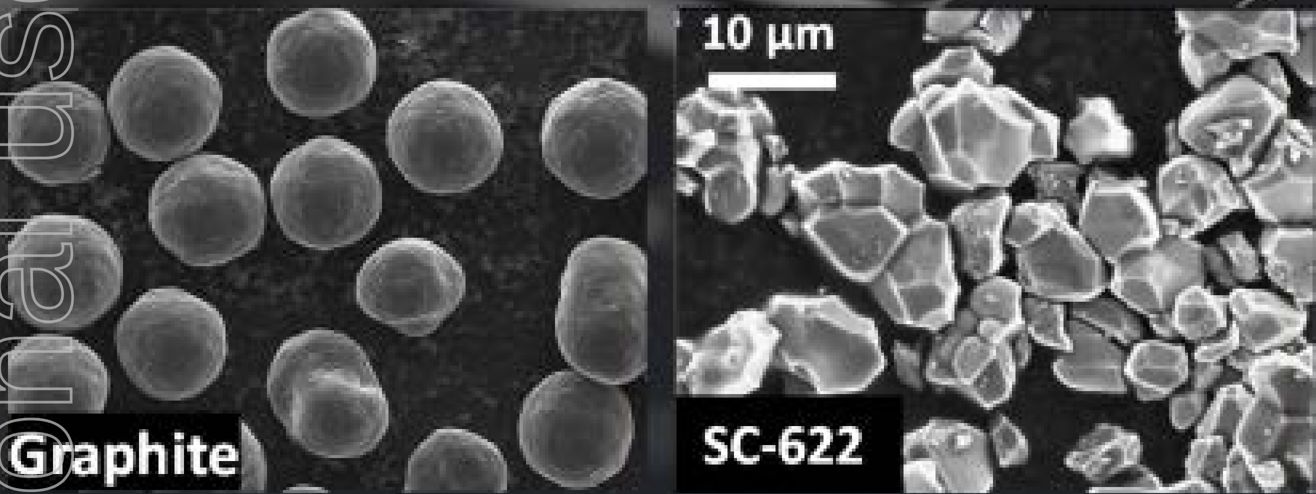
NOVONIX



NOVONIX ANNUAL REPORT

2020

NOVONIX LIMITED

ABN 54 157 690 830

ANNUAL REPORT – 30 JUNE 2020

CONTENTS

CORPORATE DIRECTORY

Directors	A Bellas *B.Econ, DipEd, MBA, FAICD, FCPA, FGS* G A J Baynton *M.Econ St, MBA, B.Bus, FGS* 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*
Registered office in Australia	McCullough Robertson Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000
Principal place of business	Level 8, 46 Edward Street Brisbane QLD 4000
Share register	Link Market Services Limited Level 21, 10 Eagle Street Brisbane QLD 4000 www.linkmarketservices.com.au
Auditor	PricewaterhouseCoopers 480 Queen Street Brisbane QLD 4000 www.pwc.com.au
Solicitors	Atkinson Corporate Lawyers 99 St George's Terrace Perth WA 6000
Bankers	Commonwealth Bank of Australia
Stock exchange listing	NOVONIX Limited shares are listed on the Australian Securities Exchange (ASX)
Website address	www.novonixgroup.com

REVIEW OF OPERATIONS AND ACTIVITIES

NOVONIX OVERVIEW

NET ASSETS *year ending 30 June 2020*	CASH & CASH EQUIVALENTS *year ending 30 June 2020*	STATUTORY AFTER-TAX LOSS *year ending 30 June 2020*
$66,532,293	**$38,807,662**	**$20,028,526**
2019: $15,772,778	**2019: $6,054,664**	**2019: $26,121,912**

At the end of the financial year the company had net assets of $66,532,293 (2019: $15,772,778) and $38,807,662 in cash and cash equivalents (2019: $6,054,664). NOVONIX LTD. reported a statutory after-tax loss for the year ended 30 June 2020 of $20,028,526 (2019: $26,121,912). These financial results are in line with management expectations. The individual business unit performances are discussed further below.

NOVONIX ANODE MATERIALS

NOVONIX Anode Materials (PUREgraphite) was established in March 2017 to develop and commercialise ultra -long-life high-performance anode material for the lithium-ion battery market focused on electric vehicle and energy storage applications that demand long life and high performance.

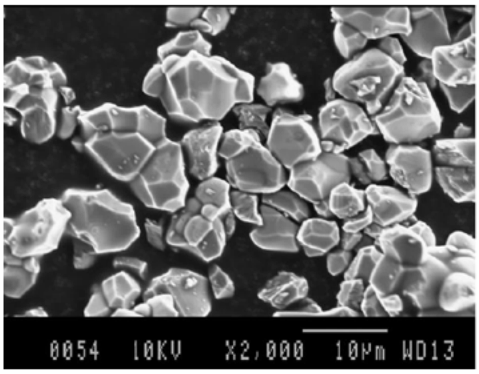
Since 2017, significant progress has been made executing on this business plan. FY 2020 has proven to be a banner year for NOVONIX, notably signing deals with two of the world's largest battery manufacturers (SAMSUNG SDI and SANYO/PANASONIC) and securing funding to expand production to 2,000 tonnes per annum (tpa) progressively over 2020 and 2021.

NOVONIX commenced commercial scale processing in June 2020 at its production facility in Chattanooga, Tennessee, USA, where it will progressively scale to a forecast 2,000 tpa production rate by the end of calendar 2021.

NOVONIX BATTERY TECHNOLOGY SOLUTIONS (BTS)

NOVONIX Battery Technology Solutions was acquired in June 2017 to provide cutting edge battery R&D and technology advantage.

NOVONIX BTS is based in Bedford (near Halifax), Nova Scotia, Canada and makes the most accurate lithium-ion battery cell test equipment in the world. This equipment is now used by leading battery makers and researchers and equipment manufacturers including Panasonic, CATL, LG Chemical, Samsung SDI and numerous consumer electronic and automotive OEMs.



Single Crystal Cathode (SCC) material manufactured using NOVONIX's proprietary dry manufacturing process (DPMG), with potential to deliver lower-cost and lower-waste single crystal cathode material for high energy density, ultra-long lifetime lithium-ion batteries.

Since acquisition the company significantly expanded NOVONIX BTS R&D capabilities through direct investment in and through a long term partnership agreement with Dalhousie University.

In FY 2020, NOVONIX BTS delivered on all aspects of the company's strategy, achieving >100% yoy revenue growth and announcing groundbreaking battery technology developments including Dry Particle Micro Granulation (DPMG) and Single Crystal Cathode (SCC).

MOUNT DROMEDARY

The Mount Dromedary Graphite Project is a world-class, high-grade (18%+) natural graphite deposit located in Australia.

Despite the favourable characteristics of this project the company has decided to put a hold on advancing the project at this time.

The primary reasons behind this decision are:

- Medium term oversupply conditions with the broader natural graphite concentrate market;
- Substantially more favourable investment opportunities for the company manufacturing advanced battery anode materials and developing new battery technologies.

The company continues to hold the project in good standing while monitoring the market.

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%	25/10/2020

HIGHLIGHTS OF FISCAL YEAR 2020

COMPLETION OF EQUITY RAISING AND CAPITAL RESTRUCTURE
30 JUNE 2020

The Equity raising announced on 29 May 2020 was completed on 30 June 2020 with $63 million having been raised. All outstanding convertible notes have been redeemed and all loans from Directors and related parties have been repaid and invested in the company in the capital raising. A total of 40.5 million options over new shares in NOVONIX have also been cancelled as part of the broader transaction. In addition to eliminating all debt, the funds raised will provide capex and working capital to fulfil an initial SAMSUNG supply contract, facilitate development and commercialization of the DPMG technology for both anode and cathode and other million-mile battery innovations. It also provides capital investment along with general working capital to allow NOVONIX to increase production to 2,000 tpa.

NOVONIX TO SUPPLY SAMSUNG SDI AND PURSUE R&D COLLABORATION
9 DECEMBER 2019

In December 2019, NOVONIX reached a conditional agreement to supply lithium-ion battery anode material to SAMSUNG SDI, an international manufacturer of lithium-ion batteries. The agreement is NOVONIX's first for its recently launched anode product and positions NOVONIX as a new supplier in this specialised battery materials market. The agreement follows more than six months of technical evaluation of NOVONIX's anode material and is intended as a first phase of a long-term agreement. Under the agreement NOVONIX will supply SAMSUNG SDI an initial volume of 500 tonnes with first deliveries forecast to commence in late 2020. Larger volumes will be considered each year and will be subject to supply performance by NOVONIX, market conditions and SAMSUNG SDI overall requirements. Signing of the purchasing agreement for 500 tonnes is subject to SAMSUNG SDI's required quality assurance processes and audit of supplier processes fulfillment. Pricing is commercially sensitive and strictly confidential between the parties. SAMSUNG SDI and NOVONIX will also explore opportunities for the supply of new graphite anode materials use in Samsung SDI products targeting for electric vehicles (EV) and energy storage systems (ESS) under a R&D collaboration.

SANYO ELECTRIC AGREEMENT FOR LIB ANODE MATERIAL
28 JANUARY 2020

In January 2020, NOVONIX announced a commercial collaboration with SANYO Electric Co., Ltd. of Japan, a manufacturer of lithium-ion batteries for applications including electric vehicles and energy storage systems. To this end, NOVONIX has signed and executed a non-binding Memorandum of Understanding (MoU) with SANYO. Under the MoU, the parties have agreed to work together to investigate the opportunity for NOVONIX to supply graphite anode material for use in lithium-ion battery manufacturing.

DRY PARTICLE MICGRANULATION (DPMG) MANUFACTURING METHOD PATENTED BY NOVONIX

15 MAY 2020

In May 2020, NOVONIX announced the development of a breakthrough technology that can be applied to the manufacture of both anode and cathode materials for lithium-ion batteries. The technology, called Dry Particle Microgranulation (DPMG), was developed through the partnership with the Research Group of Professor Mark Obrovac at Dalhousie University. That research program was supported by the Canadian Government through its NSERC Industrial Research Program. DPMG provides a method for synthesizing highly engineered particles through the consolidation of fine materials, that may otherwise be waste, into particles than can be tens of microns and suitable for use in lithium-ion batteries. The recent publication outlines methods of making spherical graphite for use in lithium-ion batteries with 100% yield where current methods have significant yield losses which increase the cost of manufacturing.

SINGLE CRYSTAL CATHODE MANUFACTURING PATENTED BY NOVONIX

9 JUNE 2020

In June 2020, NOVONIX announced the development of technology to enable the manufacture of 'single crystal' NMC cathode material using its proprietary DPMG technique. This groundbreaking technology was also developed through its partnership with the Research Group of Professor Mark Obrovac at Dalhousie University. Single crystal cathode materials have recently become an aspiration for the lithium-ion battery industry, with demonstrated outperformance over traditional polycrystalline cathode particles (the current standard) for ultra-long life for EV and ESS uses. Single crystal cathode cells far exceed the lifetime of other NMC/graphite cells (J. Dahn et al. Journal of the Electrochemical Society, 2019). This battery material innovation has the potential to deliver breakthrough step-change improvements in cost, performance and sustainability within the battery, electric vehicle and renewable energy sectors.

NOVONIX PATENT FOR ELECTROLYTE ANALYSIS GRANTED

2 SEPTEMBER 2019

In September 2019, NOVONIX announced the grant of a US patent for a method of non-destructive evaluation of the liquid electrolyte in rechargeable lithium-ion batteries (No. 10,386,423). The technology underlying this patent was developed at Dalhousie University and the rights to commercialisation are assigned exclusively to NOVONIX under its broad research agreement. NOVONIX has commercialized the Li-ion Differential Thermal Analysis (Li-DTA) system and is marketing this product to customers around the world. Using Li-DTA, researchers and battery developers can understand changes in the amount and composition of the liquid electrolyte in the battery during cycling. The new patented technology and related commercialisation strategy is further evidence of the suite of cutting-edge technologies that is establishing NOVONIX as a leader in battery and materials development.

