopers. The auditor of NOVONIX Limited in FY2017 was BDO Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditors independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38.

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

A Bellas
Chairman

Brisbane
28 September 2018

Auditor's Independence Declaration

As lead auditor for the audit of Novonix Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Novonix Limited and the entities it controlled during the period.

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
28 September 2018

PricewaterhouseCoopers, ABN 52 780 433 757
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Corporate governance statement

NOVONIX Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. NOVONIX Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2018 corporate governance statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the board on 28 September 2018. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at https://www.novonixgroup.com/governance/.

NOVONIX LIMITED

ABN 54 157 690 830

Annual financial report – 30 June 2018

These financial statements are consolidated financial statements for the Group consisting of NOVONIX Limited and its subsidiaries. A list of major subsidiaries is included in note 25.

The financial statements are presented in the Australian currency.

NOVONIX Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

NOVONIX Limited
Level 12, 114 Edward Street
Brisbane QLD 4000

All press releases, financial reports and other information are available at our website: www.novonixgroup.com.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Notes	Consolidated 2018 $	2017 $
Continuing operations			
Revenue	3	2,171,895	80,807
Other income	3	231,522	114,037
Cost of goods sold		(957,832)	(69,970)
Administrative and other expenses		(1,169,031)	(329,600)
Borrowing costs		(662,693)	(735,844)
Depreciation and amortisation expenses		(154,251)	(5,323)
Marketing and project development costs		(354,312)	(223,820)
Share based compensation	4	(6,315,899)	(3,577,970)
Employee benefits expense		(1,656,613)	(1,330,498)
Share of net losses of joint ventures	17	(1,442,770)	(205,010)
Loss before income tax expense		(10,309,984)	(6,283,191)
Income tax (expense) benefit	5	(13,398)	147,562
Loss from continuing operations		(10,323,382)	(6,135,629)
Other comprehensive income for the period, net of tax			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		140,644	(36)
Total comprehensive loss for the period		(10,182,738)	(6,135,665)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	(8.9 cents)	(7.5 cents)
Diluted earnings per share	8	(8.9 cents)	(7.5 cents)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 30 June 2018

		Consolidated	
		2018	2017
	Notes	**$**	$
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdrafts)	11	396,224	2,415,124
Trade and other receivables	12	811,217	377,371
Inventory	13	646,143	318,695
Total current assets		1,853,584	3,111,190
Non-current assets			
Property, plant and equipment	14	2,441,418	150,382
Exploration and evaluation assets	15	13,253,083	12,663,397
Investment in Joint Venture	17	11,643,550	13,086,320
Intangible assets	16	5,027,964	4,951,583
Other assets		8,040	12,500
Total non-current assets		32,374,055	30,864,182
Total assets		34,227,639	33,975,372
LIABILITIES			
Current liabilities			
Trade and other payables	18	886,144	3,917,990
Borrowings	19	86,886	9,216,621
Total current liabilities		973,030	13,134,611
Non-current liabilities			
Borrowings	19	1,645,776	-
Total non-current liabilities		1,645,776	-
Total liabilities		2,618,806	13,134,611
Net assets		31,608,833	20,840,761
EQUITY			
Contributed equity	20	38,163,405	22,208,494
Reserves	21	11,152,174	6,015,631
Accumulated losses		(17,706,746)	(7,383,364)
Total equity		31,608,833	20,840,761

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

Consolidated statement of changes in equity
For the year ended 30 June 2018

Consolidated Group	Contributed equity $	Accumulated losses $	Reserves: Share based payments reserve $	Reserves: Foreign currency translation reserve $	Reserves: Convertible loan note reserve $	Total $
Balance at 1 July 2016	3,948,983	(1,247,735)	11,577	-	-	2,712,825
Loss for the period	-	(6,135,629)	-	-	-	(6,135,629)
Other comprehensive income	-	-	-	(36)	-	(36)
Total comprehensive income	-	(6,135,629)		(36)	-	(6,135,665)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	18,259,511	-	-	-	-	18,259,511
Equity component of convertible notes, net of transaction costs	-	-	-	-	2,426,120	2,426,120
Share-based payments	-	-	3,577,970	-	-	3,577,970
Balance at 30 June 2017	22,208,494	(7,383,364)	3,589,547	(36)	2,426,120	20,840,761
Loss for the period	-	(10,323,382)	-	-	-	(10,323,382)
Other comprehensive income	-	-	-	140,644	-	140,644
Total comprehensive income	-	(10,323,382)	-	140,644	-	(10,182,738)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	15,954,911	-	-	-	-	15,954,911
Share-based payments	-	-	4,995,899	-	-	4,995,899
Balance at 30 June 2018	38,163,405	(17,706,746)	8,585,446	140,608	2,426,120	31,608,833

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

Consolidated statement of cash flows
For the year ended 30 June 2018

	Notes	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (GST inclusive)		2,433,227	269,825
Payments to suppliers and employees (GST inclusive)		(6,250,532)	(1,250,862)
Interest received		6,734	5,685
Income taxes paid		(18,673)	-
Payment of borrowing costs		(48,311)	-
Net cash outflow from operating activities	24	(3,877,555)	(975,352)
Cash flows from investing activities			
Payments for exploration assets		(565,280)	(1,444,137)
Research and development tax incentive received		-	503,984
Net outflow from the acquisition of NOVONIX Battery Testing Services Inc.		-	(3,031,540)
Payments for investments in joint ventures		(2,561,858)	(10,534,999)
Payments / refunds of security deposits		4,476	(12,500)
Payments for property, plant and equipment		(2,231,602)	-
Net cash outflow from investing activities		(5,354,264)	(14,519,192)
Cash flows from financing activities			
Proceeds on issue of shares		5,580,939	300,000
Proceeds on issue of loan notes (net of expenses)		-	15,988,098
Payment of capital raising costs		(166,834)	(44,427)
Proceeds from borrowings		1,826,854	-
Repayment of borrowings		(31,339)	-
Net cash inflow from financing activities		7,209,620	16,243,671
Net increase (decrease) in cash and cash equivalents		(2,022,199)	749,127
Effects of foreign currency		(27,333)	243
Cash and cash equivalents at the beginning of the year		2,415,124	1,665,754
Cash and cash equivalents at the end of the year	11	365,592	2,415,124

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

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the consolidated entity achieved a net loss of $10,323,382 (2017: $6,135,629) and net operating cash outflows of $3,877,555 (2017: $975,352) for the year ended 30 June 2018. As at 30 June 2018, the consolidated entity has cash of $396,224 (2017: $2,415,124).

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the consolidated entity to meet its cashflow forecasts;
- the ability of the consolidated entity to raise capital as and when necessary; and
- the successful exploration and subsequent exploitation of the consolidated entity's tenements; and
- the successful and profitable growth of the battery materials and testing businesses.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the consolidated entity has a proven history of successfully raising funds which included the Loan Note issue during the prior year raising $16 million and loan notes issued since year end raising $5.5 million;
- The directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

The financial statements were authorised for issue by the Directors on 28 September 2018. The Directors have the power to amend and reissue the financial statements.

a. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NOVONIX Limited ('Company' or 'Parent Entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. NOVONIX Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Note 1 Summary of significant accounting policies (continued)

With limited exceptions, all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the profit and loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value, as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

b. Income tax

The income tax expense or benefit for the period is the tax payable on that period’s taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

b. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

c. Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sales of Goods

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Grant revenue

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

d. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

e. Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

f. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the balance sheet.

g. Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

h. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Costs are assigned to individual items of inventory on the basis of weighted average costs.

i. Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

An impairment charge is recognised when the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

j. Loan notes

Loan notes are initially measured at fair value less transaction costs.

