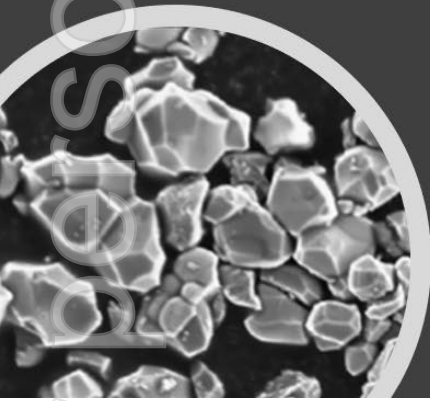


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NOVONI

ANNUAL REPORT 2021

NOVONIX LIMITED

ABN 54 157 690 830

ANNUAL REPORT – 30 JUNE 2021

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CORPORATE DIRECTORY

Directors	A Bellas <i>B.Econ, DipEd, MBA, FAICD, FCPA, FGS</i> G A J Baynton <i>M.Econ St, MBA, B.Bus, FGS</i> T St Baker <i>AO, Hon DEng, BEng, BA, FIEA, FAIE</i> R Cooper <i>BE (Mining), MEngSc, MAusIMM, MAICD</i> Admiral R J Natter, US Navy (Ret.) Andrew N. Liveris <i>AO, BE (Hons) Doctor of Science (honoris causa)</i>
Secretary	S M Yeates <i>CA, B.Bus</i>
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	Allens Linklaters Level 26 480 Queen Street Brisbane QLD 4000
Bankers	Commonwealth Bank of Australia
Stock exchange listing	NOVONIX Limited shares are listed on the Australian Securities Exchange (ASX)
Website address	www.novonixgroup.com

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REVIEW OF OPERATIONS AND ACTIVITIES

NET ASSETS

as at 30 June 2021

\$184,395,802

2020: \$66,532,293

CASH & CASH EQUIVALENTS

as at 30 June 2021

\$136,663,976

2020: \$38,807,662

STATUTORY AFTER-TAX LOSS

year ended 30 June 2021

\$18,076,077

2020: \$20,028,526

NOVONIX is a battery technology and materials business that provides advanced products and crucial services to leading battery manufacturers, materials companies, automotive original equipment manufacturers (“OEMs”) and consumer electronics manufacturers at the forefront of the global electrification economy. With front-line access to industry trends, NOVONIX intends to be an industry leader, delivering what it believes to be the most advanced high-performance and cost-effective battery and energy storage technologies for its customers. We believe that an increasing emphasis on environmentally conscious battery technologies is key to a sustainable future with prolific adoption of electric vehicles and grid energy storage systems. We are focused on the development of technologies that support key ESG criteria in the field of battery materials and technologies, including: longer life batteries, higher energy efficiency, reduced chemical usage, reduced waste generation, and cleaner power inputs. Our vision is to accelerate adoption of battery technologies for a cleaner energy future. This is underscored by our values, which include integrity, respect and a collaborative approach to solutions that make a real difference and embody NOVONIX’s approach to corporate responsibility.

Throughout fiscal year 2021, NOVONIX continued to focus on the execution of its business strategy and growth initiatives. NOVONIX had net assets of \$184,395,802, including \$136,663,976 in cash and cash equivalents at 30 June 2021. The Group reported a statutory after-tax loss for the year ended 30 June 2021 of \$18,076,077. These financial results are in line with management expectations. The performances of the Battery Technology Solutions and Anode Materials divisions are discussed further below.

HIGHLIGHTS OF FISCAL YEAR 2021

Fiscal Year 2021 has been transformational for NOVONIX. The company continued to execute against its long-term strategic and operational roadmap, strengthen its capital structure, and explore additional avenues to create value for shareholders. Below is a summary of operational and strategic highlights for the year.

**MANAGEMENT AND BOARD UPDATES**23 SEPTEMBER 2020

In September 2020, NOVONIX announced the appointment of Dr. Chris Burns (the co-Founder and Chief Executive Officer of NOVONIX Battery Technology Solutions, based in Canada, and co-developer of the breakthrough Ultra-High-Precision-Coulometry (UHPC) technology with Professor Jeff Dahn) as Chief Executive Officer ('CEO'), and Nick Liveris as Chief Financial Officer ('CFO'). Additionally, Trevor St Baker AO, major shareholder and the Founder and Director of the St Baker Energy Innovation Fund was added to the Board as a Non-Executive Director. NOVONIX also established two new committees of the Board: an Executive Committee chaired by Tony Bellas, and a Remuneration Committee, chaired by Robert Cooper.

**NOVONIX LISTED ON OTCQX: NVNXF**25 SEPTEMBER 2020

In September 2020, NOVONIX announced that it had been added to the OTCQX. With this addition, NOVONIX shares are now trading on the ASX, OTCQX and Frankfurt Exchange (FRA).

**FOUNDING MEMBER OF THE ZERO EMISSIONS TRANSPORTATION ASSOCIATION (ZETA)**15 DECEMBER 2020

In December 2020, NOVONIX became a founding member of the Zero Emissions Transportation Association (ZETA), the first industry-backed coalition of its kind advocating for 100% of vehicles sold by 2030 to be electric vehicles (EVs).

**STRATEGIC ALLIANCE ON SPECIALISED FURNANCE TECHNOLOGY**22 DECEMBER 2020

In December 2020, NOVONIX announced a strategic alliance with Harper International to develop specialised furnace technology that will enhance NOVONIX's synthetic graphite manufacturing process. This alliance specifies commitments from NOVONIX to purchase from Harper, and for Harper to support the development of and supply NOVONIX with proprietary systems for thermal processing material for the battery anode market. Harper International is a global leader in complete thermal processing solutions and technical services essential for the production of advanced materials.

**NOVONIX ADDED TO OTCQX INTERNATIONAL INDEX**14 JANUARY 2021

In January 2021, NOVONIX announced that it had been added to the OTCQX International Index (OTCQXINT), a benchmark for international OTCQX Companies.

**APPOINTMENT OF PROF. JEFF DAHN AS CHIEF SCIENTIFIC ADVISOR**19 JANUARY 2021

In January 2021, NOVONIX announced the appointment of Prof. Jeff Dahn as Chief Scientific Advisor, effective July 1, 2021. Prof. Dahn will advise NOVONIX initiatives across its battery and materials and research businesses as well as key customer and business development projects. Prof. Dahn and the Dalhousie University research team are based in Halifax, Nova Scotia.

**NOVONIX SELECTED TO RECEIVE US \$5.57M FROM U.S. DEPARTMENT OF ENERGY**21 JANUARY 2021

In January 2021, NOVONIX announced that its NOVONIX Anode Materials division, had been selected to receive a US \$5,577,738 grant under the Advanced Manufacturing Office FY20 Critical Minerals FOA. This grant funding will support the development of a new, continuous high efficiency furnace technology for the production of lithium-ion battery synthetic graphite material under the previously announced strategic alliance with Harper. NOVONIX is also partnering with Phillips 66 for this funding opportunity.

**NOVONIX AND DALHOUSIE UNIVERSITY ENTER RESEARCH SPONSORSHIP AGREEMENT**12 FEBRUARY 2021

In February 2021, NOVONIX announced that NOVONIX extended its sponsorship of Prof. Mark Obrovac's lab at Dalhousie University through a new research agreement under the Natural Sciences and Engineering Research Council (NSERC) of Canada's Alliance Grants Program. Under the new five-year program, NSERC will contribute approx. CA \$2.2M and NOVONIX, through its Battery Technology Solutions division, approx. CA \$1.1M, which will be used for equipment, research materials, and support for new students and researchers. This sponsorship is aimed to build upon the multiple patent application filings that have already come from research in Prof. Obrovac's group, including patent applications related to Dry Particle Microgranulation (DPMG) technology and the ability to increase yield in the anode manufacturing process.