NOVONIX RELOCATES INTO NEW ANODE PRODUCTION FACILITY

8 AUGUST 2019

As advised on 3 July 2019, NOVOINX has relocated its anode production operations to a larger facility in Chattanooga, Tennessee with greater expansion capability under pinned by a long-term five-year lease with two options for renewal, each for a further five years. Initially NOVONIX will occupy 3,700 sqm of the 11,150 sqm facility while holding right-of-first offer to lease the balance of the whole facility. The initial 3.700 sqm will house the first 1,000 tpa manufacturing capacity plus the laboratory, office and development pilot plant.

NOVONIX BATTERY TECHNOLOGY SOLUTIONS WINS DISCOVERY AWARD FOR INNOVATION

25 NOVEMBER 2019

NOVONIX Battery Technology Solutions was the winner of the Award for Innovation at the 17th Annual Discovery Awards held in Halifax, Nova Scotia on 22 November 2019. The event is held annually in Halifax and is the only one dedicated to recognising achievements in Nova Scotia, specifically in the field of science and technology. The award to NOVONIX was in recognition of its work in the field of lithium-ion battery testing and development.

NOVONIX OUTLOOK

NOVONIX is well positioned with both the necessary people and technology to participate in the rapidly growing electric vehicle and energy storage system markets from its operations in North America. With deals signed for NOVONIX's anode product, NOVONIX is critically focused on ramping up capacity at its plant in Chattanooga. At the same time, NOVONIX's R&D centre in Halifax continues to focus on new and improved technologies, strategic partnerships with leading international battery companies, and a growing patent pipeline that will position the company to be at the forefront of battery technology of the future.

PRIORITIES FOR NOVONIX FOR FY21 AND BEYOND INCLUDE:

> In line with the recent equity fund raising plan, expand anode production capacity to 2,000 tpa
> Finalise SDI Samsung production plant audit and commence first product shipments
> Expand anode product trials and technical interchange with additional domestic US and global battery makers
> In conjunction with NOVONIX's research partnership with Dalhousie University, and per NOVONIX's million-mile battery initiatives and technology roadmap, continue to develop and file new battery materials IP
> Commence commercialisation of DPMG technology to make high-performance long-life single crystal cathode materials

The Company's Board and management are excited by the immediate opportunities ahead for growth and sales, as well as NOVONIX's positioning to participate in the broader long-term growth of the international battery market. For additional information on NOVONIX's future plans. The following is a link the company's webinar, "What's Next? Technology Roadmap".

https://us02web.zoom.us/webinar/register/WN_UQCZt_bVS2C9Q2iHQ1J-wA

END OF REVIEW OF OPERATIONS AND ACTIVIITES

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 2020. 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:

Greg Baynton
Tony Bellas
Robert Cooper
Andrew Liveris
Robert Natter
Philip St Baker

Dean Price (alternate for Robert Cooper) was an alternate director from the beginning of the financial year until his resignation on 15 January 2020.

The Company Secretary is Suzanne Yeates. Appointed to the position of Company Secretary on 18 September 2015, Ms Yeates is a Chartered Accountant and 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.

COVID 19 IMPACT

The unprecedented conditions created by Covid 19 have, like all companies, affected the operations of the Group. For example, the Chattanooga PUREgraphite production plant had to be shut down in April and May, and personnel operating restrictions and movements are now implemented. By making these adjustments in our operations and working closely with our customers and suppliers (who are also impacted), the Group has continued to deliver as efficiently as possible considering our personnel safety and health priorities.

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 2 – 7 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company completed a $63 million capital raising via an institutional placement, an accelerated non-renounceable rights issue and a strategic placement.

The capital raise has simplified the NOVONIX capital structure through the redemption of Convertible Notes and repayment of short-term loans, along with the cancellation of 40.5 million options held by Directors, employees and convertible note holders.

Funds raised have provided capex and working capital to fulfil an initial SAMSUNG supply contract, facilitate development and commercialisation of the DPMG technology for cathode and other million-mile battery innovations, provide general working capital and cover the costs of the capital raising.

The components of the transaction are set out below:

a) Institutional placement

On 5 June 2020, 19,495,469 fully paid ordinary shares were issued to institutional investors at $0.29 per share.

b) Rights issue

An accelerated 1 for 1 rights issue was completed during the financial year. Under the rights issue, 130,721,435 fully paid ordinary shares were issued at $0.29 per share. The rights issue raised a total of $37.9 million and funds raised consisted of $34 million cash and $3.9 million retirement of debt.

c) Repayment of Director loans

During the financial year, the Company's directors entered into short term loan agreements collectively for $3,148,960. The loans to the company were unsecured and accrued interest at 8% pa from the date of drawdown, calculated on a daily basis. These loan funds were used by Directors to fund their entitlements under the rights issue, with any remaining balances being repaid to the relevant Directors from the proceeds of the rights issue.

d) Convertible loan notes

Prior to the recapitalisation transaction, a total of 11,416,667 loan notes (excluding loan notes held by the St Baker Energy Innovation Fund) were on issue with a face value of $6.4 million. The interest accrued on these loan notes was $1,155,342. The total amount outstanding of $7,555,342 was repaid through either the conversion to equity by underwriting the rights issue ($1,046,798) or settled in cash from the proceeds of the rights issue ($6,508,544).

e) Strategic Placement to St Baker Energy Innovation Fund

At a General Meeting of Shareholders held on 30 June 2020, Shareholders approved the issue of 67,085,100 fully paid ordinary shares to the St Baker Energy Innovation Fund at an issue price of $0.29 per share raising $19,454,679. The consideration for the shares received consisted of cash and the retirement of both convertible loan notes and short-term loans owing.

f) Cancellation of options

As part of the capital raise transaction, the Group obtained agreement from holders of a total of 40,500,000 options (half of the options on issue at the time of the transaction) to cancel the options for no consideration. The cancellation of the options has resulted in an acceleration of the expense associated with the options cancelled.

During the financial year, the Company also undertook a Share Purchase Plan that provided eligible shareholders with the opportunity to purchase up to $30,000 worth of new shares in the Company at $0.51 per share. A total of 2,485,715 fully paid ordinary shares were issued under the Share Purchase Plan.

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 2 – 7.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATION

The Group is subject to 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 G Bellas. *Chair – non-executive*	
Experience and expertise	Tony was appointed as Chair of the Company on 11 August 2015. He brings over 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 intelliHR Limited and Deputy Chairman of State Gas Limited. Director of the Endeavour Foundation.
Former listed directorships in last 3 years	Chairman of Corporate Travel Management Ltd (ceased 2019). Chairman of ERM Power Ltd (ceased 2019). Chairman of Shine Justice Limited (ceased 2020).
Special responsibilities	Chairman of the Board Member of the Audit Committee
Interests in shares and options	2,146,374 ordinary shares

P M St Baker. *Managing Director*	
Experience and expertise	Mr Philip St Baker is an experienced entrepreneur active in Australia and the USA. Since 2015 Philip has been Managing Director of NOVONIX Limited. Previously, Philip was the Managing Director of ERM Power Limited for eight years (2006-2014) and Non-Executive Director for three years (2017-2019). During Philip's time with ERM Power it grew from a $15 million revenue business to a $3 billion revenue business, became the second largest electricity supplier to Australian business customers and was sold to Shell in 2019 for $620 million. Prior to joining ERM Power, Philip had a 16 year career with BHP Billiton gaining international experience in the resources sector. In 2014 Philip received the Ernst & Young Queensland Entrepreneur of the Year Award for Listed Companies and was a nominee for the Australian Entrepreneur of the Year. Philip is also a long term member of the State Advisory Board of Queensland for the Starlight Children's Foundation.
Other current directorships	Director of St Baker Energy Holdings Pty Ltd.
Former listed directorships in last 3 years	Non-executive Director of ERM Power Limited (ceased 2019).
Special responsibilities	Managing Director
Interests in shares and options	21,241,526 ordinary shares 1,895,833 performance rights

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), Non-executive Director of intelliHR Limited (ASX: IHR), and Executive Director of State Gas Limited.
Former listed directorships in last 3 years	None.
Special responsibilities	Member of the Audit Committee Executive Director.
Interests in shares and options	29,990,019 ordinary shares 500,000 performance rights

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	None
Former listed directorships in last 3 years	Non-executive Director of Verdant Minerals Limited (ceased 2019). Non-executive Director of Syndicated Metals Limited (ceased 2019).
Special responsibilities	Chairman of the Audit Committee.
Interests in shares and options	517,646 ordinary shares 200,000 options

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. For six years until 2018, Natter was Chairman of the US Naval Academy Alumni Association Board of Trustees, representing about 60,000 living graduates. He currently serves on the Board of the Naval Academy Foundation, and also served on the Boards of the National Navy SEAL Museum and the Yellow Ribbon Fund. He serves on the Board of Directors of Allied Universal Security Company with over 200,000 employees and was previously a Director of Corporate Travel Management (CTM), specializing in corporate employee travel throughout Australia, New Zealand, Asia, Europe, and the United States. He also serves on the Board of Physical Optics Corp (POC) in Torrance, CA.
Other current directorships	Chairman of Physical Optics Corporation.
Former listed directorships in last 3 years	Non-executive Director of Corporate Travel Management Limited (2014-2020).
Special responsibilities	None.
Interests in shares and options	1,500,000 ordinary shares 2,000,000 options

Andrew N. Liveris. *Non-Executive Director*	
Experience and expertise	A recognised 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 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). Non-executive director of International Business Machines (IBM) Corporation (NYSE: IBM).
Former listed directorships in last 3 years	Executive Chairman of DowDuPont Inc (NYSE: DEDO). Chairman and Director of The Dow Chemical Company.
Special responsibilities	None.
Interests in shares and options	4,132,794 ordinary shares 14,000,000 options

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Audit Committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Audit Committee	
	A	**B**	**A**	**B**
A Bellas	16	16	3	3
G A J Baynton	15	16	3	3
P M St Baker	16	16	-	-
R Cooper	14	16	3	3
Admiral R J Natter	14	16	-	-
A Liveris	13	16	-	-

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 2020 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 16 to 20 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) A Liveris (Non-executive Director) R Natter (Non-executive Director)

Other key management personnel

Name	*Position*
J C Burns	Group COO and CEO of NOVONIX Battery Testing Services Inc and PUREgraphite LLC.
D A Stevens	Group CTO
N Liveris	Group Vice President – Business Development and CFO of NOVONIX Battery Testing Services Inc and PUREgraphite LLC.

Changes since the end of the reporting period
David Stevens ceased being a KMP from 1 July 2020.

There have been no changes to key management personnel since the end of the reporting period.

(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 2020
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)	None.
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 FY2020.

Superannuation is included in FR for executives. In FY 2020, fixed remuneration was not increased.

(ii) Short term incentives

Short term incentives for all key management personnel have been in place for FY2020. 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.

REMUNERATION REPORT (CONTINUED)

The Company reserves the right to pay any STI cash bonus by way of an issue of fully paid ordinary shares at the sole discretion of the Board of Directors. 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 rata 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, sales and expansion targets</td><td>June 2020</td><td>25%</td><td>Focus of the Groups growth strategy.</td></tr>
<tr><td>Battery Technology Solutions business expansion and product development targets</td><td>June 2020</td><td>25%</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>50%</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 or anomalous 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

No performance rights have been awarded to Directors or KMP during the financial year.

Options

No options have been awarded to Directors or KMP during the financial year.