Amortised cost is calculated as the amount at which the loan note is measured at initial recognition less principal repayments, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Non-derivative financial liabilities, other than financial guarantees, are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when then financial liability is derecognised.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

k. Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	25 years
Plant and equipment	2 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

l. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1 Summary of significant accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using various valuation methods including Black Scholes, Binomial and the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expect price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Share-based payment expenses are recognised over the period during which the employee provides the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the earlier estimate is revised so that the amount recognised for services received is ultimately based on the grant date fair value of the equity instruments.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

n. Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o. Investments in Joint Venture

Interests in joint ventures are accounting for using the equity method, after initially being recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the joint venture. Any discount on acquisition, whereby the Group's share of the net fair value of the joint venture exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. When the joint venture subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

p. Impairment of Non-Financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the assets carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

q. Intangible Assets Other than Goodwill

Brand Name

Brand names are recognised at fair value on the date of acquisition. They have a finite life and are subsequently carried at cost less any accumulated amortisation and any impairment losses. Brand names are amortised over their useful life of 10 years.

Technology

Technology is recognised at fair value on the date of acquisition. It has a finite life and is subsequently carried at cost less any accumulated amortisation and any impairment losses. Technology is amortised over its useful life of 5 years.

r. Goodwill

Goodwill acquired on a business combination is initially measured at cost, being the excess of the consideration transferred for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (refer note 10).

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Disposed goodwill in this circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Note 1 Summary of significant accounting policies (continued)

s. Borrowing costs

Borrowing costs are recognised in the profit or loss in the period in which they are incurred.

t. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measure at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at the average exchange rates for the period; and
- Accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the balance sheet. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

Note 1 Summary of significant accounting policies (continued)

u. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of NOVONIX Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

v. Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

w. New and Amended Accounting Policies Adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has undertaken as assessment of the potential impact of this new standard and at this stage, does not expect there to be a material impact on the Group's results.

AASB 15 *Revenue from Contracts with Customers*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the group's financial statements and has concluded that there are no areas that will be affected.

AASB *16 Leases*

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Management has assessed the effects of applying the new standard and as the Company does not have any leases currently, there will be no impact.

x. Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Notes to the financial statements for the year ended 30 June 2018

Note 1 Summary of significant accounting policies (continued)

x. Critical accounting estimates and judgements (continued)

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group intend to commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Value of intangible assets relating to acquisitions

The Group has allocated portions of the cost of acquisitions to brand name and technology intangibles, valued using the multi-period excess earnings method. These calculations require the use of assumptions including future customer retention rates and cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This assessment requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a binomial or Monte Carlo option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions, including share price volatility, interest rates and vesting periods would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact the profit or loss and equity.

Carrying value of investments in joint ventures

The Group has a 50% interest in PUREgraphite LLC. It has joint control over that entity but does not have control. Therefore, the investment is classified as a joint venture and is accounted for using the equity method.

Notes to the financial statements for the year ended 30 June 2018

Note 2 Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	Notes	**2018** $	201 $
Balance sheet			
ASSETS			
Current assets			
Cash and cash equivalents		386,272	1,799,269
Trade and other receivables		102,221	133,504
Total current assets		488,493	1,932,773
Non-current assets			
Other receivables		1,907,132	-
Plant and equipment		9,015	12,989
Exploration and evaluation assets		13,253,083	12,663,397
Investments		16,257,530	19,134,728
Other assets		6,500	12,500
Total non-current assets		31,433,260	31,823,614
Total assets		31,921,753	33,756,387
LIABILITIES			
Current liabilities			
Payables		312,920	3,722,416
Borrowings		-	9,216,621
Total current liabilities		312,920	12,939,037
Total liabilities		312,920	12,939,037
Net assets		31,608,833	20,817,350
EQUITY			
Contributed equity		38,163,405	22,208,494
Reserves		11,011,566	6,015,667
Accumulates losses		(17,566,138)	(7,406,811)
Total equity		31,608,833	20,817,350
Statement of Profit or Loss and Other Comprehensive Income			
Total loss and total comprehensive loss		(10,159,327)	(6,159,076)

Notes to the financial statements for the year ended 30 June 2018

Note 2 Parent information (continued)

Guarantees

NOVONIX Limited has not entered into any guarantees, in the current or previous reporting period, in relation to the debts of its subsidiaries.

Contingent liabilities

At 30 June 2018, NOVONIX Limited did not have any contingent liabilities (2017: Nil).

Contractual commitments

At 30 June 2018, NOVONIX Limited did not have any contractual commitments (2017: Nil).

Note 3 Revenue

	Consolidated	
	2018	2017
	$	$
Revenue		
Sales of goods and services	2,171,895	80,807
Other income		
Research and development tax incentive	-	95,505
Interest received from unrelated parties	6,734	5,685
Grant funding	122,985	-
Fair value gain on borrowings	100,152	-
Other revenue	1,651	12,847
Total other income	231,522	114,037

Note 4 Loss for the year

Loss before income tax from continuing operations includes the following specific expenses:

	Consolidated	
	2018	2017
	$	$
Share based payments expense^		
Performance rights granted	84,570	-
Options granted	6,231,329	3,577,970
Total share based compensation expense	6,315,899	3,577,970
Borrowing costs		
Interest accrued on loan notes	604,183	735,844
Unwinding of fair value gain	7,279	-
Interest accrued on borrowings	51,231	-
Total borrowing costs	662,693	735,844

^ Refer to note 26 for further information regarding share-based payments.

Notes to the financial statements for the year ended 30 June 2018

Note 5 Income tax expense

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Consolidated	
	2018	2017
	$	$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(10,309,984)	(6,283,191)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(2,835,246)	(1,727,877)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	1,571,872	983,942
Share of results of joint venture	396,762	56,378
Cost base items (business combination)	-	40,678
Other non-deductible amounts	(23,137)	-
R&D tax incentive	-	(26,264)
Restate opening balances to 27.5%	-	16,383
Difference in overseas tax rate	(28,636)	(4,158)
Adjustments for current tax of prior periods	75,329	297,847
Tax losses recognised to offset DTL on identifiable intangible acquired	-	(147,562)
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	856,454	363,071
Income tax expense / (benefit)	13,398	(147,562)
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	4,971,560	1,792,717
Potential tax benefit	1,407,910	497,155
(c) Tax expense (income) recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share issue costs	-	-

Notes to the financial statements for the year ended 30 June 2018

Note 5 Income tax expense

	Consolidated	
	2018	2017
	$	$
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	2,737,891	1,469,001
Share issue costs	70,747	46,524
Accrued expenses	16,571	8,250
Total deferred tax assets	2,825,209	1,523,775
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,417,299)	(1,026,620)
Deferred tax assets not recognised	(1,407,910)	(497,155)
Net deferred tax assets	-	-
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	1,236,560	880,522
Intangibles	132,115	146,098
Property plant and equipment	48,366	-
Prepayments	258	-
Total deferred tax liabilities	1,417,299	1,026,620
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,417,299)	(1,026,620)
Net deferred tax liabilities	-	-

Unused losses which have not been recognised as an asset, will only be obtained if:

(i) the group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the group in realising the losses.

Offsetting within tax consolidated entity

NOVONIX Limited and its wholly-owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Note 6 Key Management Personnel Compensation

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	1,115,546	2,083,620
Post-employment benefits	44,063	28,340
Share-based compensation	3,522,837	2,719,337
Total KMP compensation	4,682,446	4,831,297

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chairman as well as all salary, paid leave benefits and fringe benefits paid to Executive Directors.

Post-employment benefits

These amounts are the current-year's superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, performance rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors report.

Note 7 Auditor's Remuneration

	Consolidated	
	2018	2017
	$	$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	95,000	135,508
Remuneration for non-audit services		
- R&D taxation services	-	6,500
- Investigating accountants report	-	-
	95,000	142,008

The auditor of NOVONIX Limited in FY2018 is PricewaterhouseCoopers. The auditor of NOVONIX Limited in FY2017 was BDO Audit Pty Ltd.