**EMERA TECHNOLOGIES AND NOVONIX PARTNER ON INNOVATIVE BATTERY TECHNOLOGY**19 FEBRUARY 2021

In February 2021, NOVONIX announced it will be participating in a partnership with Emera Technologies to tap into the significant opportunities that are available throughout North America to advance the development and manufacturing of energy storage systems for community microgrids. Emera Technologies, a subsidiary of Emera Inc., launched its microgrid power and battery business, BlockEnergy, in 2020 as the first utility-owned community microgrid platform. The Emera Technologies and NOVONIX teams will continue to develop a

battery pack including innovative designs, custom manufacturing and control systems to support the BlockEnergy microgrid requirements.



SUCCESSFUL COMPLETION OF INSTITUTIONAL PLACEMENT OFFER

26 FEBRUARY 2021

The proposed institutional placement announced on 26 February 2021 was completed which resulted in a fully underwritten \$115 million placement of new fully paid ordinary shares (New Shares) to institutional and sophisticated investors at an offer price of \$2.90 per new share (Institutional Placement). Under the institutional placement, NOVONIX issued approximately 39.7 million New Shares to help support the growth of the NOVONIX Anode Materials division based in Chattanooga, Tennessee and its ongoing R&D programs through the Battery Technology Solutions division based in Halifax, Nova Scotia. Settlement of the Institutional Placement occurred on 2 March 2021 and the allotment of New Shares occurred on 3 March 2021.

In conjunction with the institutional placement, NOVONIX raised \$16.45 million at an issue price of \$2.90 per share from NOVONIX Directors pursuant to conditional placements. NOVONIX Directors, Mr Trevor St Baker AO, Mr Andrew Liveris AO, Admiral Robert J. Natter and Mr Robert Cooper each entered into a placement agreement with the company, pursuant to which they agreed to subscribe for new shares under conditional placements. The value of each Director's individual placement commitment was:

- Mr Trevor St Baker AO – \$12 million;
- Mr Andrew N Liveris AO – \$3 million;
- Admiral Robert J Natter – \$1.25 million; and
- Mr Robert Cooper – \$0.2million,

The Director placements were conditional on shareholder approval being obtained for the purposes of ASX Listing Rule 10.11 and for all other purposes, and also on completion of the institutional placement announced on 26 February 2021. An Extraordinary General Meeting of shareholders of NOVONIX was held on 27 April 2021 at which the shareholders approved the conditional placements.



SUBMITTED DRAFT REGISTRATION STATEMENT FOR NASDAQ LISTING

10 MAY 2021

In May 2021, NOVONIX submitted a draft registration statement, on a confidential basis, to the U.S. Securities and Exchange Commission (the "SEC") in connection with a potential initial public offering in the United States of American Depositary Shares ("ADS"), and concurrent listing of the ADSs on Nasdaq. Each ADS would represent a certain number of fully paid ordinary shares of NOVONIX.



EXPANSION OF ANODE MATERIALS DIVISION

23 JUNE 2021

In June 2021, NOVONIX announced that it is under conditional contract to purchase, and plans to retrofit, the former Alstom building, which will be the company's second facility in Chattanooga, Tennessee. The 400,000+-square-foot plan will accommodate a planned 8,000+ ton per year production operation and will join the existing operations located at 353 Corporate Place, where the company has been since 2019. This expansion plan will bring the Company's total production capacity of anode materials to 10,000 tonnes per year and is expected to come online by 2023. The acquisition of the building was underpinned by the funding received from the Company's recent successful equity capital raise on the ASX in March 2021.

NOVONIX continues to progress the agreements with Sanyo Electric Co., Ltd of Japan and Samsung SDI of South Korea, both major international manufacturers of lithium-ion batteries for electric vehicles (EVs) and energy storage systems (ESS) globally.

NOVONIX OUTLOOK

NOVONIX is well-positioned to be an industry leader at the forefront of product innovation in the battery development and material technology industry. The company has enlisted a team of top talent with the experience to drive innovation company-wide and believes it has the next generation technology needed to participate in the rapidly growing electric vehicle and energy storage system markets in North America. NOVONIX is focused on scaling its production capacity of synthetic graphite to meet the growing demands of its customers, which includes increasing production capabilities at its facility in Chattanooga, Tennessee to ensure capital expansion, faster scalability and lower production costs. Additionally, NOVONIX's Battery Technology Solutions division in Halifax, Nova Scotia continues to focus on developing improved technologies, pursuing strategic partnerships with leading international battery companies and growing an intellectual property pipeline that will position the company to be at the forefront of next-generation battery technology.

NOVONIX is particularly encouraged by its partnership growth, contract expansions and R&D collaborations from this past year and believes it has a strong pipeline of activity that will drive topline growth, ensure manufacturing scalability acceleration, and increase shareholders.

GROWTH STRATIES FOR NOVONIX FOR FY22 AND BEYOND INCLUDES:

- > **Maintain technology leadership throughout the EV battery and energy storage supply chain.** NOVONIX is committed to continuing to leverage its competitive advantage to expand its offerings and technological know-how into other advanced offerings including lithium-metal and beyond lithium-ion technology.
- > **Execute on development of synthetic graphite production capacity with plan to expand to 150,000 tonnes per annum.** The company is targeting annual production capacity of 10,000 tonnes of synthetic graphite in early 2023, with further plan to expand annual production capacity to 40,000 tonnes in 2025 and 150,000 tonnes in 2030.
- > **Commercialise our proprietary pipeline of advanced battery materials and process technologies.** The dry synthesis cathode technology commercialisation project is progressing with the completion of the first phase pilot line in January 2021. The company is working to

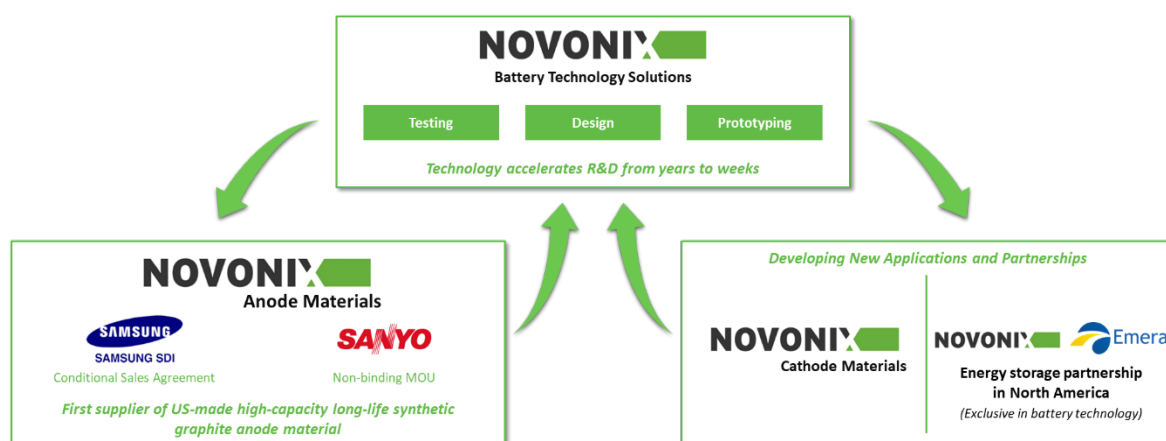
meet key testing milestones over the next 12-18 months as it expands its next phase of pilot-scale production to a 10 tonnes per annum capable demonstration line in 2022 and evaluates material performance in cells built on the battery pilot line in the Battery Technology Solutions division.