REMUNERATION REPORT (CONTINUED)

(d) Link between remuneration and performance

During the year, the Group has incurred losses from its principal activities supplying advanced battery materials, equipment and services to the global Lithium-ion battery market. As the Company is still growing the business, the link between remuneration, corporate performance and shareholder value is difficult to define. The Company's share price is influenced by, inter alia, fluctuations in current and expected demand for electric vehicles and energy storage systems, technology adoption, international market prices for battery anode materials, and general market sentiment towards the battery materials and lithium-ion battery sectors, and, as such, increases or decreases in share price 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 2020	$0.87
Year end 30 June 2019	$0.44
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)

		Fixed remuneration			Variable remuneration				Supplementary information	
Name	**Year**	**Cash salary**	**Post-employment benefits**	**Non-monetary benefits**	**STI**	**Performance rights***	**Options***	**Total**	**Less: Accounting value of cancelled options**	**Revised remuneration totals**
Executive Directors										
G A J Baynton	**2020**	91,324	8,676	-	145,688	5,848	320,592	572,128	(320,592)	251,536
	2019	91,324	8,676	-	-	(7,420)	21,608	114,188	-	114,188
P M St Baker	**2020**	103,325	9,816	-	212,461	11,696	641,184	978,482	(641,184)	337,298
	2019	122,318	11,620	-	-	(14,840)	943,216	1,062,314	-	1,062,314
Other key management personnel (group)										
C Burns	**2020**	281,500	-	-	217,285	38,596	2,010,940	2,548,321	(788,932)	1,759,389
	2019	227,572	-	-	95,335	43,832	1,262,918	1,629,657	-	1,629,657
D Stevens	**2020**	244,516	-	-	-	19,298	-	263,814	-	263,814
	2019	215,664	-	-	51,865	21,916	851,653	1,141,098	-	1,141,098
N Liveris	**2020**	246,164	17,276	-	186,258	2,924	398,776	851,398	(15,723)	835,675
	2019	224,204	14,895	-	52,832	(4,463)	134,323	421,791	-	421,791
Non-executive Director										
A Bellas	**2020**	50,000	4,750	-	-	-	333,571	388,321	(333,571)	54,750
	2019	50,000	4,750	-	-	-	39,138	93,888	-	93,888
R Cooper	**2020**	30,000	2,850	-	-	-	3,461	36,311	-	36,311
	2019	30,000	2,850	-	-	-	4,675	37,525	-	37,525
R Natter	**2020**	30,000	-	-	-	-	347,535	377,535	(117,675)	259,860
	2019	30,000	-	-	-	-	396,631	426,631	-	426,631
A Liveris	**2020**	30,000	2,850	-	-	-	2,744,206	2,777,056	-	2,777,056
	2019	30,000	2,850	-	-	-	2,452,717	2,485,567	-	2,485,567
Total KMP remuneration expensed	**2020**	1,106,829	46,218	-	761,692	78,362	6,800,265	8,793,366	(2,217,677)	6,575,689
	2019	1,021,082	45,641	-	200,032	39,025	6,106,879	7,412,659	-	7,412,659

* Performance rights and options are expensed over the performance period, including for options that have been awarded to individuals but have not yet formally been granted, which includes the year in which the rights and options are awarded / granted and the subsequent vesting period.

REMUNERATION REPORT (CONTINUED)

Supplementary information

The amounts in relation to options and performance rights shown in the above table are as expensed in the statement of profit or loss and other comprehensive income, in accordance with AASB 2 *Share based payment.* This may not necessarily reflect the benefit actually received by the KMP in that year. In the above table, supplementary information has been presented which adjusts the total remuneration by the expense recognised during FY20 in relation to options that have been cancelled as part of the capital raising. The presentation of this supplementary information is not in accordance with accounting standards.

(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	$281,500 (CAD$250,000)	$244,516 (CAD$205,000)	$246,164 (USD$165,000)
Contract duration	Ongoing contract	Ongoing contract	Ongoing contract	Ongoing contract	Ongoing contract
Notice by the individual / company	6 months	6 months	12 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 (excluding share based payments) 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, forfeited and cancelled 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, forfeited and cancelled during FY 2020. The number of options and performance rights and percentages vested/forfeited for each grant are disclosed in section (iv) on pages 24 to 27 below.

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 awarded $*	*Value exercised $*	*Value granted $*	*Value awarded $*	*Value cancelled* $*	*Value exercised $*
2020											
P M St Baker	150,000	225,000	81%	19%	-	-	-	684,400~	-	264,754	-
G A J Baynton	100,000	150,000	81%	19%	-	-	-	342,200~	-	132,377	-
A Bellas	-	-	-	-	-	-	-	342,200~	-	132,377	-
R Cooper	-	-	-	-	-	-	-	-	-	-	-
A Liveris	-	-	-	-	-	-	-	3,079,800~	-	-	-
R Natter	-	-	-	-	-	-	-	342,200~	-	48,627	-
C Burns	281,500	422,250	81%	19%	-	-	-	-	-	610,946	-
D Stevens	244,516	366,774	-	100%	-	-	-	-	-	-	-
N Liveris	246,164	369,246	81%	19%	-	-	-	1,309,800~	-	-	-

~ Options and performance rights were awarded in the prior financial year and subsequently granted following shareholder approval at either the Shareholder meeting held on 31 July 2019 or the 2019 AGM. The value represents the fair value of the options and performance rights at the date shareholder approval was received.

* The cancellation of the options has resulted in an acceleration of the share-based payment expense, with the unexpensed portion of the share option fair values being expensed in full at the date of cancellation, which is what the value in the table represents.

(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	Number Under option	Number cancelled (Note 11)	Exercise price	Value per option at grant date	Performance achieved	% vested
21/11/2017	30/06/2020	01/07/2021	2,000,000	-	$0.66	$1.14	100%	100%
21/11/2017	14/07/2019	14/07/2020	250,000	-	$1.10	$0.90	100%	100%
22/11/2018	06/03/2020	06/03/2023	316,667	250,000	$1.40	$0.15	100%	100%
22/11/2018	28/07/2019	Cessation of employment	1,500,000	1,500,000	$0.80	$0.28	-	-
22/11/2018	29/08/2019	29/08/2023	500,000	-	$0.90	$0.20	100%	100%
22/11/2018	29/08/2020	29/08/2023	500,000	500,000	$1.20	$0.18	-	-
22/11/2018	29/08/2021	29/08/2023	500,000	500,000	$1.40	$0.17	-	-
24/05/2019	30/06/2020	05/08/2024	500,000	-	$0.50	$0.32	100%	100%
24/05/2019	30/06/2022~	05/08/2024	500,000	-	$0.50	$0.34	-	-
31/07/2019	30/06/2020	05/08/2024	7,500,000	2,000,000	$0.50	$0.33	100%	100%
31/07/2019	30/06/2022~	05/08/2024	7,500,000	2,000,000	$0.50	$0.35	-	-
13/03/2019	31/05/2022~	Cessation of employment	1,000,000	150,000	$0.50	$0.54	-	-
13/03/2019	31/03/2023~	Cessation of employment	1,000,000	150,000	$0.50	$0.55	-	-
13/03/2019	30/06/2023~	Cessation of employment	1,000,000	150,000	$0.50	$0.56	-	-
13/03/2019	28/03/2024~	Cessation of employment	1,000,000	150,000	$0.50	$0.56	-	-
13/03/2019	31/03/2024~	Cessation of employment	1,000,000	150,000	$0.50	$0.57	-	-
13/03/2019	31/05/2024~	Cessation of employment	1,000,000	150,000	$0.50	$0.57	-	-
13/03/2019	30/06/2024~	Cessation of employment	1,000,000	150,000	$0.50	$0.57	-	-
13/03/2019	31/03/2025~	Cessation of employment	1,000,000	150,000	$0.50	$0.57	-	-
13/03/2019	30/04/2025~	Cessation of employment	1,000,000	150,000	$0.50	$0.58	-	-
13/03/2019	30/04/2025~	Cessation of employment	1,000,000	150,000	$0.50	$0.58	-	-
21/11/2019	31/05/2022~	Cessation of employment	250,000	-	$0.50	$0.36	-	-
21/11/2019	31/03/2023~	Cessation of employment	250,000	-	$0.50	$0.37	-	-
21/11/2019	30/06/2023~	Cessation of employment	250,000	-	$0.50	$0.38	-	-
21/11/2019	28/03/2024~	Cessation of employment	250,000	-	$0.50	$0.38	-	-
21/11/2019	31/03/2024~	Cessation of employment	250,000	-	$0.50	$0.39	-	-
21/11/2019	31/05/2024~	Cessation of employment	250,000	-	$0.50	$0.39	-	-
21/11/2019	30/06/2024~	Cessation of employment	250,000	-	$0.50	$0.39	-	-
21/11/2019	31/03/2025~	Cessation of employment	250,000	-	$0.50	$0.39	-	-
21/11/2019	30/04/2025~	Cessation of employment	250,000	-	$0.50	$0.40	-	-
21/11/2019	30/04/2025~	Cessation of employment	250,000	-	$0.50	$0.40	-	-

~ Vesting is subject to satisfaction of performance related vesting conditions. The vesting date shown represents an estimate of when vesting conditions will be satisfied.

REMUNERATION REPORT (CONTINUED)

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 25. 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	22/11/2018	01/01/2020	$0.05
G A J Baynton	22/11/2018	01/01/2020	$0.05
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	$0.05

The number of performance rights over ordinary shares in the Company provided as remuneration to key management personnel is shown on page 26. The performance rights carry no dividend or voting rights.

These performance rights were 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.

Although not all vesting conditions were satisfied, the overall performance of the Company and the Executives has been high, the board awarded 60% of the long-term incentive on a discretionary basis.

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.

(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 FY2020. No options were forfeited during the year. As part of the capital raise transaction (refer note 11), the Group obtained agreement of KMP to cancel options for no consideration. The cancellation of the options has resulted in an acceleration of the expense associated with the options cancelled.

REMUNERATION REPORT (CONTINUED)

Options

2020 Name & Grant dates	Balance at the start of the year		Granted as compensation	Vested		Cancelled	Balance at the end of the year	
	Unvested	Vested		Number	%		Vested and exercisable	Unvested
R Natter								
21 Nov 2017	250,000	500,000	-	250,000	33%	-	750,000	-
22 Nov 2018	1,500,000	500,000	-	500,000	25%	1,000,000	1,000,000	-
31 July 2019	-	-	1,000,000	500,000	50%	-	500,000	500,000
P M St Baker								
21 October 2016	-	-	-	-	-	-	-	-
31 July 2019	-	-	2,000,000	1,000,000	50%	2,000,000	-	-
A Bellas								
22 Nov 2018	250,000	500,000	-	250,000	33%	750,000	-	-
31 July 2019	-	-	1,000,000	500,000	50%	1,000,000	-	-
G Baynton								
31 July 2019	-	-	1,000,000	500,000	50%	1,000,000	-	-
R Cooper								
22 Nov 2018	66,667	133,333	-	66,667	33%	-	200,000	-
A Liveris								
21 Nov 2017	2,000,000	3,000,000	-	2,000,000	40%	-	5,000,000	-
31 July 2019	-	-	9,000,000	4,500,000	50%	-	4,500,000	4,500,000
C Burns								
27 June 2017	-	3,000,000	-	-	-	3,000,000	-	-
13 March 2019	10,000,000	-	-	-	-	1,500,000	-	8,500,000
24 May 2019	1,000,000	-	-	500,000	50%	-	500,000	500,000
D Stevens								
27 June 2017	-	3,000,000	-	-	-	1,500,000	1,500,000	-
N Liveris								
22 Nov 2018	1,500,000	-	-	-	-	1,500,000	-	-
31 July 2019	-	-	1,000,000	500,000	50%	-	500,000	500,000
21 November 2019	-	-	2,500,000	-	-	-	-	2,500,000

REMUNERATION REPORT (CONTINUED)

There were no options exercised by KMP during the financial year.

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	-	895,833	-	-	-	-	895,833	-
	2019	1,000,000	-	600,000	-	-	400,000	600,000	-
G Baynton	2019	500,000	-	300,000	-	-	200,000	300,000	-
C Burns	2018	500,000	-	300,000	-	-	200,000	300,000	-
D Stevens	2018	250,000	-	150,000	-	-	100,000	150,000	-
N Liveris	2019	250,000	-	150,000	-	-	100,000	150,000	-

* 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.