Notes to the financial statements for the year ended 30 June 2018

Note 8 Earnings per share

	2018	2017
	Cents	Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(8.9 cents)	(7.5 cents)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(8.9 cents)	(7.5 cents)

(c) Reconciliations of earnings used in calculating earnings per share

	2018	2017
	$	$
Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(10,323,382)	(6,135,629)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(10,323,382)	(6,135,629)

(d) Weighted average number of shares used as the denominator

	2018	2017
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	115,901,777	81,727,536

(e) Information concerning the classification of securities

Options and rights

Options and rights on issue during the year are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2018. These options and rights could potentially dilute basic earnings per share in the future. Details relating to options and rights are set out in note 26.

Notes to the financial statements for the year ended 30 June 2018

Note 9 Business Combination

In the prior financial year, on 1 June 2017, the Group acquired 100% of the shares and voting interests in Novonix Battery Testing Services Inc. This acquisition, along with the Company's interest in PUREGraphite, was made to transform the business into a supplier of advanced battery materials, equipment and services to the global LIB market. The accounting has been finalised and no material adjustments have been made during the period to the opening balance sheet of Novonix Battery Testing Services Inc.

Note 10 Impairment testing of goodwill

For the purposes of impairment testing, the cash generating unit has been defined as the business to which the goodwill relates where individual cash flows can be ascertained for the purposes of discounting future cash flows.

	Consolidated	
The carrying amount of goodwill allocated to the cash generating unit	**2018** **$**	2017 $
NOVONIX Battery Testing Services Inc	4,547,547	4,420,316

The recoverable amount of the cash generating unit has been determined based on financial budgets set for the next financial year and management's cash flow projections for subsequent years.

2018	**NOVONIX Battery Testing Services Inc**
Pre-tax nominal discount rate applied to the cashflow projection	26.4%
Cash flows beyond the next financial year, up to year 5, are extrapolated using an average growth rate of:	
Revenue (years 2 – 5)	30.0%
Operating expenses (years 2 – 5)	10.0%
Long term growth rate	1.1%

Notes to the financial statements for the year ended 30 June 2018

Note 10 Impairment testing of goodwill (continued)

Key assumptions use for value-in-use calculations for the year ended 30 June 2018

The following key assumptions were applied to the cash flow projections when determining the value-in-use:

- *Pre-tax discount rates* – reflect specific risks relating to the relevant segments and the countries in which they operate.
- *Budgeted revenue* – the basis used to determine the amount assigned to the budgeted sales volume is the average value achieved in the year immediately before the budgeted year, expected client retentions, adjusted for growth and other known circumstances.
- *Budgeted operating expenses* – the basis used to determine the amount assigned to the budgeted costs it's the average value achieved in the year immediately before the budgeted year, adjusted for growth and other known circumstances.
- *Long term growth rate* – the growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity to changes in assumptions

The recoverable amount of the Novonix Battery Testing Services Inc. cash generating unit is estimated to exceed the carrying amount of the cash generating unit at 30 June 2018 by $893,014 (2017 - $251,341).

Management recognises that there are various reasons the estimates used in these assumptions may vary. For cash generating units, there are possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The changes required to each of the key assumptions to cause the carrying value of a unit to exceed its recoverable amount are shown as follows:

	Possible change considered	Change required to indicate an impairment
Growth rates – NOVONIX Battery Testing Services Inc		
Revenue	Reduction in revenue growth rate	Decrease to 27.0%
Operating expenses	Higher labour and/or other support costs	Increase to 14.6%
Discount rate	Movement in rate	Increase to 28.7%
Long term growth rate	Movement in rate	Decrease to -4.7%

Notes to the financial statements for the year ended 30 June 2018

Note 11 Cash and cash equivalents

	Consolidated	
	2018	2017
	$	$
Cash at bank	396,224	2,415,124
	396,224	2,415,124

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2018	2017
	$	$
Balances as above	396,224	2,415,124
Bank overdrafts (see note 19 below)	(30,632)	-
Balance per statement of cash flows	365,592	2,415,124

Note 12 Trade and other receivables

	Consolidated	
	2018	2017
	$	$
Trade debtors	560,231	224,252
Other receivables	250,986	153,119
Total current trade and other receivables	811,217	377,371

Credit risk

The Group has no significant concentration of credit risk with respect to any counterparties or on a geographical basis. The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer to the transaction. Receivables that are past due are assessed for impairment.

The balance of receivables that remain within initial trade terms are considered to be of high credit quality.

Note 12 Trade and other receivables (continued)

	Gross Amount $	Past Due but Not Impaired (Days Overdue) < 30 $	31 – 60 $	61 – 90 $	> 90 $	Within initial trade terms $
2018						
Trade debtors	560,231	68,743	-	771	-	490,717
Other receivables	250,986	-	-	-	-	250,986
Total	811,217	68,743	-	771	-	741,703
2017						
Trade debtors	224,252	94,495	-	11,240	88,318	30,199
Other receivables	153,119	-	-	-	-	153,119
Total	377,371	94,495	-	11,240	88,318	183,318

Note 13 Inventory

	Consolidated 2018 $	2017 $
Raw materials and stores	335,413	95,608
Finished goods – at cost	310,730	223,087
	646,143	318,695

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2018 amounts to $957,832 (2017: $69,970). These were included in cost of sales.

Notes to the financial statements for the year ended 30 June 2018

Note 14 Property, plant and equipment

	Land $	Buildings $	Plant and equipment $	Total $
At 1 July 2016				
Cost	-	-	19,867	19,867
Accumulated depreciation	-	-	(2,905)	(2,905)
Net book amount	-	-	16,962	16,962
Year ended 30 June 2017				
Opening net book amount	-	-	16,962	16,962
Additions	-	-	-	-
Additions – Business combination	-	-	137,394	137,394
Accumulated depreciation	-	-	(3,974)	(3,974)
Closing book amount	-	-	150,382	150,382
At 30 June 2017				
Cost	-	-	206,528	206,528
Accumulated depreciation	-	-	(56,146)	(56,146)
Net book amount	-	-	150,382	150,382
Year ended 30 June 2018				
Opening net book amount	-	-	150,382	150,382
Additions	359,344	1,197,162	825,184	2,381,690
Exchange differences	-	(234)	(1,148)	(1,382)
Accumulated depreciation	-	(22,729)	(66,543)	(89,272)
Closing book amount	359,344	1,174,199	907,875	2,441,418
At 30 June 2018				
Cost	359,344	1,197,162	1,036,480	2,592,986
Accumulated depreciation	-	(22,963)	(128,605)	(151,568)
Net book amount	359,344	1,174,199	907,875	2,441,418

Note 15 Exploration and evaluation assets

	Consolidated 2018 $	2017 $
Exploration and evaluation assets – at cost	13,253,083	12,663,397
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	12,663,397	1,203,280
Expenditure incurred during the year	589,686	1,293,619
JV simplification transaction, net of transaction costs (refer note 22)	-	10,574,977
Research and development tax incentive received	-	(408,479)
Balance at the end of the year	13,253,083	12,663,397

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2018, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this, the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB *6 Exploration for and Evaluation of Mineral Resources*.

Note 16 Intangible assets

	Consolidated 2018 $	2017 $
Goodwill	4,547,547	4,420,316
Brand name	398,216	430,874
Technology	82,201	100,393
	5,027,964	4,951,583

	Goodwill $	Brand name $	Technology $	Total $
Balance at the beginning of the year	4,420,316	430,874	100,393	4,951,583
Exchange differences	127,231	11,547	2,582	141,360
Amortisation	-	(44,205)	(20,774)	(64,979)
Balance at the end of the year	4,547,547	398,216	82,201	5,027,964

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of profit or loss. Goodwill has an indefinite useful life.