- > **Further broaden the use of our battery technology in grid storage applications.** The partnership with Emera Technologies illustrates NOVONIX's ability to apply its technology and know-how into diverse energy storage applications. NOVONIX is looking to expand this partnership in connection with the potential to manufacture and delivery of residential energy storage systems as early as the next 12-18 months.
- > **Invest in our people.** NOVONIX is dedicated to investing in its people through training and development to ensure it attracts and retains the best talent in the industry.

NOVONIX Enterprise Overview

NOVONIX has made significant strides in its path to becoming a world-leading battery materials and technology company. The Group continues to see its future prospects underpinned by its BTS division which is already providing crucial capital and technology to fuel the growth of the anode materials business today, and develop the cathode materials business and new opportunities for the future.

OPERATIONAL STRUCTURE AT A GLANCE



This synergistic operating structure has already begun to shape the Group's future outlook, and it enters the second half of the fiscal year with an updated phased growth plan that includes accelerated annual tonnage milestones¹ for the Anode Materials division. The Group's technology roadmap, including the transition to Generation 2 and development of Generation 3 furnace technology, is driving this growth plan and offering enhanced scalability. The first Generation 2 installation was in April 2021.

NOVONIX BATTERY TECHNOLOGY SOLUTIONS (BTS) DIVISION

NOVONIX BTS is based in Halifax, Nova Scotia, Canada and provides battery R&D services and manufactures the most accurate lithium-ion battery cell test equipment in the world. This equipment is now used by leading battery makers, researchers and equipment manufacturers including Panasonic, CATL, LG Chemical, Samsung SDI and SK Innovation and numerous consumer electronics

¹ These are indicative targets for the business, are subject to significant risks and do not constitute a form of forecast or a form of guidance for the business

and automotive OEMs. The BTS division significantly expanded R&D capabilities through direct investment in and through a long-term partnership agreement with Dalhousie University.

In fiscal 2021, NOVONIX BTS announced two battery technology developments in cathode material processing technology: DPMG and dry synthesis of high-nickel single crystal cathode materials.

The company is currently expanding the property used in connection with its BTS division to approximately 22,000 square feet (from approximately 13,500 square feet), completed in August 2021. The company also acquired a property with an area of approximately 35,000 square feet in May 2021 for use in its BTS division. This additional space will enable growth in revenue-based activities and, more importantly, cathode commercialisation and new internal development work.

NOVONIX BTS is increasing investment in the intellectual property developed around cathode synthesis technologies that it believes could enable a substantial reduction in the cost of producing high energy density (high-nickel based) cathode materials. NOVONIX BTS has established a small-scale pilot line for the development of the technology and filed two patent applications. Additionally, it expects to leverage NOVONIX BTS' battery cell pilot line and cell testing capabilities to further expand the dedicated cathode development team and install larger-scale pilot synthesis capabilities to demonstrate the manufacturability of the technology along with the performance in industrial format lithium-ion cells.

NOVONIX also recently entered the grid energy storage market by partnering with Emera Technologies to design battery pack systems to support microgrids that, if successfully produced, will provide solar power directly to homes in North America. Emera Technologies is a Florida-based subsidiary of Emera Inc., which is a Nova Scotia-based power utility company. This opportunity highlights the value of BTS in working with companies and industries across the battery value chain.

NOVONIX BTS continues to work with Prof. Mark Obrovac's group at Dalhousie University, as well as an internal team, on new IP generation. In fiscal 2021, NOVONIX BTS began working with multiple established and potential lithium suppliers in material evaluation programs which build on the company's initiatives in cathode precursor as well as final cathode synthesis technology.

Additionally, commencing July 1, 2021, Dr. Jeff Dahn, a renowned researcher in battery materials and processes officially joined the NOVONIX team as Chief Scientific Advisor, further enhancing the company's R&D capabilities.

NOVONIX ANODE MATERIALS DIVISION

NOVONIX Anode Materials division (formerly PUREgraphite) focuses on development and commercialisation of 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.

Throughout fiscal 2021, significant progress has been made expanding NOVONIX's production capacity for battery-grade synthetic graphite material. The company used the proceeds of the capital raise in May 2020 to expand the plant capacity that will utilise proprietary new furnace technology developed under NOVONIX's strategic alliance with US-based Harper International Corporation ('Harper'). This transition plan from Generation 1 furnace technology to Generation 2 systems will result in improved economics in capital expansion, faster scalability and lower production costs. In April 2021, NOVONIX completed the installation of the first Generation 2 furnace system and initiated the first build of the first Generation 3 system which is expected to be installed by calendar year-end 2021.

The company's agreements with two of the world's largest battery manufacturers (SAMSUNG SDI and SANYO ELECTRIC, a subsidiary of PANASONIC Corp) have advanced with the upcoming milestones of delivering mass production volume samples to each from the Generation 2 furnace systems for final qualification from the existing production facility which was expanded from 40,000 square feet to 120,000 square feet in May 2021. The recent equity raise on the Australian Securities Exchange ("ASX") in February 2021, provided additional funding to scale up production capacity to an expected 10,000 tonnes annually by early 2023. The acquisition of the new 400,000+ square foot facility will support this expansion plan.

NOVONIX Anode Material division has also initiated further expansion plans beyond the "Big Blue" site. The team focused on plant design and engineering are beginning work on the 30,000 tpa (Phase 2) plant build-out including site selection, plant layout, engineering design and feasibility, which will involve working with private sector firms and multiple levels of government. This will bring the Anode Materials division to a planned total of 40,000 tpa of production capacity by 2025.

The global demand for high-performance anode materials continues to increase exponentially. The same desire for a localised supply chain of battery materials grows in other jurisdictions outside of the United States as well. Companies are seeking partnerships with dependable and qualified suppliers who can accelerate execution and scale production of high-performance anode materials quickly within their domestic markets. NOVONIX Anode Materials division is well-positioned to capitalise on international collaboration opportunities, having shown industry excellence in qualified material production and a demonstrated track record of scalability.

NOVONIX CATHODE MATERIALS DIVISION

Furthering the collaboration with Prof. Mark Obrovac's group and Dalhousie University, NOVONIX Cathode Materials division leverages patented Dry Particle Microgranulation (DPMG) to eliminate wastewater and use simpler metal inputs to reduce cathode manufacturing costs or improve yield in anode manufacturing. It expects total nickel-based cathode material demand to increase from 365Kt in 2020 to 3,658Kt in 2030, and with its cathode manufacturing methodology, NOVONIX anticipates being well-positioned to become a leading single crystal cathode producer for the lithium-ion battery industry. The single-crystal materials offer enhanced energy density and long life, while also improving the cost, performance and sustainability of a lithium-ion battery for electric vehicle and renewable energy applications. Pursuant to the terms of the collaborative research agreement with Dalhousie University, NOVONIX exclusively owns all intellectual property in and to DPMG without any ongoing obligations to Dalhousie University.

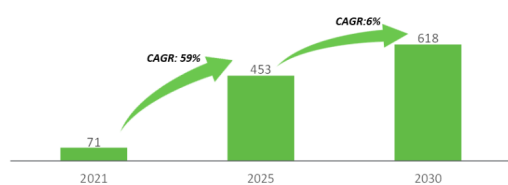
The cathode commercialisation project is progressing with the completion of the first phase pilot line in January 2021. NOVONIX is working to meet key testing milestones over the next 12-18 months as it expands its next phase of pilot-scale production to a 10 tonnes per annum capable demonstration line in 2022 and evaluates material performance in cells built on NOVONIX BTS' battery line.