REMUNERATION REPORT (CONTINUED)

Shareholdings

2020 Name	Balance at the start of the year	Participation in entitlement offer	Participation in Share Purchase Plan	Shares disposed	Balance at the end of the year
Ordinary shares					
A Bellas	1,179,354	908,197	58,823	-	2,146,374
G A J Baynton	29,561,827	369,369	58,823	-	29,990,019
P M St Baker	14,976,903*	6,205,800	58,823	-	21,241,526
R Cooper	200,000	258,823	58,823	-	517,646
R Natter	750,000	750,000	-	-	1,500,000
A Liveris	2,007,574	2,066,397	58,823	-	4,132,794
C Burns	1,765,968	1,765,968	-	(1,200,000)	2,331,936
D Stevens	2,609,948	2,609,948		(1,309,948)	3,909,948
N Liveris	-	-	-	-	-

* includes 5,000,000 shares issued on the exercise of 5,000,000 options in the prior year that were funded by a loan agreement between Mr Philip St Baker and the Company. The Company has placed a holding lock over the shares to secure repayment of the loan.

(v) Other transactions with key management personnel

During the financial year, Philip St Baker was paid rent totalling $77,579 (USD$52,000), for the use of property owned by Mr St Baker in Colorado, USA. Mr St Baker's salary has been adjusted down by $36,859 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
27 June 2017	Cessation of employment	$0.74	1,500,000
14 July 2017	14 July 2022	$0.90	450,000
21 November 2017	1 July 2021	$0.66	5,000,000
7 February 2018	7 February 2023	$0.785	100,000
2 November 2018	2 November 2023	$0.55	160,000
6 December 2018	6 December 2023	$0.55	40,000
22 November 2018	6 March 2023	$0.90	66,666
22 November 2018	6 March 2023	$1.20	66,667
22 November 2018	6 March 2023	$1.40	66,667
22 November 2018	29 August 2023	$0.70	500,000
22 November 2018	29 August 2023	$0.90	500,000
13 March 2019	Cessation of employment	$0.50	11,000,000
14 March 2019	Cessation of employment	$0.50	666,667
24 May 2019	5 August 2024	$0.50	1,000,000
31 July 2019	5 August 2024	$0.50	11,000,000
5 August 2019	Cessation of employment	$0.50	2,500,000
21 November 2019	Cessation of employment	$0.50	2,500,000
17 December 2019	Cessation of employment	$0.50	1,000,000
4 February 2020	Cessation of employment	$0.50	1,000,000

Unissued ordinary shares of NOVONIX Limited under performance right at the date of this report total 3,395,833. 895,833 of these performance rights were the performance rights granted as remuneration to Mr St Baker during previous years. The remaining 2,500,000 performance rights were granted to KMP during previous years.

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

INSURANCE OF OFFICERS AND INDEMNITIES

Insurance of officers

During the financial year, NOVONIX Limited paid a premium of $122,000 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.

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.

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 there were no fees were paid or payable for non-audit services provided by the auditor of the parent entity (2019: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

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

A Bellas
Chairman

Brisbane
21 September 2020

END OF DIRECTORS' REPORT

Auditor's Independence Declaration

As lead auditor for the audit of Novonix Limited for the year ended 30 June 2020, 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
21 September 2020

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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 2020 corporate governance statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 corporate governance statement was approved by the board on 21 September 2020. 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 2020

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 27.

The financial statements are presented in the Australian currency.

NOVONIX Limited is a Company limited by shares, incorporated and domiciled in Australia.

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 2020

		Consolidated	
		2020	2019
	Notes	$	$
Continuing operations			
Revenue from contracts with customers	4	4,253,435	1,817,049
Other income	5	844,877	3,024,684
Cost of goods sold		(1,245,187)	(741,280)
Administrative and other expenses		(3,115,665)	(1,536,897)
Borrowing costs	6	(5,330,961)	(1,565,032)
Impairment losses	6	-	(15,918,925)
Depreciation and amortisation expenses		(1,380,303)	(494,948)
Marketing and project development costs		(2,423,546)	(1,560,551)
Share based compensation	6	(7,558,953)	(6,673,510)
Employee benefits expense		(4,072,223)	(2,104,176)
Share of net losses of joint ventures		-	(751,981)
Loss before income tax expense		(20,028,526)	(26,505,567)
Income tax (expense) benefit	7	-	383,655
Loss from continuing operations		(20,028,526)	(26,121,912)
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		550,243	809,396
Total comprehensive loss for the year		(19,478,283)	(25,312,516)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	(14.7 cents)	(21.2 cents)
Diluted earnings per share	10	(14.7 cents)	(21.2 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 2020

		Consolidated	
	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13	38,807,662	6,054,664
Trade and other receivables	14	1,227,792	683,103
Inventory	15	1,366,985	1,116,991
Total current assets		41,402,439	7,854,758
Non-current assets			
Property, plant and equipment	16	9,620,797	5,984,517
Right-of-use assets	21	2,853,427	-
Exploration and evaluation assets	17	2,988,921	2,838,749
Intangible assets	18	18,367,245	18,233,245
Other assets		24,589	8,630
Total non-current assets		33,854,979	27,065,141
Total assets		75,257,418	34,919,899
LIABILITIES			
Current liabilities			
Trade and other payables	19	3,494,227	1,404,366
Contract liabilities	20	98,783	580,845
Lease liabilities	21	141,124	-
Borrowings	22	274,917	4,145,069
Total current liabilities		4,009,051	6,130,280
Non-current liabilities			
Lease liabilities	21	2,778,979	-
Borrowings	22	1,937,095	13,016,841
Total non-current liabilities		4,716,074	13,016,841
Total liabilities		8,725,125	19,147,121
Net assets		66,532,293	15,772,778
EQUITY			
Contributed equity	23	99,851,510	38,163,405
Reserves	24	30,537,967	21,438,031
Accumulated losses		(63,857,184)	(43,828,658)
Total equity		66,532,293	15,772,778

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 2020

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 2018	38,163,405	(17,706,746)	8,585,446	140,608	2,426,120	31,608,833
Loss for the year	-	(26,121,912)	-	-	-	(26,121,912)
Other comprehensive income	-	-	-	809,396	-	809,396
Total comprehensive income	-	(26,121,912)	-	809,396	-	(25,312,516)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	-	-	-	-	-	-
Equity component of convertible notes, net of transaction costs	-	-	-	-	2,802,951	2,802,951
Share-based payments	-	-	6,673,510	-	-	6,673,510
Balance at 30 June 2019	38,163,405	(43,828,658)	15,258,956	950,004	5,229,071	15,772,778
Loss for the year	-	(20,028,526)	-	-	-	(20,028,526)
Other comprehensive income	-	-	-	550,243	-	550,243
Total comprehensive income	-	(20,028,526)	-	550,243	-	(19,478,283)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	61,688,105	-	-	-	-	61,688,105
Equity component of convertible notes, net of transaction costs	-	-	-	-	990,741	990,741
Share-based payments	-	-	7,558,952	-	-	7,558,952
Balance at 30 June 2020	99,851,510	(63,857,184)	22,817,908	1,500,247	6,219,812	66,532,293

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 2020

	Notes	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (GST inclusive)		4,386,441	2,613,477
Payments to suppliers and employees (GST inclusive)		(9,748,625)	(6,464,050)
Interest received		723	4,533
Income taxes paid		-	-
Payment of borrowing costs		(232,055)	(154,047)
Net cash outflow from operating activities	26	(5,593,517)	(4,000,087)
Cash flows from investing activities			
Payments for exploration assets		(146,195)	(270,027)
Net outflow from the acquisition of PUREgraphite LLC		-	(5,195,171)
Payments / refunds of security deposits		(16,369)	(500)
Payments for property, plant and equipment		(5,339,448)	(1,888,231)
Net cash outflow from investing activities		(5,502,012)	(7,353,929)
Cash flows from financing activities			
Proceeds on issue of shares		45,845,239	-
Proceeds on issue of loan notes (net of expenses)		-	12,334,899
Payment of capital raising costs		(1,308,596)	-
Proceeds from borrowings		6,603,722	4,582,160
Principal elements of lease repayments		(141,968)	-
Repayment of borrowings		(6,996,422)	(56,319)
Net cash inflow from financing activities		44,001,975	16,860,740
Net increase (decrease) in cash and cash equivalents		32,906,446	5,506,724
Effects of foreign currency		(153,448)	182,348
Cash and cash equivalents at the beginning of the year		6,054,664	365,592
Cash and cash equivalents at the end of the year	13	38,807,662	6,054,664

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 2020

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 a 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 incurred a net loss of $20,028,526 (2019: $26,121,912) and net operating cash outflows of $5,593,517 (2019: $4,000,087) for the year ended 30 June 2020. As at 30 June 2020, the consolidated entity has net assets of $66,532,293 (2019: $15,772,778).

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

- the successful and profitable growth of the battery materials, battery consulting and battery technology businesses;
- the ability of the consolidated entity to meet its cashflow forecasts; and
- the ability of the consolidated entity to raise capital as and when necessary and/or secure prepayments from customers for product.

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:

- during the financial year the Company successfully raised $63m as set out in Note 11 and also has a strong history of being able to raise capital from debt and equity sources;
- The directors believe there is sufficient cash available for the consolidated entity to continue operating and scale the PUREgraphite business over the next 12 months and beyond.

The Directors have considered the impact of Covid 19 and found that the pandemic has not had a significant effect on the Company's ability to continue as a going concern, as evidenced by the capital raising outlined in Note 11.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

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.

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 21 September 2020. 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 2020 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.

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.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

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 for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Consulting services

The consulting division provides battery cell design, implementation and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Other revenue

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

OTHER INCOME
Interest

Interest income 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 government bodies 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.

Notes to the financial statements for the year ended 30 June 2020

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 ('CODMs'). The CODMs 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 2020

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 2020

Note 1 Summary of significant accounting policies (continued)

k. Property, plant and equipment

Property, 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.

Notes to the financial statements for the year ended 30 June 2020

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 2020

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 2020

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 12).

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.

Notes to the financial statements for the year ended 30 June 2020

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.

Notes to the financial statements for the year ended 30 June 2020

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.

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.

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

AASB 16 Leases

The group leases a warehouse in Tennessee from which the PUREgraphite business operates.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by NOVONIX Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. The group does not revalue the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension options are included in property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group’s operations. The extension options held are exercisable only by the group and not by the lessor.

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

y. 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.

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.

Notes to the financial statements for the year ended 30 June 2020

Note 1 Summary of significant accounting policies (continued)

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 technology intangibles, valued using the relief from royalty method. These calculations require the use of assumptions including future revenue forecasts and a royalty rate. Technology is amortised over its useful life of 5 years.

Impairment of goodwill and identifiable intangible assets

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.

Other areas of critical accounting estimates and judgements

Other areas of critical accounting estimates and judgements include:

- Unused tax losses for which no deferred tax asset has been recognised (Refer to Note 7)
- The vesting dates of share options (Refer to Note 28)
- The accelerated expense on cancellation of share options and the loss on redemption of convertible loan notes (Refer to Note 11)

Notes to the financial statements for the year ended 30 June 2020

Note 2 Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements.

As indicated in note 1 above, the group had adopted AASB 16 *Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 July 2019. The new accounting policies are disclosed in note 1.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%.

Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 30 June 2019	1,286,391
Discounted using the lessee's incremental borrowing rate of 4% at the date of initial application	1,165,323
Add/(less): adjustments as a result of a different treatment of extension options	1,827,378
Lease liability recognised as at 1 July 2019	2,992,701
Of which are:	
Current lease liabilities	135,386
Non-current lease liabilities	2,857,315
	2,992,701

Measurement of right-of-use assets

The associated right-of-use asset for property leases was measured at an amount equal to the liability.

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by $2,992,701
- lease liabilities – increase by $2,992,701

Notes to the financial statements for the year ended 30 June 2020

Note 3 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.