Note 17 Investment in Joint Venture

During the prior financial year, NOVONIX Limited acquired a 50% interest in PUREGraphite LLC, a joint venture between the Group and one other party. The principal place of business of PUREGraphite is Chattanooga, Tenessee in the USA and the primary purpose of the joint venture is to supply advanced battery materials to the global Lithium Ion Battery (LIB) market. The investment is accounted for using the equity method. The carrying amount of the equity accounted investment at 30 June 2018 was $11,643,550.

Consideration for the acquisition was $13,291,330 (USD $10,000,000). $10,663,064 (USD$8,000,000) was settled in cash during the prior financial year and the balance of $2,658,266 (USD$2,000,000) was settled in cash during the current financial year.

NOVONIX Limited has a call option over 25% of PUREGraphite which can be exercised any time prior to 2 February 2019, by paying USD $5 million to the other party to the agreement. On exercise of this call option, NOVONIX Limited will have the right of exclusive use, at its incremental cost, of any excess capacity to the production of graphite anode material greater than 1,000 tonnes per annum.

The tables below provide summaried financial information of PUREGraphite LLC that is material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not NOVONIX Limited's share of those amounts. These have been amended to reflect adjustments made by NOVONIX Limited when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised Financial Position	**2018**	**2017**
	$	**$**
Total current assets	3,581,944	5,943,337
Total non-current assets	19,755,210	20,397,745
Total current liabilities	-	(168,442)
Net assets	23,337,154	26,172,640
Group's share (%)	50%	50%
Group's share of joint ventures net assets	11,668,577	13,086,320
Summarised Financial Performance		
Revenue	-	-
Profit / (loss) after tax from continuing operations	(2,835,486)	(410,020)
Reconciliation to Carrying Amounts		
Group's share of joint ventures opening net assets	13,086,320	-
Investments during the year	-	13,291,330
Unrealised profits from transactions with joint ventures	(25,027)	-
Group's share of joint ventures' loss after tax from continuing operations	(1,417,743)	(205,010)
Group's share of joint ventures' closing net assets (closing carrying amount of investment)	11,643,550	13,086,320

The Group has no commitments or contingent liabilities in respect of the PUREGraphite Joint Venture.

Note 18 Trade and other payables

	Consolidated 2018 $	2017 $
Unsecured liabilities:		
Trade payables	331,794	257,817
Sundry payables and accrued expenses	554,350	1,058,343
Deferred consideration (Note 17)	-	2,601,830
	886,144	3,917 ,990

During the period, an adjustment has been made to prior year balances to transfer an accrual of an equity settled sign-on bonus to the share based payments reserve. This has resulted in an adjustment of $750,000 to Sundry payables and accrued expenses and share based payments reserve.

Note 19 Borrowings

	2018			2017		
	Current $	Non-Current $	Total $	Current $	Non-Current $	Total $
Secured						
Bank overdrafts	30,632	-	30,632	-	-	-
Bank loans (i)	56,254	1,277,591	1,333,845	-	-	-
Total secured borrowings	86,886	1,277,591	1,364,477	-	-	-
Unsecured						
Loan notes (ii)	-	-	-	9,216,621	-	9,216,621
Other loans (iii)	-	368,185	368,185	-	-	-
Total unsecured borrowings	-	368,185	368,185	9,216,621	-	9,216,621
Total borrowings	86,886	1,645,776	1,732,662	9,216,621	-	9,216,621

(i) Secured liabilities and assets pledged as security

In December 2017, the group entered into a loan facility to purchase commercial land and buildings in Nova Scotia from which the Battery Testing Services business will operate. The total available amount under the facility is CAD $1,330,000 and it has been fully drawn down as at 30 June 2018. The full facility is repayable in monthly instalments, commencing 15 December 2017 and ending 15 November 2042.

The bank loan is secured by first mortgages over the group's freehold land and buildings.

The carrying amounts of non-financial assets pledged as security for current and non-current borrowings is $1,504,675 (refer note 14).

(ii) Loan notes

During the prior financial year 26,833,038 convertible loan notes were issued to sophisticated investors at $0.60 each, raising a total of $15,988,098. At 30 June 2018 there are no Loan Notes outstanding.

The initial fair value of the convertible loan note portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date.

Note 19 Borrowings (continued)

The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

Loan notes converted during the year have been recognised at the carrying value for the proportion of the debt converted as at the date of conversion.

Key Loan Note Terms

- Allowing for early conversion;
- Unsecured loan note issued at AUD$0.60 per note;
- Coupon 10% per annum capitalised over a term of 13 months;
- Convertible at the option of the holder on 1 for 1 basis;
- Redeemable by NOVONIX at any time (with 10 business days notice), subject to payment of interest on full term;
- Maturity date of 13 months after the date of issue; and
- The notes are not listed or tradeable.

Reconciliation of movements in loan note liability:

		2018 $	2017 $
Balance at the beginning of the year		9,216,621	-
Present value of liability component		-	13,656,750
Loan note issue costs		-	(94,768)
Interest accrued for the year		604,183	735,839
Loan notes converted during the year	20	(9,820,804)	(5,081,200)
Balance at the end of the year		-	9,216,621

(iii) Other loans

In December 2017, the group also entered into a contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD$500,000. As at 30 June 2018, CAD$450,000 of the facility has been drawn down. The funding is to assist with expanding the market to reach new customers through marketing and product improvements. The facility is repayable in monthly instalments commencing 1 September 2019.

(iv) Fair value

For all borrowings, other than the ACOA loan noted at (iii) above, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The ACOA loan is interest free. The initial fair value of the ACOA loan was determined using a market interest rate for equivalent borrowings at the issue date. This has resulted in a day 1 gain of $100,152.

Note 20 Contributed equity

		2018 Shares	2017 Shares	2018 $	2017 $
(a)	**Share capital**				
	Ordinary shares				
	Fully paid	123,137,680	98,636,031	38,163,405	22,208,494

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2016	Balance		69,538,047		3,948,983
October 2016	Placement shares	(d)	500,000	$0.60	300,000
	Project simplification transaction	(d)	15,528,818	$0.68	10,559,597
June 2017	Business combination consideration	(e)	3,375,916	$0.70	2,363,141
March to June 2017	Conversion of convertible notes	(c)	9,693,250	$0.60	5,081,200
	Share issue costs		-		(44,427)
30 June 2017	Balance		98,636,031		22,208,494
July to Nov 2017	Conversion of convertible notes	(c)	17,139,788		9,820,804
4 July 2017	Sign on bonus payment	(f)	1,000,000	$0.72	720,000
6 Nov 2017	Placement shares	(g)	2,854,286	$1.40	3,996,000
20 Dec 2017	Placement shares	(h)	1,507,575	$0.66	995,000
29 Dec 2017	Exercise of options	(i)	2,000,000	$0.30	600,000
	Share issue costs		-		(176,893)
30 June 2018	Balance		123,137,680		38,163,405

(c) Convertible loan notes

	2018 Number	2017 Number
Balance at the beginning of the reporting period	17,139,788	-
Issue of convertible loan notes	-	26,833,038
Convertible loan notes converted	(17,139,788)	(9,693,250)
Balance at the end of the year	-	17,139,788

The key terms of the loan notes are set out in note 19(ii).

Convertible loan notes are compound financial instruments. The present value of the liability component at initial recognition was $13,561,982. The balance of $2,426,120 was recognised in equity.

(d) Project simplification transaction

Refer note 22.

Notes to the financial statements for the year ended 30 June 2018

Note 20 Contributed equity (continued)

(e) Business Combination Consideration

Refer to note 9.