In addition, the on-site analytical lab was fully commissioned. The team has expanded staff with a dedicated focus on the cathode development program. NOVONIX BTS has also opened engagement with multiple current commercial precursor and cathode suppliers to discuss the company's technology and current state of demonstration capability in terms of synthesizing capability and performance. The team expects to progress into full-scale cell builds and begin more extensive benchmarking tests by the end of the fiscal year.

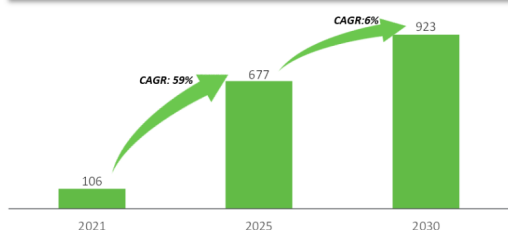
The company is in the process of pursuing foundational patent applications to further position NOVONIX as the market leader in single crystal and polycrystalline cathode production and plans to provide updates as applicable.

NOVONIX is Critical to Advancing the North American Electrification Story and Supply Chain

Implied North America Graphite Anode Demand (Kt)



Implied North America Cathode Material Demand¹ (Kt)



Source: Company press releases and management analysis.

Gigafactory Capacity Increasing to Support North American EV Growth

Battery Manufacturer	Auto OEM	Investment	2025E Capacity	Status	State
LG Chem	GM, VW	\$300M	16 GWh	Operating	MI
Panasonic SANYO	T	NA	53 GWh	Operating	NV
Envision AESC	NISSAN	NA	10 GWh	Operating	TN
LG Chem	GM	\$2.3B	15 GWh	Announced Dec 2019	OH
T	T	\$1B	95 GWh	Operating 2021	TX
SK Innovation	VW	\$1.7B	10 GWh	Operating 2022	GA
LION ELECTRIC	LION ELECTRIC	\$185M	5 GWh	Operating 2022	QC (Canada)
iM3NY	NA	NA	32 GWh ⁽²⁾	Operating 2022	NY
LG Chem	GM	\$2.3B	35 GWh	Operating 2023	TN
SK Innovation	VW	~\$0.8B	12 GWh	Operating 2023	GA
SK Innovation (BlueOvalSK JV)	Ford	NA	60 GWh	MoU signed May 2021	TBA (U.S.)

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 natural graphite deposit, the project was put on hold given the substantially more favourable investment opportunities for the company through the manufacturing of advanced battery anode materials and the development of new battery technologies. During the fiscal year, management initiated a strategic review of the graphite deposit asset. No findings have been released and there can be no assurances that the strategic review will result in further development of the asset.

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)	13/12/2025
EPM 17323	MD South Tenements Pty Ltd (Subsidiary of NOVONIX Limited)	20/10/2010	100%	19/10/2022
EPM 17246	MD South Tenements Pty Ltd	26/10/2010	100%	25/10/2022

END OF REVIEW OF OPERATIONS AND ACTIVITIES

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 2021. 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:

Trevor St Baker
Greg Baynton
Tony Bellas
Robert Cooper
Chris Hay
Andrew Liveris
Robert Natter

Chris Hay was appointed as Trevor St Baker's alternative director on 17 June 2021 and continues in office at the date of this report.

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 investment in scalability efforts to increase production capacity of anode materials, commercialisation of the company's cathode technology as well as expanding cell assembly and testing capabilities.

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 affected the operations of the company, as they have for most organisations. Operations were affected at times by restrictions imposed by authorities and international and domestic travel restrictions impacted our ability to advance some key elements of our business development agenda.

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REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the review of operations and activities on pages 2-10 of this annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In January 2021, NOVONIX was selected to receive grant funding of US\$5,577,738 from the US Department of Energy to support the development of a new, continuous high efficient furnace technology for lithium-ion battery synthetic graphite material. The total project cost will be \$US11,503,213, including NOVONIX Anode Material's contribution of US\$5,925,475, which will be funded from existing reserves.

In February 2021, NOVONIX announced the successful completion of its fully underwritten \$115 million placement of new fully paid ordinary shares (New Shares) to institutional and sophisticated investors at an offer price of \$2.90 per New Share (Institutional Placement). Under the Institutional Placement, the Company issued approximately 39.7 million New Shares. In conjunction with the institutional placements, NOVONIX raised \$16.45 million at an issue price of \$2.90 per share from NOVONIX Directors pursuant to conditional placements. NOVONIX Directors, Mr Trevor St Baker AO, Mr Andrew Liveris AO, Admiral Robert J. Natter and Mr Robert Cooper each entered into a placement agreement with the company, pursuant to which they subscribed for new shares under conditional placements. The company expects to use the net proceeds from this offering, together with its existing cash and cash equivalents, to fund operating expenses and capital expenditures to scale up production capacity of its anode materials beyond 10,000 tonnes annually, to accelerate the scale-up of its cathode technology and to expand its cell assembly and testing capabilities, with the remaining amounts for working capital and other general corporate purposes.

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 2-10.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since the end of the financial year:

- a) in July 2021, NOVONIX has closed on the purchase of the previously mentioned 400,000+ square-foot facility in Chattanooga, Tennessee known locally as "Big Blue" announced initially on 23 June 2021, for USD\$41.5 million.
- b) Phillips 66 announced a US\$150 million strategic investment in NOVONIX for approximately 16% of the Company, advancing NOVONIX's production of synthetic graphite for high-performance lithium-ion batteries. Phillips 66 will subscribe for 77,962,578 ordinary shares of NOVONIX for a purchase price of US\$150 million (approx. AUD\$203 million). This investment expands on a previous relationship with NOVONIX to develop state of the art technology under a DOE project awarded in 2021. The investment in NOVONIX will support scale up of its anode production facility and additional growth of the Anode Materials division as the

Company looks to bring 40,000 MT of synthetic graphite anode material into service by 2025. Phillips 66 is a global producer of petroleum needle coke, and is a supplier to NOVONIX. The transaction is subject to NOVONIX shareholder approval and expected to close in September 2021.

- c) NOVONIX continued work towards an initial public offering in the United States of American Depository Shares ("ADS"), and concurrent listing of the ADSs on Nasdaq.

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.