	2020 $	2019 $
Balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	37,455,678	5,240,110
Trade and other receivables	159,777	73,952
Total current assets	37,615,455	5,314,062
Non-current assets		
Other receivables	10,139,051	709,194
Plant and equipment	1,068	5,042
Exploration and evaluation assets	3,210,798	2,838,749
Investments	17,748,704	21,938,847
Other assets	8,450	7,000
Total non-current assets	31,108,071	25,498,832
Total assets	68,723,526	30,812,894
LIABILITIES		
Current liabilities		
Payables	2,191,233	134,586
Borrowings	-	4,000,000
Total current liabilities	2,191,233	4,134,586
Non-current liabilities		
Borrowings	-	10,905,530
Total non-current liabilities	-	10,905,530
Total liabilities	2,191,233	15,040,116
Net assets	66,532,293	15,772,778
EQUITY		
Contributed equity	99,851,510	38,163,405
Reserves	29,037,721	20,488,027
Accumulated losses	(62,356,938)	(42,878,654)
Total equity	66,532,293	15,772,778
Statement of Profit or Loss and Other Comprehensive Income		
Total loss and total comprehensive loss	(19,478,284)	(25,312,516)

Notes to the financial statements for the year ended 30 June 2020

Note 3 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 2020, NOVONIX Limited did not have any contingent liabilities (2019: Nil).

Contractual commitments

At 30 June 2020, NOVONIX Limited did not have any contractual commitments (2019: Nil).

Note 4 Revenue

(a) Revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

2020	Graphite Mining and exploration $	Battery Technology $	Battery Materials $	Total $
Hardware sales	-	2,113,416	-	2,113,416
Consulting sales	-	2,140,019	-	2,140,019
Revenue from external customers	-	4,253,435	-	4,253,435
Timing of revenue recognition				
At a point in time	-	2,113,416	-	2,113,416
Over time	-	2,140,019	-	2,140,019
	-	4,253,435	-	4,253,435

2019	Graphite Mining and exploration $	Battery Technology $	Battery Materials $	Total $
Hardware sales	-	1,461,266	-	1,461,266
Consulting sales	-	355,783	-	355,783
Revenue from external customers	-	1,817,049	-	1,817,049
Timing of revenue recognition				
At a point in time	-	1,461,266	-	1,461,266
Over time	-	355,783	-	355,783
	-	1,817,049	-	1,817,049

Revenues from external customers come from the sale of battery testing hardware equipment and the provision of battery testing and development consulting services.

Notes to the financial statements for the year ended 30 June 2020

Note 4 Revenue (continued)

(i) Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

	Notes	**2020** **$**	2019 $
Contract liabilities – Hardware sales		98,783	580,845
Total current contract liabilities		98,783	580,845

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2020 **$**	2019 $
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Hardware sales	580,845	-

Note 5 Other income

	2020 **$**	2019 $
Interest received from unrelated parties	723	4,533
COVID-19 Government stimulus	59,000	-
Grant funding	785,154	329,573
Fair value gain on borrowings	-	114,106
Gain on revaluation of equity accounted investment	-	2,576,131
Other	-	341
	844,877	3,024,684

Notes to the financial statements for the year ended 30 June 2020

Note 6 Loss for the year

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

	Consolidated	
	2020	2019
	$	$
Share based payments expense^		
Performance rights granted	78,362	39,025
Options granted	6,291,510	6,634,485
Options cancelled	1,189,081	-
Total share based compensation expense	7,558,953	6,673,510

^ Refer to note 28 for further information regarding share-based payments.

Borrowing costs		
Interest accrued on loan notes	3,062,598	1,373,581
Loss on redemption of loan notes	1,765,353	-
Unwinding of fair value gain	48,377	30,113
Interest accrued on borrowings	454,633	161,338
Total borrowing costs	5,330,961	1,565,032
Impairment losses		
Exploration and evaluation assets	-	10,667,897
Goodwill	-	4,812,127
Identified intangibles – Brand Name	-	374,126
Identified intangibles - Technology	-	64,775
Total impairment losses	-	15,918,925

Notes to the financial statements for the year ended 30 June 2020

Note 7 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	
	2020	**2019**
	$	**$**
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(20,028,526)	(26,505,567)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(5,507,845)	(7,289,031)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill	-	1,323,335
Share based payments	2,078,713	1,835,215
Gain on acquisition of PUREgraphite LLC	-	(540,987)
Share of results of joint venture	-	206,795
Borrowing costs	855,518	377,735
Other non-assessable amounts	(156,386)	(24,234)
Difference in overseas tax rate	385,615	(90,888)
Adjustments for current tax of prior periods	-	(93,052)
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	2,344,385	3,911,457
Income tax expense / (benefit)	-	(383,655)
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	23,275,774	15,128,752
Potential tax benefit	6,054,860	4,122,864
(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 2020

Note 7 Income tax expense

	Consolidated 2020 $	Consolidated 2019 $
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	6,304,468	4,351,897
Exploration and evaluation assets	1,137,319	1,433,506
Business capital costs	899,256	49,212
Right of use asset	8,982	-
Accrued expenses	38,665	17,067
Total deferred tax assets	8,388,690	5,851,682
Set-off of deferred tax liabilities pursuant to set-off provisions	(512,788)	(558,061)
Deferred tax assets not recognised	(7,875,902)	(5,293,621)
Net deferred tax assets	-	-
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	262,779	328,885
Property, plant and equipment	224,874	186,851
Prepayments	401	143
Unrealised exchange loss on borrowings	24,734	42,182
Total deferred tax liabilities	512,788	558,061
Set-off of deferred tax liabilities pursuant to set-off provisions	(512,788)	(558,061)
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.

Notes to the financial statements for the year ended 30 June 2020

Note 8 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 2020.

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

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	1,868,521	1,221,114
Post-employment benefits	46,218	45,641
Share-based compensation	6,878,627	6,145,904
Total KMP compensation	8,793,366	7,412,659

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 compensation

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 and performance rights on grant date.

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

Note 9 Auditor's Remuneration

	Consolidated	
	2020	2019
	$	$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	175,855	148,200
	175,855	148,200

Notes to the financial statements for the year ended 30 June 2020

Note 10 Earnings per share

	2020 Cents	2019 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(14.7 cents)	(21.2 cents)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(14.7 cents)	(21.2 cents)

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

	2020 $	2019 $
Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(20,028,526)	(26,121,912)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(20,028,526)	(26,121,912)

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

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	135,918,095	123,219,872

(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 2020. 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 28.

Notes to the financial statements for the year ended 30 June 2020

Note 11 Capital raising

During the financial year the Company completed a $63 million capital raising via an institutional placement, an accelerated non-renounceable rights issue and a strategic placement ("capital raising").

The capital raising has simplified the NOVONIX capital structure through the redemption of Convertible Notes and repayment of short-term loans, along with the cancellation of 40.5 million options held by Directors, employees and convertible note holders.

Funds raised will provide capex and working capital to fulfil an initial SAMSUNG supply contract, facilitate development and commercialisation of the DPMG technology for cathode and other million-mile battery innovations, offer costs and provide general working capital.

The components of the transaction are set out below:

a) Institutional placement

On 5 June 2020, 19,495,469 fully paid ordinary shares were issued to institutional investors at $0.29 per share, raising $5,653,686.

b) Rights issue

An accelerated 1 for 1 rights issue was completed on 25 June 2020. Under the rights issue, 130,721,435 fully paid ordinary shares were issued at $0.29 per share. The rights issue raised a total of $37,909,216 which consisted of $34,017,928 cash and $3,891,288 settlement of debt (see c) and d) below).

c) Repayment of Director loans

During the financial year, the Company's directors entered into short term loan agreements collectively for $3,148,960. The loans were unsecured and accrued interest at 8% pa from the date of drawdown, calculated on a daily basis. These loans were used by Directors to fund their entitlements under the rights issue, with remaining balances being repaid to Directors from the proceeds of the rights issue as follows:

Director	Loan funds and interest accrued $	Loan settled though Rights issue entitlement taken up $	Loan funds repaid from proceeds of the right issue $
Anthony Bellas	263,377	263,377	-
Philip St Baker	1,799,682	1,799,682	-
Greg Baynton	107,117	107,117	-
Robert Cooper	101,973	75,059	26,914
Andrew Liveris	954,831	599,255	355,576
	3,266,980*	2,844,490	382,490

* includes $78,020 of interest accrued on short-term loans

Notes to the financial statements for the year ended 30 June 2020

Note 11 Capital raising (continued)

d) Convertible loan notes

Prior to the capital raise a total of 11,416,667 loan notes (excluding loan notes held by the St Baker Energy Innovation Fund) were on issue with a face value of $6,400,000. These loan notes accrued interest at a coupon rate of 10% pa.

These convertible loan notes were repaid as follows:

Loan notes (Number)	Face Value $	Interest accrued $	Fair value of loan notes at settlement date $	Carrying value of loan notes at settlement date $	Loss on settlement $	Amount settled through conversion to equity as part of rights issue $	Amount settled in cash out of proceeds from the rights issue $
2,250,000	900,000	117,123	1,017,123	891,018	126,105	182,701	834,422
9,166,667	5,500,000	1,038,219	6,538,219	6,471,374	66,845	864,097	5,674,122
11,416,667	6,400,000	1,155,342	7,555,342	7,362,392	192,950	1,046,798*	6,508,544

* Repaid through the issue of 3,609,650 shares at $0.29 per share.

e) Strategic Placement to St Baker Energy Innovation Fund

At a General Meeting of Shareholders held on 30 June 2020, Shareholders approved the issue of 67,085,100 fully paid ordinary shares to the St Baker Energy Innovation Fund at an issue price of $0.29 per share raising $19,454,679. The consideration for the shares received consisted of cash and the settlement of both convertible loan notes and short-term loans owing. Details of the Strategic Placement are set out in the table below:

	Face value/Principal of loan notes and short-term loan $	Interest accrued $	Placement proceeds $	Total $	Shares issued (Number)
Loan notes redeemed	10,000,000	1,187,397	-	11,187,397	38,577,232
Short-term loan repaid	3,400,000	131,575	-	3,531,575	12,177,845
Placement proceeds	-	-	4,735,707	4,735,707	16,330,023
Total	13,400,000	1,318,972	4,735,707	19,454,679	67,085,100

Notes to the financial statements for the year ended 30 June 2020

Note 11 Capital raising (continued)

Prior to the capital raise a total of 25,000,000 loan notes were on issue to the St Baker Energy Innovation Fund with a face value of $10,000,000. These loan notes accrued interest at a coupon rate of 10% pa.

These convertible loan notes were repaid as follows:

Loan notes (Number)	Face Value $	Interest accrued $	Fair value of loan notes at settlement date $	Carrying value of loan notes at settlement date $	Loss on settlement $	Amount settled through conversion to equity as part of rights issue $	Amount settled in cash out of proceeds from the rights issue $
25,000,000	10,000,000	1,187,397	11,187,397	9,614,996	1,572,401	11,187,397*	-

* Repaid through the issue of 38,577,232 shares at $0.29 per share.

f) Cancellation of options

As part of the capital raise, the Group obtained agreement from holders of a total of 40,500,000 options (approximately half of the options on issue at the time of the capital raise) to cancel the options for no consideration. The cancellation of the options has resulted in an acceleration of the share-based payment expense, with the unexpensed portion of the share option fair values being expensed in full at the date of cancellation. Details of the options cancelled are below:

	Number of options cancelled	Expense accelerated $
Directors	5,750,000	578,135
KMP	7,500,000	610,946
Loan note holders*	27,250,000	-
Total	40,500,000	1,189,081

*Loan note holders are not employees of the company and therefore there is no associated share based payment expense, hence no expense acceleration.

Notes to the financial statements for the year ended 30 June 2020

Note 12 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	**2020**	**2019**
	$	**$**
PUREgraphite LLC	17,411,685	17,122,101
Total carrying amount of goodwill	17,411,685	17,122,101

The recoverable amount of the PUREgraphite LLC cash generating unit ("PUREgraphite CGU") has been determined on a 'Fair Value Less Costs to Sell' ("FVLCS") basis.