(f) Sign-on bonus

C Burns and D Stevens were both paid sign-on bonuses per their contracts. The sign-on bonuses consisted of cash payments of CAD$500,000 to each of them and the issue of 500,000 ordinary shares in NOVONIX Limited to each of them.

(g) Issue to sophisticated investors

The issue of 2,854,286 fully paid ordinary shares to sophisticated investors at an issue price of $1.40 cash.

(h) Issue to director and future director

The issue of 1,507,575 fully paid ordinary shares to Admiral Robert Natter and Mr Andrew Liveris at an issue price of $0.66 cash.

(i) Exercise of options

On 29 December 2017, Philip St Baker exercised 2,000,000 options at an exercise price of $0.30 each.

(j) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group includes equity attributable to equity holders, comprising of issued capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the company.

The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Group has no externally imposed capital requirements. The Group's strategy for capital risk management is unchanged from prior years.

Notes to the financial statements for the year ended 30 June 2018

Note 21 Reserves

	Consolidated	
	2018	2017
	$	$
Share-based payment reserve	8,585,446	3,589,547
Foreign currency translation reserve	140,608	(36)
Convertible loan note reserve	2,426,120	2,426,120
	11,152,174	6,015,631

(a) Share-based payment reserve	Consolidated	
	2018	2017
	$	$
Share-based payment reserve	8,585,446	3,589,547
Movements:		
Balance 1 July 2017	3,589,547	11,577
Cash settled share-based payments*	(600,000)	-
Equity settled sign-on bonus (note 20(f))	(750,000)	
Equity settled share-based payments	6,345,899	3,577,970
Balance 30 June 2018	8,585,446	3,589,547

** During the financial year, the directors exercised their discretion and settled 666,667 vested performance rights in cash instead of shares.*

The share-based payment reserve records items recognised as expenses on valuation of director, employee and contractor options and performance rights.

(b) Foreign currency translation reserve	Consolidated	
	2018	2017
	$	$
Foreign currency translation reserve	140,608	(36)
Movements:		
Balance 1 July 2017	(36)	-
Exchange differences on translation of foreign operations	140,644	(36)
Balance 30 June 2018	140,608	(36)

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 21 Reserves (continued)

(c) Convertible loan note reserve	**Consolidated**	
	2018	2017
	$	$
Convertible loan note reserve	2,426,120	2,426,120
Movements:		
Balance 1 July 2017	2,426,120	-
Equity component of loan notes issued during the year	-	2,443,073
Loan note issue costs	-	(16,953)
Balance 30 June 2018	2,426,120	2,426,120

Convertible loan notes are compound financial instruments. The present value of the liability component at initial recognition was $13,561,982. The balance of $2,426,120 was recognised in the convertible note reserve. In discounting the loan notes to present value to determine the equity proportion of the compound financial instrument, NOVONIX adopted an effective interest rate of 28.5% pa.

Note 22 Project Simplification Transaction

On 29 August 2016, the Company entered into a Development Rights Agreement and a Placement Agreement with Exco Resources Limited, a wholly-owned subsidiary of Washington H. Soul Pattinson and Company Limited (WHSP).

Under the Development Rights Agreement, in consideration for 15,528,818 fully paid ordinary shares (valued at $0.68 at the date of issue), WHSP has transferred the rights it had as a 20% project participant in the Mount Dromedary Graphite Project to NOVONIX and agreed to extinguish the metal rights that it held over the area of the proposed mining lease for the Mount Dromedary Graphite Project.

WHSP has agreed that the NOVONIX shares issued to it as part of the Project Simplification Transaction, will be subject to voluntary escrow until 3 December 2017. The escrow arrangement is subject to customary carve-outs in the event that a takeover bid or other control transaction is made for NOVONIX.

Under the Placement Agreement, WHSP also subscribed for 500,000 fully paid ordinary shares in NOVONIX Limited at $0.60 per share. Settlement of the Placement Agreement and the Development Rights Agreement occurred contemporaneously.

Notes to the financial statements for the year ended 30 June 2018

Note 23 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The Company is managed primarily on an operational basis. Operating segments are determined on the basis of financial information reported to the Board.

The board has identified three operating segments being Graphite Exploration and Mining, Battery Testing and Battery Materials. The Battery Materials segment develops and manufactures battery anode materials and the Battery Testing segment develops battery cell testing equipment.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

b. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

d. Unallocated items

The following items for revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income
- Corporate administrative and other expenses
- Income tax expense
- Corporate share-based payments
- Corporate marketing and project development expenses

Notes to the financial statements for the year ended 30 June 2018

Note 23 Operating segments (continued)

e. Segment information

Segment performance

2018	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	2,171,895	-	-	2,171,895
Other income	-	224,788	-	-	224,788
Interest revenue	-	221	-	6,513	6,734
Total group revenue	-	2,396,904	-	6,513	2,403,417
Segment net profit / (loss) from continuing operations before tax	-	(2,880,961)	(2,046,262)	(5,382,761)	(10,309,984)

2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	80,807	-	-	80,807
Other income	105,505	2,847	-	-	108,352
Interest revenue	-	388	-	5,297	5,685
Total group revenue	105,505	84,042	-	5,297	194,844
Segment net profit / (loss) from continuing operations before tax	105,505	(1,728,528)	(205,010)	(4,307,596)	(6,135,629)

Segment assets

2018	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment assets	13,268,598	8,826,997	11,643,550	488,494	34,227,639

Note 23 Operating segments (continued)

2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment assets	12,688,885	6,267,394	13,086,320	1,932,773	33,975,372

Segment liabilities

2018	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment liabilities	-	2,292,265	-	326,541	2,618,806

2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment liabilities	-	1,197,548	2,601,830	9,335,233	13,134,611

Geographical Segments

For the purposes of segment reporting, all segment activities relating to Graphite Exploration and Mining is carried out in Australia and all segment activities relating to Battery Materials and Testing is carried out in North America.

Note 24 Cash flow information

(a) Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities

	Consolidated	
	2018	2017
	$	$
Profit / (loss) for the period	(10,323,382)	(6,135,629)
Adjustments for		
Share based payments	6,345,899	2,827,970
Share based payments settled in cash	(600,000)	-
Borrowing costs	611,462	735,844
Foreign exchange gain / loss	(50,069)	(154,501)
Share of net loss of joint venture	1,442,770	205,010
Fair value gain on borrowings	(100,152)	-
Amortisation expense	154,251	5,323
Research and development tax incentive benefit	-	(95,505)
Income tax expense	(3,911)	(147,562)
Change in operating assets and liabilities:		
(Increase)/decrease in other operating assets	(739,487)	(122,022)
Increase in trade creditors	(124,515)	188,398
Increase in other operating liabilities	(490,421)	1,717,322
Net cash outflow from operating activities	(3,877,555)	(975,352)

(b) Non-cash financing and investing activities

(i) JV Simplification Transactions

During the prior year the Group issued 15,528,818 fully paid ordinary shares (valued at $0.68 at the date of issue) as consideration for WHSP transferring the rights it had as a 20% project participant in the Mount Dromedary Graphite Project to NOVONIX and agreed to extinguish the metal rights that it held over the area of the proposed mining lease for the Mount Dromedary Graphite Project. (Refer to Note 22).

(ii) Business Combination

On 1 June 2017, the Group acquired 100% of the shares and voting interests in Novonix Battery Testing Services Inc. (Refer to note 9). The consideration consisted of cash $3,685,269 and the issue of 3,375,916 shares.

Note 24 Cash flow information (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each period presented.