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	<p>Tony was appointed as Chair of the Company on 11 August 2015. He brings over 35 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.</p> <p>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.</p>
Other current directorships	Chairman of IntelliHR Limited and Deputy Chairman of State Gas Limited.
Former listed directorships in last 3 years	<p>Chairman of Corporate Travel Management Ltd (ceased 2019).</p> <p>Chairman of ERM Power Ltd (ceased 2019).</p> <p>Chairman of Shine Justice Limited (ceased 2020).</p>
Special responsibilities	<p>Chairman of the Board</p> <p>Member of the Audit Committee</p>
Interests in shares and options	2,146,374 ordinary shares

G A J Baynton. Non-executive Director

Experience and expertise	Mr Baynton founded Graphitecorp (now NOVONIX Limited) in April 2012. He has been a Director of ASX-listed companies for over 20 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 intelliHR Limited (ASX: IHR), and Executive Director of State Gas Limited.
Former listed directorships in last 3 years	Non-executive Director of Superloop Limited (ASX: SLC)(ceased 2020).
Special responsibilities	Member of the Audit Committee
Interests in shares and options	25,290,019 ordinary shares

R Cooper. Non-Executive Director

Experience and expertise	Mr Cooper is a mining engineer with almost 30 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 senior positions with Discovery Metals as General Manager-Operations in Botswana and as General Manager-Development. Robert is currently the CEO of Round Oak Minerals 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. Chairman of the Remuneration Committee.
Interests in shares and options	586,612 ordinary shares 200,000 options

Admiral R J Natter. Executive Director

Experience and expertise	<p>Robert J. Natter retired from active military service with the US Navy in 2003 and now has 17 years' experience in the private sector of the US and Australia markets.</p> <p>During his Navy career, Admiral Natter served as the Commander of the US Seventh Fleet, controlling all US Navy operations throughout the western Pacific and Indian Oceans. As a four star Admiral, Natter was Commander in Chief of the US Atlantic Fleet and the first Commander of US Fleet Forces Command, overseeing all Continental US Navy bases and the training and readiness of all Navy ships, submarines, and aircraft squadrons based there.</p> <p>He is on the Board and Chairs the Governance and Compensation Committee of Allied Universal Security Company with over 700,000 employees worldwide. He also serves on the Board of Intellisense (ISI), a privately held technology company based in Torrance, California.</p> <p>He also serves on the US Naval Academy Foundation Board and was Chairman of the Academy Alumni Association, representing over 60,000 living Academy alumni. He also served on the Navy Seal Museum and the Yellow Ribbon Fund Boards.</p>
Other current directorships	None.
Former listed directorships in last 3 years	Non-executive Director of Corporate Travel Management Limited (2014-2020).
Special responsibilities	Executive Director.
Interests in shares and options	2,025,258 ordinary shares 1,500,000 options

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T St Baker. Non-Executive Director

Experience and expertise	<p>Trevor has over 60 years' experience in the energy industry, including 23 years in planning and leadership roles within NSW and Queensland Electricity Commissions, 12 years as Principal of ERM Consultants then founding ERM Power Ltd which was acquired by Shell for \$617 million in November 2019.</p> <p>Trevor is an investor and Chairman of leading global electric vehicle DC fast charge developer and manufacturer, Tritium Pty Ltd, which has merged with Decarbonisation plus Acquisition Corp (DCRN) to List on NASDAQ as Tritium DCFC Corp. He is also Chairman of Nth Degree Worldwide Technologies Inc, and of Printed Energy Pty Ltd, both of Tempe, Arizona, and a Director of CareWear Corp, of Reno, Nevada. He is also Chairman of Delta Electricity Pty Ltd and of Evie Networks (Fast Cities Australia Pty Ltd), both of Australia, and is a founding director of SMR Nuclear Technology Pty Ltd. Trevor also co-founded the St Baker Wilkes Indigenous Educational Foundation Limited, and he and his wife have established the Trevor & Judith St. Baker Philanthropic Trust, supporting a range of charities, educational support, the performing arts, and medical research and two e-Mobility fellowships at the University of Queensland.</p>
Other current directorships	Director of St Baker Energy Innovation Fund, Energy Policy Institute of Australia, Pure-EVs of the Philippines, as well as member of advisory Boards of Revel Transit Inc, of NY, and of TrueGreen Mobility Pty Ltd, of Australia.
Former listed directorships in last 3 years	Non-executive Director of ERM Power Limited (ceased 2019).
Special responsibilities	None.
Interests in shares and options	64,222,832 ordinary shares

Andrew N. Liveris. Non-Executive Director

Experience and expertise	<p>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.</p> <p>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.</p>
Other current directorships	<p>Non-executive director of Saudi Arabian Oil Company (Saudi Aramco) and Worley Parsons Limited (ASX: WOR).</p> <p>Non-executive director of International Business Machines (IBM) Corporation (NYSE: IBM).</p>
Former listed directorships in last 3 years	<p>Executive Chairman of DowDuPont Inc (NYSE: DWDP).</p> <p>Chairman and Director of The Dow Chemical Company (NYSE: DOW).</p>
Special responsibilities	None.
Interests in shares and options	<p>9,132,794 ordinary shares</p> <p>9,000,000 options</p>

C Hay. Alternate Non-Executive Director

Experience and expertise	Chris is an experienced senior executive and investment professional with direct investment experience in private equity and venture capital. Chris has also led a number of successful M&A transactions and has over 25 years experience in the energy, oil and gas and emerging mobility markets. Chris is currently the Chief Commercial Officer of the St Baker Energy Innovation Fund, a leading private investment fund with a range of investments in the energy and mobility market including a material stake in Novonix. He co-led the recent successful Tritium SPAC transaction and merger with Decarbonisation Plus Acquisition Corp (DCRN). Chris was the Managing Director of Ecosmart, Group General Manager of Jeminex, Group General Manager of SSG and a Director of Accenture's Asia Pacific Strategy and Corporate Development Team.
Other current directorships	Director (Alternate) of Tritium, Director (Alternate) TCRT and on the Advisory Boards of Evie Networks and Pure-EV's and is Chairman of the St Baker Energy Investment Funds Investment Committee.
Former listed directorships in last 3 years	None.
Special responsibilities	None.
Interests in shares and options	None.

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 2021, and the number of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Audit Committee		Meeting of the Remuneration Committee	
	A	B	A	B	A	B
A Bellas	18	18	4	4	7	7
G A J Baynton	16	16	4	4	N/A	N/A
P M St Baker	5	5	N/A	N/A	N/A	N/A
R Cooper	18	18	4	4	7	7
Admiral R J Natter	18	18	N/A	N/A	4	4
A Liveris	18	18	N/A	N/A	7	7
T St Baker	11	11	N/A	N/A	N/A	N/A
C Hay	1	1	N/A	N/A	N/A	N/A

A = Number of meetings attended

B = Number of meetings held during the time the director held office, was a member of the committee during the year, and was not absent from a meeting due to a conflict of interest.

REMUNERATION REPORT (AUDITED)

The Directors present the NOVONIX Limited 2021 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 14 to 19 for details about each Director)

A Bellas (Non-executive Chairman)
 R Natter (Executive Director)(appointed executive from 24 September 2020)
 T St Baker (Non-executive Director) (appointed 24 September 2020)
 R Cooper (Non-executive Director)
 A Liveris (Non-executive Director)
 G A J Baynton (Non-executive Director)(transitioned from executive to non-executive from 24 September 2020)
 P M St Baker (Managing Director) (ceased 23 September 2020)
 C Hay (Alternate non-executive)(appointed 17 June 2021)

Other key management personnel

<i>Name</i>	<i>Position</i>
J C Burns	Group CEO
N Liveris	Group CFO
R Buttar (commenced 22 April 2021)	Senior Vice President and General Counsel.

Changes since the end of the reporting period

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

(b) *Remuneration policy and link to performance*

The remuneration committee was formed during the financial year and is made up of independent non-executive directors. The Committee reviews and determines the remuneration policy and structure annually to ensure it remains aligned to business needs and meets our remuneration principles. From time to time, the committee also engages external remuneration consultants to assist with this review, see page 33 for further information. 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 2021
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 and up to 150% in extraordinary circumstances.	Additional STI no longer paid if settled in shares rather than cash.
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, with a maximum of 150% of base salary achievable in extraordinary circumstances, 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.

Superannuation is included in FR for executives.

In FY 2021, fixed remuneration was increased for all executives, with an average increase of 29%. This was done to align the remuneration with the median level for comparative roles.

(ii) Short term incentives

Short term incentives for all key management personnel have been in place for FY2021. 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. 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 Remuneration Committee shall determine the appropriate pro rata STI cash bonus to be received by the Executive. The Board of Directors shall make this determination for all Executives.