To determine the recoverable amount, FVLCS was calculated based on the capital raising outlined in Note 11 given that the capital raising was directly associated with the planned future expansion of the PUREgraphite CGU.

The recoverable amount of the PUREgraphite CGU was deemed to be in excess of the carrying value of the CGU, and therefore no impairment has been recognise at 30 June 2020.

Note 13 Cash and cash equivalents

	Consolidated	
	2020	**2019**
	$	**$**
Cash at bank	38,807,662	6,054,664
	38,807,662	6,054,664

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:

	2020	2019
	$	$
Balances as above	38,807,662	6,054,664
Bank overdrafts	-	-
Balance per statement of cash flows	38,807,662	6,054,664

Notes to the financial statements for the year ended 30 June 2020

Note 14 Trade and other receivables

	Consolidated	
	2020 $	2019 $
Trade debtors	952,881	556,937
Other receivables	274,911	126,166
Total current trade and other receivables	1,227,792	683,103

Credit risk

The Group has no significant concentration of credit risk with respect to any counterparties or on a geographical basis. Amounts are considered as "past due" when the debt has not been settled, in line with the terms and conditions agreed between the Group and the customer to the transaction.

The Group assess impairment on trade and other receivables using the simplified approach of the expected credit loss (ECL) model under AASB 9. Due to the minimal history of bad debt write-offs and strong credit approval processes, the Group have determined that the incorporation of the ECL model will not have a material effect on impairment as at 30 June 2020.

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

Note 15 Inventory

	Consolidated	
	2020 $	2019 $
Raw material	759,693	-
Components and stores	584,090	641,080
Finished goods – at cost	23,202	475,911
	1,366,985	1,116,991

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2020 amounts to $1,245,187 (2019: $741,280). These were included in cost of sales.

Notes to the financial statements for the year ended 30 June 2020

Note 16 Property, plant and equipment

	Land $	Buildings $	Leasehold improvements $	Plant and equipment $	Total $
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
Year ended 30 June 2019					
Opening net book amount	359,344	1,174,199	-	907,875	2,441,418
Additions	-	495,206	-	2,241,257	2,736,463
Acquisition of subsidiary	-	-	-	913,821	913,821
Exchange differences	20,907	66,695	-	218,466	302,095
Assets written off	-	-	-	(90,540)	(90,540)
Depreciation charge	-	(61,380)	-	(261,333)	(318,740)
Closing book amount	380,251	1,674,720	-	3,929,546	5,984,517
At 30 June 2019					
Cost	380,251	1,762,019	-	4,437,493	6,579,763
Accumulated depreciation	-	(87,299)	-	(507,947)	(595,246)
Net book amount	380,251	1,674,720	-	3,929,546	5,984,517
Year ended 30 June 2020					
Opening net book amount	380,251	1,674,720	-	3,929,546	5,984,517
Additions	-	93,127	195,082	4,451,587	4,739,796
Acquisition of subsidiary	-	-	-	-	-
Exchange differences	(7,256)	(29,018)	796	75,523	40,045
Assets written off	-	-	-	(210,773)	(210,773)
Depreciation charge	-	(72,028)	(31,320)	(829,440)	(932,788)
Closing book amount	372,995	1,666,801	164,558	7,416,443	9,620,797
At 30 June 2020					
Cost	372,995	1,821,526	195,082	8,579,868	10,969,471
Accumulated depreciation	-	(154,725)	(30,524)	(1,163,425)	(1,348,674)
Net book amount	372,995	1,666,801	164,558	7,416,443	9,620,797

Notes to the financial statements for the year ended 30 June 2020

Note 17 Exploration and evaluation assets

	Consolidated	
	2020	2019
	$	$
Exploration and evaluation assets – at cost	2,988,921	2,838,749
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	2,838,749	13,253,083
Expenditure incurred during the year	150,172	253,563
Impairment losses	-	(10,667,897)
Balance at the end of the year	2,988,921	2,838,749

In FY2019, the Company recognised an impairment loss of $10,667,897 relating to the Mt Dromedary graphite mining project. The Directors determined that it was appropriate for the carrying value of the Mt Dromedary asset to reflect the exploration and evaluation expenditure incurred since acquisition, and to write off all acquisition related costs which related to the minority interest acquired by the Group on 29 August 2016 in return for shares in the Company (i.e. scrip-based consideration).

The future development of the Mt Dromedary mine will not occur in the short to medium term given the tonnages of natural graphite required by the PUREgraphite business are unlikely to be sufficient to warrant the development of the mine in that timeframe. As well, a significant portion of graphite used by PUREgraphite will be synthetic graphite, and the natural graphite required at this time can be more cost effectively sourced from other natural graphite producers.

The Mt Dromedary asset remains a strategic asset for the Group.

The Directors have assessed that for the exploration and evaluation assets remaining recognised at 30 June 2020, the facts and circumstances do not suggest that the carrying amount may exceed its recoverable amount.

Notes to the financial statements for the year ended 30 June 2020

Note 18 Intangible assets

	Consolidated 2020 $	Consolidated 2019 $
Goodwill	17,411,685	17,037,297
Technology	955,560	1,195,948
	18,367,245	18,233,245

	Goodwill $	Technology $	Total $
Balance at the beginning of the year	17,037,297	1,195,948	18,233,245
Exchange differences	374,388	33,231	407,619
Amortisation	-	(273,619)	(273,619)
Balance at the end of the year	17,411,685	955,560	18,367,245

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 and other comprehensive income. Goodwill has an indefinite useful life.

Notes to the financial statements for the year ended 30 June 2020

Note 19 Trade and other payables

	Consolidated	
	2020	2019
	$	$
Unsecured liabilities:		
Trade payables	847,724	1,307,707
Sundry payables and accrued expenses	2,646,503	96,659
	3,494,227	1,404,366

Note 20 Contract liabilities

	Consolidated	
	2020	2019
	$	$
Contract liabilities – Hardware sale contracts	98,783	580,845
	98,783	580,845

Note 21 Leases

This note provides information for leases where the group is the lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2020	30 June 2019
	$	$
Right-of-use assets - Buildings	2,853,427	-
Lease liabilities		
Current	141,124	-
Non-current	2,778,979	-
	2,920,103	-

There were no additions to the right-of-use asset during the year ended 30 June 2020.

(i) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2020	2018
	$	$
Depreciation of right-of-use assets - Buildings	210,381	-
Interest expense	112,303	-

The total cash outflow for leases in the half year period was $254,271.

Notes to the financial statements for the year ended 30 June 2020

Note 22 Borrowings

	2020 Current $	2020 Non-Current $	2020 Total $	2019 Current $	2019 Non-Current $	2019 Total $
Secured						
Bank loans (i)	56,704	1,214,406	1,271,109	57,807	1,295,835	1,353,642
Total secured borrowings	56,704	1,214,406	1,271,109	57,807	1,295,835	1,353,642
Unsecured						
Loan notes (ii)	-	-	-	-	10,905,530	10,905,530
Other loans (iii)	218,213	722,689	940,902	4,087,262	815,476	4,902,738
Total unsecured borrowings	218,213	722,689	940,902	4,087,262	11,721,006	15,808,268
Total borrowings	274,917	1,937,095	2,212,011	4,145,069	13,016,841	17,161,910

(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 operates. The total available amount under the facility is CAD $1,330,000 and it has been fully drawn down as at 30 June 2020. 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 $2,039,796 (2019: $2,054,971) (refer note 16).

(ii) Loan notes

During the financial year 10,000,000 convertible loan notes at $0.40 each were issued to the St Baker Energy Innovation Fund.

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.

The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds are 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.

Notes to the financial statements for the year ended 30 June 2020

Note 22 Borrowings (continued)

Key Loan Note Terms - $0.40 face value

- Number of loan notes issued: 10,000,000
- Allowing for early conversion;
- Unsecured loan note issued at AUD$0.40 per note;
- Coupon 10% per annum capitalised over a term of 36 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 36 months after the date of issue; and
- The notes are not listed or tradeable.
- 1 for 1 attaching option, exercisable at $0.80 per share with three years to expiry.

During the financial year the Company undertook a capital raising which restructured the balance sheet of the Company and led to the redemption of all outstanding loan notes. Refer to note 11.

At 30 June 2020 there are no Loan Notes outstanding.

Reconciliation of movements in loan note liability:	2020 $	2019 $
Balance at the beginning of the year	10,905,530	-
Present value of liability component of loan notes issued during the year	3,009,259	9,582,684
Loan note issue costs	-	(50,735)
Interest accrued for the year	3,062,598	1,373,581
Loan notes redeemed during the year (Note 11)	(16,977,387)	-
Balance at the end of the year	-	10,905,530

(iii) Other loans

ACOA Loans

In December 2017, the group entered into a contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD$500,000. As at 30 June 2020, CAD$500,000 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.

In October 2018, the group entered into another contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD$500,000. As at 30 June 2020, CAD$500,000 of the facility has been drawn down. The funding is to assist in establishing a battery cell manufacturing facility. The facility is repayable in monthly instalments commencing 1 April 2020.

Notes to the financial statements for the year ended 30 June 2020

Note 22 Borrowings (continued)

CARES Act Loan

During the financial year the Group secured a short-term loan under the CARES Act Paycheck Protection Program Loan scheme for USD$36,706. This is a COVID stimulus offered by the US Government. The loan is repayable in monthly instalments from 12 December 2020 and interest is charged at 1% fixed per annum.

St Baker Energy Innovation Fund Short Term Loan

In June 2019, the group entered into a short-term loan agreement with the St Baker Energy Innovation Fund for $4,000,000 at an interest rate of 10% per annum. The loan funds converted into 10,000,000 loan notes following shareholder approval, which was obtained on 31 July 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 loans are interest free. The initial fair value of the ACOA loans were determined using a market interest rate for equivalent borrowings at the issue date. This resulted in a day one gain of $100,152 in FY2018 (December 2017 loan) and a day 1 gain of $114,106 in FY2019 (October 2018 loan).

Notes to the financial statements for the year ended 30 June 2020

Note 23 Contributed equity

		2020 Shares	2019 Shares	2020 $	2019 $
(a)	**Share capital**				
	Ordinary shares				
	Fully paid	348,206,772	128,137,680	99,851,510	38,163,405

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2018	Balance		123,137,680		38,163,405
24 June 2019	Exercise of options	(g)	5,000,000	-	-
30 June 2019	Balance		128,137,680		38,163,405
17 January 2020	Share purchase plan	(d)	2,485,715	$0.51	1,267,715
17 January 2020	Placement to sophisticated investor	(e)	98,040	$0.51	50,000
15 June 2020	Exercise of options	(g)	100,000	$0.785	78,500
15 June 2020	Exercise of options	(g)	83,333	$0.50	41,667
5 June 2020	Placement to institutional investors	(f)	19,495,469	$0.29	5,653,686
5-25 June 2020	Rights issue entitlement offer	(f)	130,721,435	$0.29	37,909,216
30 June 2020	Placement to SBEIF	(f)	67,085,100	$0.29	19,454,679
	Share issue costs				(2,767,358)
30 June 2020	Balance		348,206,772		99,851,510

(c) Convertible loan notes

	2020 Number	2019 Number
Balance at the beginning of the reporting period	26,416,667	-
Issue of convertible loan notes - $0.40 each	10,000,000	17,250,000
Issue of convertible loan notes - $0.60 each	-	9,166,667
Convertible loan notes redeemed	(36,416,667)	-
Balance at the end of the year	-	26,416,667

(d) Share Purchase Plan

In January 2020 the Company undertook a Share Purchase Plan. The issue price under the Share Purchase Plan was $0.51 per share and provided an opportunity to existing shareholders to subscribe for up to $30,000 worth of new shares.

(e) Placement to sophisticated investor

In January 2020 the Company made a placement of 98,040 shares at $0.51 to a sophisticated investor.

Notes to the financial statements for the year ended 30 June 2020

Note 23 Contributed equity (continued)

(f) Capital raising transaction

In June 2020 the Company completed a $63 million capital raising via an institutional placement, an accelerated non-renounceable rights issue and a strategic placement. Refer to Note 11.