Net debt

	2018 **$**	2017 $
Cash and cash equivalents	396,224	2,415,124
Borrowings – repayable within one year (including overdraft)	(86,886)	(9,216,621)
Borrowings – repayable after one year	(1,645,776)	-
Net debt	(1,336,438)	(6,801,497)
Cash and cash equivalents	396,224	2,415,124
Gross debt – fixed interest rates	(368,185)	(9,216,621)
Gross debt – variable interest rates	(1,364,477)	-
Net debt	(1,336,438)	(6,801,497)

		Liabilities from financing activities		
	Cash/bank overdraft $	**Borrowings due within 1 year**	**Borrowing due after 1 year $**	**Total $**
Net debt as at 1 July 2016	**1,665,754**	**-**	**-**	**1,665,754**
Cashflows	749,370	(9,216,621)	-	(8,467,251)
Other non-cash movements	-	-	-	-
Net debt as at 30 June 2017	**2,415,124**	**(9,216,621)**	**-**	**(6,801,497)**
Cashflows	(2,049,532)	(56,254)	(1,745,928)	(3,851,714)
Conversion of loan notes	-	9,216,621	-	9,216,621
Other non-cash movements	-	-	100,152	100,152
Net debt as at 30 June 2018	**365,592**	**(56,254)**	**(1,645,776)**	**(1,336,438)**

Note 25 Interests in subsidiaries

Information about Principal Subsidiaries

The Group's material subsidiaries at 30 June 2018 are set out in the following table. Unless otherwise stated, each entity has share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	Ownership interest held of the group 2018 %	Ownership interest held of the group 2017 %	Principal activities
MD South Tenements Pty Ltd	Australia	100%	100%	Graphite exploration
Novonix Battery Testing Services Inc	Canada	100%	100%	Battery testing services.
Novonix Corp	USA	100%	100%	Investment

Note 26 Share-based payments

OPTIONS

A summary of movements of all options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2016	**7,000,000**	**$0.30**
Granted	6,450,000	$0.73
Forfeited	-	-
Expired	-	-
Options outstanding as at 30 June 2017	**13,450,000**	$0.51
Granted	7,275,000	$0.70
Granted – Subject to shareholder approval	2,450,000	$0.94
Forfeited	-	-
Expired	-	-
Exercised	(2,000,000)	$0.30
Options outstanding as at 30 June 2018	**21,175,000**	$0.64

The weighted average remaining contractual life of options outstanding at year end was 4.00 years (2017: 5.37 years).

Notes to the financial statements for the year ended 30 June 2018

Note 26 Share-based payments (continued)

Details of options issued during the financial year are as follows:

a. On 20 December 2017, 800,000 share options were granted to contractors working for PUREgraphite LLC under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.60 each. 300,000 of the options are exercisable on 1 July 2019, 250,000 on 1 August 2019 and the remaining 250,000 on 1 September 2019. All options expire on 1 September 2019. The options hold no voting or dividend rights and are not transferable.

The fair value of these options was $349,885. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Number	300,000	250,000	250,000
Exercise price	$0.60	$0.60	$0.60
Grant date	20/12/2017	20/12/2017	20/12/2017
Exercise date	01/07/2019	01/08/2019	01/09/2019
Expiry date	01/09/2019	01/09/2019	01/09/2019
Vesting date	30/06/2019	30/06/2019	30/06/2019
Volatility	79.23%	79.23%	79.23%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.50%	2.50%	2.50%
Fair value at grant date	$0.4312	$0.4378	$0.4443

b. On 14 July 2017, 525,000 share options were granted employees under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.90 each. All options vest on 14 July 2019 and expire on 14 July 2022. The options hold no voting or dividend rights and are not transferable.

The fair value of these options was $415,793. This value was calculated using a binomial option pricing model applying the following inputs:

Exercise price	$0.90
Grant date	14/07/2017
Expiry date	14/07/2022
Volatility	117.92%
Dividend yield	0%
Risk-free interest rate	2.97%
Fair value at grant date	$0.7920

c. On 21 November 2017, 750,000 share options were granted to Robert Natter. The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable.

Note 26 Share-based payments (continued)

	Tranche 1	Tranche 2	Tranche 3
Number of Options	250,000 Options.	250,000 Options.	250,000 Options.
Exercise Price	$0.80 per NOVONIX share.	$0.95 per NOVONIX share.	$1.10 per NOVONIX share.
Vesting Date	21 November 2017	14 July 2018	14 July 2019
Expiry Date	14 July 2020	14 July 2020	14 July 2020

The fair value of these options was $684,105. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Exercise price	$0.80	$0.95	$1.10
Grant date	21/11/2017	21/11/2017	21/11/2017
Expiry date	14/07/2020	14/07/2020	14/07/2020
Vesting date	21/11/2017	14/07/2018	14/07/2019
Volatility	96.78%	96.78%	96.78%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.57%	2.57%	2.57%
Fair value at grant date	$0.9327	$0.9080	$0.8957

d. On 21 November 2017, 5,000,000 share options were granted to Andrew Liveris. The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable.

	Tranche 1	Tranche 2	Tranche 3
Number of Options	1,000,000 Options.	2,000,000 Options.	2,000,000 Options.
Exercise Price	$0.66 per NOVONIX share.	$0.66 per NOVONIX share.	$0.66 per NOVONIX share.
Vesting Date	1 July 2018	1 July 2019	1 July 2020
Expiry Date	30 June 2021	30 June 2021	30 June 2021

Notes to the financial statements for the year ended 30 June 2018

Note 26 Share-based payments (continued)

The fair value of these options was $5,557,729. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Exercise price	$0.66	$0.66	$0.66
Grant date	21/11/2017	21/11/2017	21/11/2017
Expiry date	30/06/2021	30/06/2021	30/06/2021
Vesting date	30/06/2018	30/06/2019	30/06/2020
Volatility	106.86%	106.86%	106.86%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.77%	2.77%	2.77%
Fair value at grant date	$1.0559	$1.1113	$1.1396

e. On 7 February 2018, 200,000 share options were granted employees under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.785 each. All options vest on 31 December 2019 and expire on 7 February 2023. The options hold no voting or dividend rights and are not transferable.

The fair value of these options was $98,340. This value was calculated using a binomial option pricing model applying the following inputs:

Exercise price	$0.785
Grant date	07/02/2018
Expiry date	07/02/2023
Vesting date	31/12/2019
Volatility	79.23%
Dividend yield	0%
Risk-free interest rate	3.20%
Fair value at grant date	$0.4917

f. On 28 July 2017, 1,500,000 share options were granted to Nicholas Liveris under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.80 each. These options are subject to shareholder approval which will be sought at the 2018 Annual General Meeting of shareholders and have not been issued at 30 June 2018. All options vest on 28 July 2019 and expire on cessation of employment. The options hold no voting or dividend rights and are not transferable.

Notes to the financial statements for the year ended 30 June 2018

Note 26 Share-based payments (continued)

The fair value of these options was $851,700. This value was calculated using a binomial option pricing model applying the following inputs:

Exercise price	$0.80
Grant date	22/11/2018*
Expiry date	28/07/2027
Volatility	79.23%
Dividend yield	0%
Risk-free interest rate	3.85%
Fair value at grant date	$0.5678

* Subject to shareholder approval at the Annual General Meeting of Shareholders scheduled for 22 November 2018

g. On 6 March 2018, 750,000 share options were granted Anthony Bellas and 200,000 options were granted to Robert Cooper. These options are subject to shareholder approval which will be sought at the 2018 Annual General Meeting of shareholders and have not been issued at 30 June 2018. The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable.