Structure of the short-term incentive plan

Feature	Description			
Max opportunity	KMP executives: 50%-100% of fixed remuneration (up To 150% in extraordinary circumstances)			
Performance metrics	The STI metrics align with our strategic priorities.			
	Metric	Target	Weighting	Reason for selection
	PUREgraphite production, sales and expansion targets	June 2021	70%	Focus of the Group's growth strategy.
	Battery Technology Solutions business expansion and product development targets	June 2021	10%	Focus of the Group's growth strategy.
	Cathode business development, including testing and benchmarking or product and commissioning of pilot plant.	June 2021	10%	Focus of the Group's growth strategy.
	Execution of business strategy, and management of operations, including investor communications.	Ongoing	10%	Focus on the Group's growth strategy and shareholder value.
Delivery of STI	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.			
Board discretion	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.			

(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 is in the process of developing a formal LTIP.

Performance Rights

2,250,000 performance rights were granted to KMP, following shareholder approval at the November 2020 AGM (1,500,000 to Chris Burns and 750,000 to Nick Liveris). The performance rights vested on 4 January 2021 and expire 1 January 2025.

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 2021	\$2.22
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)

Name	Year	Fixed remuneration				Variable remuneration				Total
		Cash salary	Post-employment benefits	Termination payments	Non-monetary benefits	STI	Discretionary payment ²	Performance rights ¹	Options ¹	
<i>Executive Directors</i>										
R Natter (executive from 24/09/2020)	2021	163,194	-	-	-	-	50,000	-	56,522	269,716
	2020	30,000	-	-	-	-	-	-	347,535	377,535
P M St Baker (ceased 23/09/2020)	2021	22,951	1,536	75,000	-	-	-	-	-	99,487
	2020	103,325	9,816	-	-	212,461	-	11,696	641,184	978,482
<i>Other key management personnel (group)</i>										
C Burns	2021	365,560	-	-	-	210,000	100,000	1,590,000	1,316,122	3,581,682
	2020	281,500	-	-	-	217,285	-	38,596	2,010,940	2,548,321
N Liveris	2021	299,433	-	-	4,288	192,000	100,000	795,000	309,394	1,700,115
	2020	246,164	17,276	-	-	186,258	-	2,924	398,776	851,398
R Buttar (appointed 22/04/2021)	2021	61,962	-	-	-	22,700	-	-	-	84,662
	2020	-	-	-	-	-	-	-	-	-
D Stevens (ceased being KMP 01/07/2020)	2021	-	-	-	-	-	-	-	-	-
	2020	244,516	-	-	-	-	-	19,298	-	263,814

REMUNERATION REPORT (CONTINUED)

Name	Year	Fixed remuneration				Variable remuneration				Total
		Cash salary	Post-employment benefits	Termination payments	Non-monetary benefits	STI	Discretionary payment ²	Performance rights ¹	Options ¹	
<i>Non-executive Directors</i>										
A Bellas	2021	71,005	6,714	-	-	-	50,000	-	-	127,719
	2020	50,000	4,750	-	-	-	-	-	333,571	388,321
G A J Baynton (non-executive from 24/09/2020)	2021	60,300	5,729	-	-	-	-	-	-	66,029
	2020	91,324	8,676	-	-	145,688	-	5,848	320,592	572,128
R Cooper	2021	71,005	6,745	-	-	-	-	-	-	77,750
	2020	30,000	2,850	-	-	-	-	-	3,461	36,311
A Liveris	2021	51,005	4,845	-	-	-	-	-	508,697	564,547
	2020	30,000	2,850	-	-	-	-	-	2,744,206	2,777,056
T St Baker (appointed 24/09/2020)	2021	39,245	3,728	-	-	-	-	-	-	42,973
	2020	-	-	-	-	-	-	-	-	-
Total KMP remuneration expensed	2021	1,205,660	29,297	75,000	4,288	424,700	300,000	2,385,000	2,190,735	6,614,680
	2020	1,106,829	46,218	-	-	761,692	-	78,362	6,800,265	8,793,366

¹Performance 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 (for example where subject to shareholder approval), which includes the year in which the rights and options are awarded / granted and the subsequent vesting period.

²During the financial year some KMP were paid discretionary payments to reflect their contribution which in the opinion of the directors is outside the scope of the ordinary duties of their roles as KMP.

C Hay did not receive any remuneration in FY2021.

REMUNERATION REPORT (CONTINUED)

Prior year supplementary information

The amounts in relation to options and performance rights reported in the prior year were expensed in the statement of profit or loss and other comprehensive income, in accordance with AASB 2 *Share based payment*. This payment did not necessarily reflect the benefit actually received by the KMP in that year. The total remuneration expense recognised during FY20 in relation to options included amounts that related to options that were cancelled as part of the June 2020 capital raising.

(f) Contractual arrangements with executive KMP's

Component	Robert Natter	Chris Burns	Nick Liveris	Rashda Buttar
Fixed remuneration	AUD\$201,375 (part-time) (USD\$150,000)	AUD\$350,000 ¹	AUD\$320,000 ¹	AUD\$402,750 (USD\$300,000)
Contract duration	Commenced 24 September 2020 and is an ongoing contract	Ongoing contract	Ongoing contract	Commenced 22 April 2021 and is an ongoing contract
Notice by the individual / company	None	6 months	6 months	None

¹ Salary is paid in a local currency equivalent for Chris Burns (CAD) and Nick Liveris (USD). The cash salary in the Remuneration table on page 24 represents the AUD translated amount of their local currency salary.

(g) Non-executive Director arrangements

The non-executive chairman receives fees of \$71,005 per annum plus superannuation. Other non-executive directors receive \$51,005 per annum plus superannuation. Fees are reviewed annually by the board taking into account comparable roles. Non-executive directors receive an additional \$10,000, plus superannuation, in fees for chairing committees.

The current base fees were reviewed with effect from 1 July 2020.

The maximum annual aggregate non-executive Directors' fee pool limit is \$400,000 (excluding share based payments) and was approved by shareholders at the 2020 Annual General Meeting.

Any director who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director may be paid extra remuneration as determined by the directors, which will not form part of the aggregate fee pool limit above. Non-executive directors do not receive any performance-related remuneration or retirement allowances outside of statutory superannuation entitlements.

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.

REMUNERATION REPORT (CONTINUED)

*(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 2021. The number of options and performance rights and percentages vested/forfeited for each grant are disclosed in section (ii) on pages 28 to 31 below.

	Total STI bonus			LTI performance rights		LTI Options	
	Total STI opportunity	Awarded %	Forfeited %	Value granted \$	Value exercised \$*	Value granted \$	Value exercised \$
2021							
<i>P M St Baker</i>	-	-	-	-	165,220	-	-
<i>G A J Baynton</i>	-	-	-	-	795,000	-	-
<i>A Bellas</i>	-	-	-	-	-	-	-
<i>R Cooper</i>	-	-	-	-	-	-	-
<i>A Liveris</i>	-	-	-	-	-	-	5,100,000
<i>R Natter</i>	-	-	-	-	-	-	200,000
<i>C Burns</i>	\$350,000	60%	40%	1,590,000	4,770,000	-	-
<i>N Liveris</i>	\$320,000	60%	40%	795,000	2,385,000	-	-
<i>R Buttar[^]</i>	\$37,833	60%	40%	-	-	-	-

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

[^] R Buttar commenced as KMP on 22 April 2021 and her STI for FY2021 has been prorated from that date.