(g) Exercise of options

On 24 June 2019, Philip St Baker exercised 5,000,000 options at an exercise price of $0.30 each. The Company provided a loan of $1,500,000 to Mr St Baker for the purpose of funding the exercise of 5,000,000 options (refer note 28). The loan is limited in recourse over the shares issued on exercise of the options, and the Company has placed a holding lock over the shares to secure repayment. These shares have been treated as treasury shares, and the limited recourse loan has been accounted for as a modification to a share-based payment, by way of extension of the expiry date of the options. Share capital will be increased when the loan is repaid.

On 15 June 2020 183,333 options were exercised by employees (who are not KMP). 100,000 were exercisable at $0.785 and 83,333 were exercisable at $0.50.

(h) 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 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.

The Covid 19 pandemic has not impacted the Group's ability to raise capital as evidenced by the $63 million capital raising completed in June 2020 and detailed in Note 11. Based on this, the Group's strategy for capital risk management is unchanged from prior year.

Notes to the financial statements for the year ended 30 June 2020

Note 24 Reserves

	Consolidated 2020 $	Consolidated 2019 $
Share-based payment reserve	22,817,908	15,258,956
Foreign currency translation reserve	1,500,247	950,004
Convertible loan note reserve	6,219,812	5,229,071
	30,537,967	21,438,031

(a) Share-based payment reserve

	Consolidated 2020 $	Consolidated 2019 $
Share-based payment reserve	22,817,908	15,258,956
Movements:		
Balance 1 July 2019	15,258,956	8,585,446
Equity settled options cancelled	1,189,081	-
Equity settled share-based payments	6,369,871	6,673,510
Balance 30 June 2020	22,817,908	15,258,956

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 2020 $	Consolidated 2019 $
Foreign currency translation reserve	1,504,430	950,004
Movements:		
Balance 1 July 2019	950,004	140,608
Exchange differences on translation of foreign operations	550,243	809,396
Balance 30 June 2020	1,500,247	950,004

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

Notes to the financial statements for the year ended 30 June 2020

Note 24 Reserves (continued)

(c) Convertible loan note reserve	Consolidated	
	2020	2019
	$	$
Convertible loan note reserve	6,219,812	5,229,071
Movements:		
Balance 1 July 2019	5,229,071	2,426,120
Equity component of loan notes issued during the year	990,741	2,817,316
Loan note issue costs	-	(14,365)
Balance 30 June 2020	6,219,812	5,229,071

Convertible loan notes are compound financial instruments.

The present value of the liability component of the loan notes issued in August 2019, at initial recognition, was $3,009,259. The balance of $990,741 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 24.25% pa.

The present value of the liability component of the loan notes issued in March 2019, at initial recognition, was $5,170,660. The balance of $1,702,340 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 24.5% pa.

The present value of the liability component of the loan notes issued in August 2018, at initial recognition, was $4,361,289. The balance of $1,100,611 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 25.6% pa.

Notes to the financial statements for the year ended 30 June 2020

Note 25 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 Group 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 Technology and Battery Materials. The Battery Materials segment develops and manufactures battery anode materials and the Battery Technology segment develops battery cell testing equipment, performs consulting services and carried out research and development in battery development.

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 2020

Note 25 Operating segments (continued)

e. Segment information

Segment performance

2020	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	4,253,435	-	-	4,253,435
Other income	-	785,154	-	59,000	844,154
Interest income	-	-	-	723	723
Total income	-	5,038,589	-	59,723	5,098,312
Segment net profit / (loss) from continuing operations before tax	-	(853,084)	(7,426,978)	(11,748,464)	(20,028,526)

2019	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	1,817,049	-	-	1,817,049
Other income	-	443,679	2,576,131	341	3,020,151
Interest income	-	-	-	4,533	4,533
Total income	-	2,260,728	2,576,131	4,874	4,841,733
Segment net profit / (loss) from continuing operations before tax	(10,667,897)	(9,109,713)	(470,476)	(6,257,481)	(26,505,567)

Segment assets

2020	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment assets	2,998,439	5,872,307	28,744,416	37,642,256	75,257,418

Notes to the financial statements for the year ended 30 June 2019

Note 25 Operating segments (continued)

2019	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment assets	2,850,794	5,354,006	21,386,941	5,328,158	34,919,899

Segment liabilities

2020	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment liabilities	-	2,868,546	3,604,836	2,252,043	8,725,125

2019	Graphite Exploration and Mining $	Battery Technology $	Battery Materials $	Unallocated $	Total $
Segment liabilities	-	2,809,998	1,279,125	15,057,999	19,147,121

Geographical Segments

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

Notes to the financial statements for the year ended 30 June 2020

Note 26 Cash flow information

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

	Consolidated	
	2020	2019
	$	$
Profit / (loss) for the period	(20,028,526)	(26,121,912)
Adjustments for		
Share based payments	7,558,953	6,673,510
Borrowing costs	5,098,906	1,405,456
Fixed assets written off	210,773	90,477
Foreign exchange (gain) loss	387,371	(174,990)
Gain on acquisition of subsidiary	-	(2,576,131)
Share of net loss of joint venture	-	751,981
Fair value gain on borrowings	-	(114,106)
Impairment losses	-	15,918,925
Amortisation & depreciation expense	1,380,303	494,948
Income tax expense	-	(273,939)
Change in operating assets and liabilities:		
(Increase)/decrease in other operating assets	(976,969)	(672,354)
Increase in trade creditors	387,198	288,424
Increase in other operating liabilities	388,474	309,624
Net cash outflow from operating activities	(5,593,517)	(4,000,087)

Notes to the financial statements for the year ended 30 June 2020

Note 26 Cash flow information (continued)

(a) Net debt reconciliation

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

Net debt

	2020 **$**	2019 $
Cash and cash equivalents	38,807,662	6,054,664
Lease liability - repayable within one year	(141,124)	-
Borrowings – repayable within one year (including overdraft)	(274,917)	(4,145,069)
Lease liability - repayable after one year	(2,778,979)	-
Borrowings – repayable after one year	(1,937,095)	(13,016,841)
Net cash (debt)	33,675,547	(11,107,246)
Cash and cash equivalents	38,807,662	6,054,664
Gross debt – fixed interest rates	(887,532)	(15,808,268)
Gross debt – variable interest rates	(4,244,583)	(1,353,642)
Net cash (debt)	33,675,547	(11,107,246)

		Liabilities from financing activities		
	Cash $	**Borrowings due within 1 year $**	**Borrowings due after 1 year $**	**Total $**
Net debt as at 1 July 2018	**365,592**	**(56,254)**	**(1,645,776)**	**(1,336,438)**
Cashflows	5,689,072	(3,964,813)	(574,917)	1,149,342
Conversion/proceeds of loan notes	-	-	(10,905,530)	(10,905,530)
Other non-cash movements	-	(124,002)	109,382	(14,620)
Net debt as at 30 June 2019	**6,054,664**	**(4,145,069)**	**(13,016,841)**	**(11,107,246)**
Cashflows	32,752,998	(6,118,751)	6,508,544	33,142,791
Conversion of short-term loan to loan notes	-	4,000,000	(4,000,000)	-
Redemption of loan notes		-	10,468,843	10,468,843
Other non-cash movements	-	5,847,779	(4,676,620)	1,171,159
Net cash as at 30 June 2020	**38,807,662**	**(416,041)**	**(4,716,074)**	**33,675,547**

Notes to the financial statements for the year ended 30 June 2020

Note 27 Interests in subsidiaries

Information about Principal Subsidiaries

The Group's material subsidiaries at 30 June 2020 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 2020 %	Ownership interest held of the group 2019 %	Principal activities
MD South Tenements Pty Ltd	Australia	100%	100%	Graphite exploration
Novonix Battery Testing Services Inc	Canada	100%	100%	Battery technology services.
Novonix Corp	USA	100%	100%	Investment
PUREgraphite LLC	USA	100%	100%	Battery materials development

Note 28 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 2018	**21,175,000**	$0.64
Granted	33,710,000	$0.69
Granted – Subject to shareholder approval	17,500,000	$0.50
Forfeited	(365,000)	$0.65
Exercised	(5,000,000)	$0.30
Options outstanding as at 30 June 2019	**67,020,000**	$0.65
Granted to employees	4,500,000	$0.50
Granted to loan note holders (refer Note 22)	10,000,000	$0.80
Cancelled	(40,500,000)	$0.77
Expired	(970,000)	$0.60
Exercised	(183,333)	$0.66
Options outstanding as at 30 June 2020	**39,866,667**	$0.55

The weighted average remaining contractual life of options outstanding at year end was 5.8 years (2019: 5.5 years).

Notes to the financial statements for the year ended 30 June 2020

Note 28 Share-based payments (continued)

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

a. On 8 July 2019, 2,500,000 share options were awarded to an employee of the group (who is not KMP). The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable. The options vest in 10 tranches on achievement of progressive PUREgraphite sales milestones. The vesting dates in the table below represent the current estimate of when the vesting conditions will be met.

The fair value of these options was $804,375. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10
Number of options	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Exercise price	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
Award date	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019	08/07/2019
Expiry date	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029	08/07/2029
Vesting date	31/05/2022	31/03/2023	30/06/2023	30/11/2023	31/12/2023	28/02/2024	31/03/2024	30/04/2024	31/05/2024	30/06/2024
Volatility	85.08%	85.08%	85.08%	85.08%	85.08%	85.08%	85.08%	85.08%	85.08%	85.08%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%	1.32%
Fair value at grant date	$0.3026	$0.3115	$0.3179	$0.3201	$0.3248	$0.3255	$0.3264	$0.3270	$0.3307	$0.3310

Note 28 Share-based payments (continued)

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

b. On 7 December 2019, 1,000,000 share options were awarded to an employee of the group (who is not KMP). The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable. The options vest in 10 tranches on achievement of progressive PUREgraphite sales milestones. The vesting dates in the table below represent the current estimate of when the vesting conditions will be met.

The fair value of these options was $456,580. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10
Number of options	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Exercise price	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
Award date	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019	7/12/2019
Expiry date	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029	7/12/2029
Vesting date	31/05/2022	31/03/2023	30/06/2023	30/11/2023	31/12/2023	28/02/2024	31/03/2024	30/04/2024	31/05/2024	30/06/2024
Volatility	84.89%	84.89%	84.89%	84.89%	84.89%	84.89%	84.89%	84.89%	84.89%	84.89%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%
Fair value at grant date	$0.4274	$0.4415	$0.4513	$0.4543	$0.4611	$0.4623	$0.4636	$0.4644	$0.4696	$0.4703

Note 28 Share-based payments (continued)

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

c. On 16 January 2020, 1,000,000 share options were awarded to an employee of the group (who is not KMP). The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable. The options vest in 10 tranches on achievement of progressive PUREgraphite sales milestones. The vesting dates in the table below represent the current estimate of when the vesting conditions will be met.

The fair value of these options was $377,390. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10
Number of options	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Exercise price	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
Award date	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020	16/01/2020
Expiry date	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030	16/01/2030
Vesting date	31/05/2022	31/03/2023	30/06/2023	30/11/2023	31/12/2023	28/02/2024	31/03/2024	30/04/2024	31/05/2024	30/06/2024
Volatility	82.80%	82.80%	82.80%	82.80%	82.80%	82.80%	82.80%	82.80%	82.80%	82.80%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%
Fair value at grant date	$0.3541	$0.3648	$0.3726	$0.3753	$0.3809	$0.3819	$0.3832	$0.3839	$0.3883	$0.3889

Notes to the financial statements for the year ended 30 June 2020

Note 28 Share-based payments (continued)

PERFORMANCE RIGHTS

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

	Number on issue	Number Vested
Performance rights outstanding as at 1 July 2018	**1,645,833**	**895,833**
Granted	1,750,000	-
Exercised	-	-
Expired	-	-
Performance rights outstanding as at 30 June 2019	**3,395,833**	**895,833**
Vested	**-**	**1,500,000**
Performance rights outstanding as at 30 June 2020	**3,395,833**	**2,395,833**

In FY2018, a total of 2,500,000 performance rights were awarded to KMP (1,750,000 were subject to shareholder approval and were formally granted in FY2019).