	Tranche 1	**Tranche 2**	**Tranche 3**
Number of Options	316,666 Options.	316,667 Options.	316,667 Options.
Exercise Price	$0.90 per NOVONIX share.	$1.20 per NOVONIX share.	$1.40 per NOVONIX share.
Vesting Date	22 November 2018*	6 March 2019	6 March 2020
Expiry Date	6 March 2023	6 March 2023	6 March 2023

* Subject to shareholder approval at the Annual General Meeting of Shareholders scheduled for 22 November 2018

The fair value of these options was $387,917. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	**Tranche 2**	**Tranche 3**
Exercise price	$0.90	$1.20	$1.40
Grant date	22/11/2018*	22/11/2018*	22/11/2018*
Expiry date	06/03/2023	06/03/2023	06/03/2023
Vesting date	22/11/2018*	06/03/2019	06/03/2020
Volatility	77.75%	77.75%	77.75%
Dividend yield	0%	0%	0%
Risk-free interest rate	3.17%	3.17%	3.17%
Fair value at grant date	$0.4377	$0.4020	$0.3853

* Subject to shareholder approval at the Annual General Meeting of Shareholders scheduled for 22 November 2018

Note 26 Share-based payments (continued)

PERFORMANCE RIGHTS

A summary of movements of all performance rights issued is as follows:

	Number
Performance rights outstanding as at 1 July 2016	**1,562,500**
Granted	-
Forfeited	-
Expired	-
Performance rights outstanding as at 30 June 2017	**1,562,500**
Granted	750,000
Granted – Subject to shareholder approval	1,750,000
Exercised	(666,667)
Expired	-
Performance rights outstanding as at 30 June 2018	**3,395,833**

Notes to the financial statements for the year ended 30 June 2018

Note 26 Share-based payments (continued)

The 2,500,000 performance rights noted in the table above were granted to KMP on 13 February 2018. Of these, 1,750,000 have been issued to directors and associates and are subject to shareholder approval which will be sort at the 2018 Annual General Meeting of shareholders. The fair value of these performance rights was $832,500. This value was calculated using the Monte Carlo simulation model by applying the following inputs:

Grant date	Number of Rights	Vesting conditions	Vesting date	Expiry date	Fair value at grant date per right	Volatility	Dividend yield	Risk-free interest rate
22/11/2018*	1,500,000	Conditions as set out in the Remuneration Report on page 28.	1 January 2020	5 years after vesting	$0.33	79.23%	0%	3.57%
13/02/2018	750,000	Conditions as set out in the Remuneration Report on page 28.	1 January 2020	5 years after vesting	$0.33	79.23%	0%	3.57%
22/11/2018*	250,000	Conditions as set out in the Remuneration Report on page 28.	1 January 2020	5 years after vesting	$0.36	79.23%	0%	3.49%

* Subject to shareholder approval sought at the Annual General Meeting of Shareholders scheduled for 22 November 2018

Notes to the financial statements for the year ended 30 June 2018

Note 27 Events after the reporting date

Since the end of the financial year the NOVONIX Limited has issued 9,166,667 unsecured convertible loan notes to sophisticated investors at $0.60 each raising $5,500,000. The loan notes have a coupon interest rate of 10% per annum capitalised over a term of 24 months.

Note 28 Related party transactions

During the financial year, Philip St Baker was paid rent totalling $33,543 (USD$26,000), for the use of property owned by Mr St Baker in Colorado, USA. Mr St Baker's salary has been reduced accordingly to reflect the additional benefit Mr St Baker is receiving.

During the financial year, sales of goods totalling $132,443 were made to PUREgraphite LLC. The sales were made on pricing and terms available to third parties.

There were no other related party transactions during the financial year. For details of disclosures relating to key management personnel, refer to Note 6.

Note 29 Commitments

		Consolidated	
		2018	2017
	Notes	**$**	$
Exploration commitments			
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable		10,000	28,050

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

Note 30 Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated	
		2018	2017
	Notes	**$**	$
Financial assets			
Cash and cash equivalents		396,224	2,415,124
Trade and other receivables		766,757	342,879
Total financial assets		1,162,981	2,758,003
Financial liabilities			
Trade and other payables		626,896	3,917,990
Borrowings		1,732,662	9,216,621
Total financial liabilities		2,359,558	13,134,611

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Market risk

Market risk is the risk that the change in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group is not exposed to market risks other than interest rate risk.

Foreign currency risk

Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar and the Canadian dollar may impact on the Group's financial results.

Notes to the financial statements for the year ended 30 June 2018

Note 30 Financial risk management (continued)

The following table shows the foreign currency risk as on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. In the prior year, the foreign currency risk in the books of the parent entity is limited to deferred consideration payable in respect of the 50% acquisition of PUREGraphite LLC. The amount payable was USD $2,000,000 (AUD $2,601,830). There is no foreign currency risk in the books of the parent entity in the current year.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2018 USD $	2017 USD $
Cash at bank	22,838	429,278
Trade receivables	556,972	81,466
Borrowings	12,913	-
Trade payables	133,343	127,431

Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. During 2018, the group's borrowings at variable rates were denominated in Canadian dollars.

As the Group has interest-bearing cash assets, the Company's income and operating cash flows are exposed to changes in market interest rates. The Company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2018, if interest rates had changed by -/+ 100 basis points from the year-end rates with all other variables held constant, post-tax profit / (loss) for the year would have been $3,656 (2017: $24,151) lower/higher, as a result of higher/lower interest income from cash and cash equivalents.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'AAA' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

Notes to the financial statements for the year ended 30 June 2018

Note 30 Financial risk management (continued)

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

All financial assets and financial liabilities mature within one year.

Financing arrangements

The group's undrawn borrowing facilities as at 30 June 2018 totals $51,335 (CAD $50,000) which relates to the ACOA contribution agreement. It is interest free expiring beyond one year.

Maturities of financial liabilities

As at 30 June 2018, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 30 June 2018							
Trade and other payables	626,896	-	-	-	-	626,896	626,896
Borrowings	90,726	59,402	170,229	526,188	1,760,815	2,607,360	1,732,662
Total non-derivatives	717,622	59,402	170,229	526,188	1,760,815	3,234,256	2,359,558

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 32 to 93 are in accordance with the *Corporations Act 2001,* including:

  (I) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

Tony Bellas

A Bellas
Director
Brisbane, 28 September 2018

Independent auditor's report

To the members of Novonix Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Novonix Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Accounting Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $10.3m and net operating cash outflows of $3.9m for the year ended 30 June 2018. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cause significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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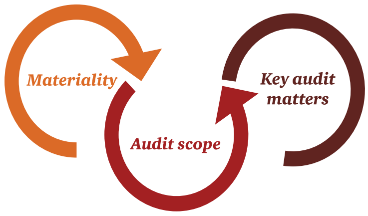
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is an integrated developer and supplier of materials, equipment and services for the global lithium-ion battery industry with operations in the USA and Canada. The Group also owns a natural graphite deposit in Queensland, Australia. The regional finance functions report to the Group finance function in Brisbane, Australia where consolidation is performed.