*(ii) 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)

Name	Vesting and exercise date	Expiry date	Number Under option	Exercise price	Value per option at grant date	Performance achieved	% vested
R Natter							
31/07/2019	30/06/2022~	05/08/2024	500,000	\$0.50	\$0.35	-	-
A Liveris							
31/07/2019	30/06/2022~	05/08/2024	4,500,000	\$0.50	\$0.35	-	-
C Burns							
24/05/2019	30/06/2022~	05/08/2024	500,000	\$0.50	\$0.34	-	-
13/03/2019	31/10/2022~	Cessation of employment	850,000	\$0.50	\$0.54	-	-
13/03/2019	31/12/2022~	Cessation of employment	850,000	\$0.50	\$0.55	-	-
13/03/2019	28/02/2023~	Cessation of employment	850,000	\$0.50	\$0.56	-	-
13/03/2019	31/03/2023~	Cessation of employment	850,000	\$0.50	\$0.56	-	-
13/03/2019	30/04/2023~	Cessation of employment	850,000	\$0.50	\$0.57	-	-
13/03/2019	31/05/2023~	Cessation of employment	850,000	\$0.50	\$0.57	-	-
13/03/2019	30/06/2023~	Cessation of employment	850,000	\$0.50	\$0.57	-	-
13/03/2019	31/12/2023~	Cessation of employment	850,000	\$0.50	\$0.57	-	-
13/03/2019	31/12/2023~	Cessation of employment	850,000	\$0.50	\$0.58	-	-
13/03/2019	31/01/2024~	Cessation of employment	850,000	\$0.50	\$0.58	-	-
N Liveris							
31/07/2019	30/06/2022~	05/08/2024	500,000	\$0.50	\$0.35	-	-
21/11/2019	31/10/2022~	Cessation of employment	250,000	\$0.50	\$0.36	-	-
21/11/2019	31/12/2022~	Cessation of employment	250,000	\$0.50	\$0.37	-	-
21/11/2019	28/02/2023~	Cessation of employment	250,000	\$0.50	\$0.38	-	-
21/11/2019	31/03/2023~	Cessation of employment	250,000	\$0.50	\$0.38	-	-
21/11/2019	30/04/2023~	Cessation of employment	250,000	\$0.50	\$0.39	-	-
21/11/2019	31/05/2023~	Cessation of employment	250,000	\$0.50	\$0.39	-	-
21/11/2019	30/06/2023~	Cessation of employment	250,000	\$0.50	\$0.39	-	-
21/11/2019	31/12/2023~	Cessation of employment	250,000	\$0.50	\$0.39	-	-
21/11/2019	31/12/2023~	Cessation of employment	250,000	\$0.50	\$0.40	-	-
21/11/2019	31/01/2024~	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 30. 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
C Burns	14/12/2020	04/01/2021	\$1.06
N Liversis	14/12/2020	04/01/2021	\$1.06

The number of performance rights over ordinary shares in the Company provided as remuneration to key management personnel is shown on page 31. The performance rights carry no dividend or voting rights.

These performance rights did not have any performance related vesting conditions.

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.

(iii) 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 FY2021. 500,000 options expired during the year. No options were forfeited during the year.

REMUNERATION REPORT (CONTINUED)

Options

2021 Name & Grant dates	Balance at the start of the year		Granted as compensation	Vested		Exercised	Expired	Balance at the end of the year	
	Unvested	Vested		Number	%			Vested and exercisable	Unvested
R Natter									
21 Nov 2017	-	750,000	-	-	-	(250,000)	(500,000)	-	-
22 Nov 2018	-	1,000,000	-	-	-	(500,000)	-	500,000	-
31 July 2019	500,000	500,000	-	-	-	-	-	500,000	500,000
R Cooper									
22 Nov 2018	-	200,000	-	-	-	-	-	200,000	-
A Liveris									
21 Nov 2017	-	5,000,000	-	-	-	(5,000,000)	-	-	-
31 July 2019	4,500,000	4,500,000	-	-	-	-	-	4,500,000	4,500,000
C Burns									
13 March 2019	8,500,000	-	-	-	-	-	-	-	8,500,000
24 May 2019	500,000	500,000	-	-	-	-	-	500,000	500,000
N Liveris									
31 July 2019	500,000	500,000	-	-	-	-	-	500,000	500,000
21 November 2019	2,500,000	-	-	-	-	-	-	-	2,500,000

REMUNERATION REPORT (CONTINUED)

The amounts paid per ordinary share on the exercise of options by KMP during the financial year are set out in the table below:

Name	Number of options exercised	Exercise date	Amount paid per share
R Natter	250,000	10/07/2020	\$0.80
R Natter	500,000	24/09/2020	\$0.90
A Liveris	2,500,000	24/09/2020	\$0.66
A Liveris	2,500,000	24/05/2021	\$0.66

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		Granted as compensation	Exercised during the year	Vested during the year	Lapsed during the year [^]	Other	Balance at the end of the year		Maximum value yet to vest* \$
		Unvested	Vested						Unvested	Vested	
P M St Baker	2016	-	895,833	-	(158,865)	-	-	(736,968) ²	-	-	-
	2019	400,000	600,000	-	-	-	(400,000)	(600,000) ¹	-	-	-
G Baynton	2019	200,000	300,000	-	(300,000)	-	(200,000)	-	-	-	-
C Burns	2018	200,000	300,000	-	(300,000)	-	(200,000)	-	-	-	-
	2021	-	-	1,500,000	(1,500,000)	-	-	-	-	-	-
N Liveris	2019	100,000	150,000	-	(150,000)	-	(100,000)	-	-	-	-
	2021	-	-	750,000	(750,000)	-	-	-	-	-	-

* 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.

¹ P St Baker's performance rights held on cessation of employment.

² 736,968 performance rights were relinquished as part of the settlement of a limited recourse loan (refer (v) below).

[^] Lapsed during the year as performance conditions had not been met.

REMUNERATION REPORT (CONTINUED)

Shareholdings

2021 Name	Balance at the start of the year	Options exercised	Performance rights exercised	Shares disposed	Conditional placement ¹	Other	Balance at the end of the year
Ordinary shares							
A Bellas	2,146,374	-	-	-	-	-	2,146,374
G A J Baynton	29,990,019	-	300,000	(5,000,000)	-	-	25,290,019
P M St Baker	21,241,526	-	158,865	-	-	(21,400,391) ⁴	N/A ²
T St Baker	-	-	-	-	4,137,931	60,084,901 ³	64,222,832
R Cooper	517,646	-	-	-	68,966	-	586,612
R Natter	1,501,724	750,000	-	(657,500)	431,034	-	2,025,258
A Liveris	4,132,794	5,000,000	-	-	-	-	9,132,794
C Burns	2,331,936	-	1,800,000	(375,000)	-	-	3,756,936
N Liveris	-	-	900,000	-	-	344,828 ¹	1,244,828

¹ On 11 May 2021 5,672,414 ordinary shares were issued to directors or their nominees raising \$16.45 million. 4,137,931 of these ordinary shares were issued to Trevor St Baker Energy Holdings Pty Ltd, Trevor St Baker's nominee, at \$2.90 per share, 1,034,483 of these ordinary shares were issued to Andrew Liveris' nominees (including 344,828 ordinary shares to N Liveris) at \$2.90 per share, 431,034 of these ordinary shares were issued to Robert Natter at \$2.90 per share and 68,966 of these ordinary shares were issued to Robert Cooper at \$2.90 per share.

² P M St Baker is not KMP as at 30 June 2021 therefore no balance is disclosed.