Although not all vesting conditions were met by the vesting date of 1 January 2020, the overall performance of the Company and the Executives has been high, and therefore the board approved the vesting of 60% (1,500,000) of the performance rights on a discretionary basis.

The associated expense for FY2020 for these performance rights is $78,362.

Note 29 Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Notes to the financial statements for the year ended 30 June 2020

Note 30 Related party transactions

During the financial year:

(a) Philip St Baker was paid rent totalling $77,579 (USD$52,000), for the use of property owned by Mr St Baker in Colorado, USA. Mr St Baker's salary has been adjusted to reflect the additional benefit Mr St Baker is receiving.

(b) 10,000,000 unsecured loan notes with a face value of $0.40 were issued to the St Baker Energy Innovation Fund, a related party of Mr St Baker, on the terms set out in note 22. Prior to the issue of the loan notes, the St Baker Energy Innovation Fund provided the Company with a $4,000,000 short-term unsecured loan bearing interest at a rate of 10%. Following shareholder approval on 31 July 2019 for the loan notes, the short-term loan was converted to loan notes.

(c) In March 2020 the Company entered into a short-term loan agreement with the St Baker Energy Innovation Fund for $3,400,000. The loan is unsecured, interest bearing at a rate of 12.5% pa from the date of drawdown calculated on a daily basis and is repayable upon the earlier of the Company raising sufficient funds and 6 months. This loan was settled as part of the June 2020 Capital Raising, refer note 11.

(d) At a General Meeting of Shareholders held on 30 June 2020, Shareholders approved the issue of 67,085,100 fully paid ordinary shares to the St Baker Energy Innovation Fund at an issue price of $0.29 per share raising $19,454,679. The consideration for the shares received consisted of cash and the retirement of both convertible loan notes and short-term loans owing. Details of the Strategic Placement are set out in the table below:

	Face value of loan notes and balance of short-term loan $	Interest accrued $	Placement proceeds $	Total $	Shares issued (Number)
Loan notes redeemed	10,000,000	1,187,397	-	11,187,397	38,577,232
Short-term loan repaid	3,400,000	131,575	-	3,531,575	12,177,845
Placement proceeds	-	-	4,735,707	4,735,707	16,330,023
Total	13,400,000	1,318,972	4,735,707	19,454,679	67,085,100

(e) The Group entered into short-term loan agreements with directors totaling $3,148,960. These loans were unsecured, interest bearing at a rate of 8% pa from the date of drawdown calculated on a daily basis, and were repayable upon the earlier of the Company raising sufficient funds and 6 months. These loans were settled as part of the Capital Raising (refer to note 11).

There were no other related party transactions during the financial year. For details of disclosures relating to key management personnel, refer to Note 8.

Notes to the financial statements for the year ended 30 June 2020

Note 31 Commitments

(a) Exploration commitments

	Consolidated	
	2020	2019
	$	$
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable	6,000	5,000

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, farm-outs, and new capital raisings.

(b) Non-cancellable operating leases

The Group entered into a commercial lease for the rental of a property in Tennessee, USA. The lease has a remaining life of 14 years (after factoring in extension options). There are no restrictions placed upon the lessee by entering into these leases. From 1 July 2019, the Group has recognised a right-of-use asset for this lease, see note 2 'Changes in accounting policies' for further information.

	2019
	$
Within one year	242,481
Later than one year but not later than five years	1,043,910
Later than five years	-
	1,286,391

Notes to the financial statements for the year ended 30 June 2020

Note 32 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	
		2020	2019
	Notes	**$**	$
Financial assets			
Cash and cash equivalents		38,807,662	6,054,664
Trade and other receivables		1,075,357	601,778
Total financial assets		39,883,019	6,656,442
Financial liabilities			
Trade payables		847,724	1,307,707
Lease liabilities		2,920,103	-
Borrowings		2,212,012	17,161,910
Total financial liabilities		5,979,839	18,469,617

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 2020

Note 32 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.

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

	2020 CAD $	2019 CAD $	**2020 USD $**	2019 USD $
Cash at bank	377,909	196,014	16,591,686	559,305
Trade receivables	50,321	23,244	616,494	232,417
Borrowings	2,025,562	2,076,876	36,706	-
Trade payables	154,305	25,454	349,475	919,415

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 2020, 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 2020, 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 $397,091 (2019: $60,547) 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 2020

Note 32 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 mature within one year. The maturity of all financial liabilities is set out in the table below.

Financing arrangements

The group has no undrawn borrowing facilities as at 30 June 2020.

Maturities of financial liabilities

As at 30 June 2020, 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 2020							
Trade payables	847,724	-	-	-	-	847,724	847,724
Lease liabilities	127,370	128,000	262,931	826,551	2,478,877	3,823,729	2,920,103
Borrowings	102,143	116,424	227,631	566,086	1,544,740	2,557,024	2,212,011
Total non-derivatives	1,077,237	244,424	490,562	1,392,637	4,023,617	7,228,477	5,979,838

END OF ANNUAL FINANCIAL REPORT – 30 JUNE 2020

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 92 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 2020 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.

A Bellas
Director
Brisbane, 21 September 2020

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 2020 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 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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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 $20.0m and net operating cash outflows of $5.6m during the year ended 30 June 2020. The ability of the Group to continue as a going concern depends upon the ability of the Group to raise capital as and when necessary, and the successful and profitable growth of the battery materials and battery technology businesses. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 $0.75 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, in our view, it is the benchmark against which the performance of the Group is most commonly measured whilst not in the commercialisation phase.
- We utilised a 1% threshold based on our professional judgement, noting it is 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit 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 matter(s) 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
Accounting for the capital raising *(Refer to note 11)* In June 2020, the Group completed a $63m capital raising via an institutional placement, an accelerated non-renouncable rights issue, and a strategic placement. The capital raising resulted in the simplification of the Group's capital structure through the redemption of convertible loan notes and the settlement of short term loans, as well as the cancellation of 40.5m options held by Directors, management and loan note holders. Due to the multiple elements of the capital raising, a number of areas of the financial statements were impacted, including borrowings, equity, finance costs and share based payment expenses. Accounting for the capital raising was a key audit matter due to its financial significance and its impact on the financial statements.	Our procedures in relation to accounting for the capital raising included, amongst others: • Obtaining ASX filings detailing the number of shares issued as part of the capital raising • Agreeing cash proceeds raised to bank statements • Obtaining underwriting agreements and convertible loan note redemption notices • Recalculating both the fair value and the carrying value of convertible loan note liabilities at redemption date, with reference to the convertible loan note agreements • Agreeing that the difference between the fair value and the carrying value of convertible loan notes at redemption date was recognised appropriately as a loss within borrowing costs • Recalculating the value of short term loans at settlement date, with reference to the loan agreements • Agreeing cash settlements to bank statements, for the portion of convertible loan notes and short term loans settled in cash • Obtaining share option cancellation agreements and the relevant ASX filings detailing the number of options being cancelled • Recalculating the accelerated expense for each of the tranches of cancelled options • Assessing the accuracy and completeness of the related disclosures in the financial statements, in light of the requirements of Australian Accounting Standards

Key audit matter	How our audit addressed the key audit matter
Assessing the recoverability of the Group's goodwill *(Refer to note 12)* At 30 June 2020, the Group recognised $17.4m of goodwill, which is allocated fully to the PUREgraphite cash generating unit ("CGU"). As required by Australian Accounting Standards, at 30 June 2020, the Group performed an impairment assessment over the goodwill balance by calculating a recoverable amount of the PUREgraphite CGU. The recoverable amount of the PUREgraphite CGU was determined by the Group on a 'Fair Value less Costs to Sell' basis. Assessing the recoverability of the Group's goodwill was considered a key audit matter due to the financial significance of the goodwill, as well as the judgement involved in assessing its recoverability.	Our procedures in relation to assessing the recoverability of the Group's goodwill included, amongst others: • Assessing the appropriateness of the Group's determination of its CGUs • Assessing whether the allocation of assets, including goodwill, to CGUs was consistent with our knowledge of the Group's operations and internal reporting • Testing the mathematical accuracy of the Group's underlying calculation of the recoverable amount of the CGU • Assessing the methodology adopted by management in determining the recoverable amount, with the assistance of PwC Valuation experts • Evaluating the adequacy of the related disclosures in the financial statements, in light of the requirements of Australian Accounting Standards We also compared the Group's net assets as at 30 June 2020 of $66.5m to its market capitalisation of $302.9m at 30 June 2020, and noted the $236.4m of implied headroom in the comparison.

Measurement and recognition of share based payment transactions
(Refer to note 28)
 	
For the year ended 30 June 2020, the Group recognised share based payment expenses totalling $7.6m.
 	
Accounting for share based payment transactions 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. There is also judgement in assessing the likelihood and timing of specific performance hurdles being met.
 	
The measurement and recognition of share based payment transactions was deemed to be a key audit matter due to the level of judgement involved, the magnitude of the share based payment expenses and the contribution of share based payment expenses to
	Our procedures in relation to assessing the measurement and recognition of share based payment transactions included, amongst others:
	
	• For grants of new options during the year:
	    ○ Obtaining formal documents detailing the relevant terms and conditions of the grants
	    ○ Assessing the calculation of the fair value of the options on grant date
	    ○ 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 2020 based on the grant date fair value, the Group's assumptions for the expected number of options or performance rights to

Key audit matter	*How our audit addressed the key audit matter*
the overall remuneration received by key management personnel.	vest, and the vesting period, with reference to the terms and conditions stated in the relevant documentation, and management forecasts • Assessing the accuracy and completeness of the related disclosures in the financial statements, in light of the requirements of Australian Accounting Standards

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 2020, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 16 to 27 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Novonix Limited for the year ended 30 June 2020 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
Partner

Brisbane
21 September 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 14 September 2020.

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	6,214
1,001 – 5,000	5,814
5,001 – 10,000	1,513
10,001 – 100,000	1,719
100,001 and over	240
	15,500

There were 333 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
St Baker Energy Holdings Pty Ltd	60,901,581	17.73
Allegro Capital Nominees Pty Ltd	24,336,337	7.09
Washington H Soul Pattinson and Company Limited	14,729,466	4.29
Philip St Baker & Peta St Baker	14,094,740	4.10
Argo Investments Limited	13,296,969	3.87
Citicorp Nominees Pty Ltd	10,594,713	3.08
Carpe Diem Asset Management Pty Ltd	9,047,622	2.63
HSBC Custody Nominees (Australia) Limited	6,036,655	1.76
J P Morgan Nominees Australia Limited	4,404,053	1.28
Merrill Lynch (Australia) Nominees Pty Limited	4,309,329	1.25
George Chapman	4,166,670	1.21
Mutual Trust Pty Ltd	4,132,794	1.20
HSBC Custody Nominees (Australia) Limited – A/c 2	4,099,409	1.19
CS Third Nominees Pty Ltd	3,890,411	1.13
David Andrew Stevens	3,843,627	1.12
Apollan Pty Ltd	3,323,173	0.97
Mrs Mingmin Lu	3,246,412	0.95
BNP Paribas Nominees Pty Ltd	2,503,247	0.73
John Christopher Burns	2,331,936	0.68
Maria Bellas	2,300,000	0.67
Total	**195,589,144**	**56.93**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	3,395,833	5
Share options	39,116,667	21

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

	Number held	% of total on issue
Andrew Liveris	14,000,000	35.8%
Christopher Burns	9,500,000	24.3%

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

	Number held	% of total on issue
Philip St Baker	1,895,833	55.8%

C Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Greg Baynton and Allegro Capital Nominees Pty Ltd	24,990,019	7.2%
St Baker Energy Holdings Pty Ltd	63,076,145	18.1%

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

END OF SHAREHOLDER INFORMATION