Materiality

- For the purpose of our audit we used overall Group materiality of $0.34 million, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets as the benchmark because, whilst the Group is a profit oriented entity, the Group has significant assets relating to the investments made in North America and the graphite deposit, and the Group has yet to reach a level of commercial production whereby a profit based metric would be deemed most appropriate.
- We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable asset related thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The accounting processes are structured around the Group finance function located in Brisbane. Our audit procedures were mostly performed at the head office in Brisbane, and we also conducted a site visit to the PUREgraphite facility in Chattanooga, Tennessee and attended an inventory count at the Group's facility in Nova Scotia, Canada.
- Where necessary, we involved experts to assist us with certain aspects of our audit, including from our valuations team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment on the Group's goodwill *Refer to Note 10 Impairment testing of goodwill* At 30 June 2018, the Group have recognised $4.5m of goodwill, which related to the acquisition of Novonix Battery Testing Services Inc. ("BTS") in June 2017. As required by Australian Accounting Standards, at 30 June 2018 the Group performed an impairment assessment over the goodwill balance by calculating the 'value in use' for the BTS business, using a discounted cash flow model. Given the level of judgement involved in estimating the key assumptions in the valuation model, including forecast performance, growth rates and discount rates, and the materiality of the goodwill recognised on the Group's balance sheet, we determined that this was a key audit matter. No impairment charge was recorded by the Group in the current financial year.	Our procedures in relation to the impairment assessment of goodwill included, amongst others: • Comparing the cash flow forecasts used in the model to the Board approved forecasts • Evaluating the key assumptions in the cash flow models, including long term growth rates and discount rates, with assistance from PwC Valuations experts • Performing sensitivity analysis to assess the impact of reasonably possible changes in the assumptions used in the valuation models, including the discount rates and growth rates • We also considered indicators of fair value less costs to sell. We also compared the Group's net assets as at 30 June 2018 of $31.6m to its market capitalisation of $75.1m at 30 June 2018, and noted the $43.5m of implied headroom in the comparison.
Carrying value of exploration and evaluation assets *Refer to Note 15 Exploration and evaluation assets* As at 30 June 2018, the Group holds capitalised exploration and evaluation assets of $13.3m relating to the Mount Dromedary natural graphite deposit. As required by Australian Accounting Standards, the Group assessed whether there were any indicators of impairment. Per AASB 6 *Exploration for and Evaluation of Mineral Resources*, relevant indicators of impairment of exploration and evaluation assets include, amongst others: • Rights to explore have expired; • Unsuccessful exploration activities; • The carrying amount of the asset is unlikely to be recovered in full from successful development or by sale The assessment for indicators of impairment was considered a key audit matters due to the financial significance of the exploration and evaluation asset, as well as the judgement required in assessing the capitalised exploration and evaluation costs for impairment. No impairment charge was recorded by the Group in the current financial year.	Our procedures in relation to assessing the carrying value of exploration and evaluation assets included, amongst others: • Evaluating the Group's assessment that there are no indicators of impairment, including inquiries with key operational, finance and management personnel to develop an understanding of the current status of the project and future exploration intentions • Enquiring of management as to whether there were any licences that had been relinquished • Testing whether the Group retained right of tenure for its exploration licence areas by obtaining licence status records maintained by the relevant government authority • Evaluating external reports prepared in relation to exploration licence areas, which included the results of exploration activities • Assessing other available information, such as press releases made by the Group regarding the status of the development project and future plans • Testing a sample of current year expenditure to source documents, including purchase invoices, on exploration licence areas.

Key audit matter	How our audit addressed the Key audit matter

Measurement and recognition of share based payments expenses
Refer to Note 26 Share based payments
For the year ended 30 June 2018, the Group recognised share based payments expenses totalling $6.3m.
Accounting for share based payments requires judgement in determining the fair value of the equity instruments on grant date and assessing the vesting period over which the share based payment expense should be recognised. In addition, in the case of performance rights issued by the Group, judgement is required in assessing the likelihood of specific performance hurdles being met.
The measurement and recognition of share based payments was deemed to be a key audit matter due to the level of judgement involved, the magnitude of the share based payments expenses and the contribution of share based payments to the overall remuneration received by key management personnel.
	Our procedures in relation to the measurement and recognition of share based payments expenses included, amongst others:
	• For grants of new options and performance rights during the year:
	  o Obtaining formal documents detailing the relevant terms and conditions of the grants
	  o Assessing the calculation of the fair value of the options and performance rights on grant date
	  o Assessing whether the assumption that any applicable performance conditions will be met is consistent with management forecasts
	• Recalculating the expense for the year ended 30 June 2018 based on the grant date fair value, the Group's assumptions for the expected number of options or rights to vest, and the vesting period, with reference to the terms and conditions stated in the relevant documentation
	• Assessing the accuracy and completeness of related disclosures in the financial statements as at 30 June 2018.

Accounting for the investment in PUREgraphite LLC *Refer to Note 17 Investment in joint venture* At 30 June 2018, the Group holds a 50% investment in PUREgraphite LLC, with a carrying value of $11.6m. Judgement is required in determining the appropriate accounting treatment for investments in associates, including assessing whether the investor has significant influence over the entity, or indeed whether the investor has control of the entity. Accounting for the investment in PUREgraphite was deemed to be a key audit matter due to the level of judgement involved, and the magnitude of both the carrying value of the investment at 30 June 2018 as well as the loss of the associate recognised in the Group's financial performance for the year then ended.	Our procedures in relation to the investment in PUREgraphite LLC included, amongst others: • Obtaining the binding term sheet, which stipulates the terms of the agreement, the voting rights of each party and the funding arrangements • Assessing whether the terms of the binding term sheet reflect both parties having joint control of the entity • Assessing whether the option to acquire an additional 25% is deemed substantive at 30 June 2018, including enquiring with the board of directors regarding their current intentions • Assessing the accuracy of the Group's share of the loss of the associate for the year ended 30 June 2018 by agreeing a sample of recorded general ledger transactions in PUREgraphite to supporting documentation, including purchase invoices and bank statements • Assessing the accuracy and completeness of related disclosures in the financial statements as at 30 June 2018.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Corporate Directory, Review of Operations and Activities, Directors' Report, Corporate Governance Statement and Shareholder Information, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view, and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf . This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 35 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Novonix Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan
Partner

28 September 2018

Shareholder information

The shareholder information set out below was applicable as at 24 September 2018.

A Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security
	Ordinary shares
1 - 1,000	372
1,001 – 5,000	619
5,001 – 10,000	326
10,001 – 100,000	449
100,001 and over	104
	1,870

There were 269 holders of less than a marketable parcel of ordinary shares.

B Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	% of issued shares
Allegro Capital Nominees Pty Ltd	29,395,160	23.87
Exco Resources Limited	16,028,818	13.02
Philip St Baker & Peta St Baker	9,976,903	8.10
Carpe Diem Asset Management Pty Ltd	4,523,811	3.67
Loch Exploration Pty Ltd	3,919,354	3.18
David Andrew Stevens	2,609,948	2.12
George Chapman	2,083,335	1.69
Lapana Pty Ltd	2,007,574	1.63
Apollan Pty Ltd	1,799,499	1.46
John Christopher Burns	1,765,968	1.43
HSBC Custody Nominees (Australia) Limited – A/c 2	1,708,332	1.39
J P Morgan Nominees Australia Limited	1,523,644	1.24
W.A. Halpin Investments Pty Ltd	1,418,071	1.15
Argo Investments Limited	1,250,000	1.02
Jamie Pherous	1,249,999	1.02
Starline Rentals Pty Ltd	1,010,834	0.82
Halpin Family Super Pty Ltd	783,871	0.64
Wayne Albert Halpin & Sandra Maree Halpin	750,000	0.61
M E J C Pty Ltd	650,911	0.53
Noelle Halpin Investments Pty Ltd	587,905	0.48
Total	**85,043,937**	**69.07**

Unquoted equity securities

	Number of issue	Number of holders
Performance rights	1,645,833	3
Share options	18,725,000	27
Loan notes	9,166,667	13

* No person holds 20% of more of these securities.

Holders of more than 20% of unquoted share options on issue

	Number held	% of total on issue
Philip St Baker	5,000,000	26.7%
Andrew Liveris	5,000,000	26.7%

Holders of more than 20% of unquoted performance rights on issue

	Number held	% of total on issue
Philip St Baker	895,833	54.4%
Chris Burns	500,000	30.4%

Holders of more than 20% of unquoted loan notes on issue

	Number held	% of total on issue
Argo Investments Limited	3,500,000	38.2%

C Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Allegro Capital Nominees Pty Ltd	29,395,160	23.87
Philip St Baker & Peta St Baker	9,976,903	8.10
Brickworks and its subsidiaries Washington H. Soul Pattinson and Company Limited and Exco Resources Limited.	16,028,818	13.02

D Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
(b) Performance rights: No voting rights
(c) Share options: No voting rights
(d) Loan notes: No voting rights