³ Represents T St Baker's shareholding on 24 September 2020, the date of his appointment.

⁴ Represents P St Baker's shareholding on 23 September 2020, the date of this resignation.

(iv) Other transactions with key management personnel

The Group entered into a separation agreement with Philip St Baker following his resignation on 23 September 2020. As part of his separation arrangements with the Company, settled the \$1,500,000 limited recourse loan entered into in 2019 for the purpose of funding the exercise of 5,000,000 options. The loan was settled through:

- i. the relinquishing of 736,968 vested performance rights, which were convertible on a 1:1 basis to ordinary shares, with a market value of \$1,252,846;
- and

- ii. outstanding net employee entitlements amounting to \$247,154.

The relinquishment of the vested performance rights has been recognised within the share-based payment reserve.

There have been no other transactions with key management personnel.

(v) Reliance on external remuneration consultants

In August 2020, the remuneration committee engaged Ian Hall & Associates to review its existing remuneration structure and to provide recommendations on executive fixed annual remuneration and short-term incentive plan design.

(vi) Voting of shareholders at last year's annual general meeting

Novonix Limited received more than 90% of "yes" votes on its remuneration report for the 2020 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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
14 July 2017	14 July 2022	\$0.90	270,000
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
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
14 December 2020	Cessation of employment	\$0.50	66,667
14 March 2021	Cessation of employment	\$0.50	100,000

Unissued ordinary shares of NOVONIX Limited under performance right at the date of this report total 1,600,000. 600,000 of these performance rights were the performance rights granted as remuneration to Mr St Baker during previous years. The remaining 1,000,000 performance rights were granted to employees (not KMP) during the financial year.

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 \$184,500 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*.

AUDIT AND NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in note 8 Remuneration of auditors.

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 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*.

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 37.

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



A Bellas
Chairman

Brisbane
26 August 2021

END OF DIRECTORS' REPORT

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Auditor's Independence Declaration

As lead auditor for the audit of Novonix Limited for the year ended 30 June 2021, 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
26 August 2021

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 (4th edition) published by the ASX Corporate Governance Council.

The 2021 corporate governance statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year. The 2021 corporate governance statement was approved by the board on 26 August 2021. 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/>.

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NOVONIX LIMITED

ABN 54 157 690 830

ANNUAL FINANCIAL REPORT – 30 JUNE 2021

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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 2021

	Notes	Consolidated	
		2021 \$	2020 \$
Revenue from contracts with customers	3	5,227,347	4,253,435
Cost of goods sold (exclusive of depreciation presented separately)		(969,774)	(1,245,187)
Administrative and other expenses		(3,945,829)	(2,739,398)
Borrowing costs	5	(229,394)	(5,330,961)
Impairment losses	5	(2,764,940)	-
Depreciation and amortisation expenses		(1,697,754)	(1,380,303)
Marketing and project development costs		(2,809,984)	(2,423,546)
Share based compensation	5	(5,948,532)	(7,558,953)
Employee benefits expense		(5,837,926)	(4,072,223)
Foreign currency (loss)/gain		(83,943)	(376,267)
Other income	4	984,652	844,877
Loss before income tax expense		(18,076,077)	(20,028,526)
Income tax (expense)/benefit	6	-	-
Loss from continuing operations		(18,076,077)	(20,028,526)
Other comprehensive income for the year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange differences on translation of foreign operations		(2,101,097)	550,243
Total comprehensive loss for the year		(20,177,174)	(19,478,283)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	(4.9 cents)	(14.7 cents)
Diluted earnings per share	9	(4.9 cents)	(14.7 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 2021

	Notes	Consolidated	
		2021	2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	12	136,663,976	38,807,662
Trade and other receivables	13	2,042,963	1,075,358
Inventory	15	2,780,373	1,366,985
Prepayments	14	2,538,207	152,434
Total current assets		144,025,519	41,402,439
Non-current assets			
Property, plant and equipment	16	31,578,445	9,620,797
Right-of-use assets	21	7,406,943	2,853,427
Exploration and evaluation assets	17	3,108,073	2,988,921
Intangible assets	18	16,581,709	18,367,245
Other assets		156,584	24,589
Total non-current assets		58,831,754	33,854,979
Total assets		202,857,273	75,257,418
LIABILITIES			
Current liabilities			
Trade and other payables	19	4,356,556	3,494,227
Contract liabilities	20	310,102	98,783
Lease liabilities	21	410,792	141,124
Borrowings	22	277,060	274,917
Total current liabilities		5,354,510	4,009,051
Non-current liabilities			
Lease liabilities	21	7,120,396	2,778,979
Borrowings	22	5,986,565	1,937,095
Total non-current liabilities		13,106,961	4,716,074
Total liabilities		18,461,471	8,725,125
Net assets		184,395,802	66,532,293
EQUITY			
Contributed equity	23	233,196,507	99,851,510
Reserves	24	33,132,556	30,537,967
Accumulated losses		(81,933,261)	(63,857,184)
Total equity		184,395,802	66,532,293

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 2021

Consolidated Group	Reserves					Total
	Contributed equity	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Convertible loan note reserve	
	\$	\$	\$	\$	\$	\$
Balance at 1 July 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 (loss)/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
Loss for the year	-	(18,076,077)	-	-	-	(18,076,077)
Other comprehensive loss	-	-	-	(2,101,097)	-	(2,101,097)
Total comprehensive loss	-	(18,076,077)	-	(2,101,097)	-	(20,177,174)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	131,844,997	-	-	-	-	131,844,997
Settlement of limited recourse loan (note 23(f))	1,500,000	-	(1,252,846)	-	-	247,154
Share-based payments	-	-	5,948,532	-	-	5,948,532
Balance at 30 June 2021	233,196,507	(81,933,261)	27,513,594	(600,850)	6,219,812	184,395,802

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 2021

	Notes	Consolidated	
		2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of consumption tax)		5,724,549	3,542,286
Payments to suppliers and employees (inclusive of consumption tax)		(14,555,132)	(9,748,625)
Interest received		35,066	723
Payment of borrowing costs		(227,789)	(232,055)
Government grants received		851,242	844,155
Net cash outflow from operating activities	26	<u>(8,172,064)</u>	<u>(5,593,517)</u>
Cash flows from investing activities			
Payments for exploration assets		(117,635)	(146,195)
Payments for security deposits		(134,250)	(16,369)
Payments for property, plant and equipment		<u>(26,164,470)</u>	<u>(5,339,448)</u>
Net cash outflow from investing activities		<u>(26,416,355)</u>	<u>(5,502,012)</u>
Cash flows from financing activities			
Proceeds on issue of shares		136,818,667	45,845,239
Payment of share issue expenses		(7,908,866)	(1,308,596)
Proceeds from borrowings		4,059,714	6,603,722
Principal elements of lease repayments		(190,426)	(141,968)
Repayment of borrowings		<u>(86,543)</u>	<u>(6,996,422)</u>
Net cash inflow from financing activities		<u>132,692,546</u>	<u>44,001,975</u>
Net increase/(decrease) in cash and cash equivalents		98,104,127	32,906,446
Effects of foreign currency		(247,813)	(153,448)
Cash and cash equivalents at the beginning of the year		<u>38,807,662</u>	<u>6,054,664</u>
Cash and cash equivalents at the end of the year	12	<u>136,663,976</u>	<u>38,807,662</u>
Non-cash financing and investing activities	26(b)		

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

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Notes to the consolidated financial statements for the year ended 30 June 2021

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 \$18,076,077 (30 June 2020: \$20,028,526) and net operating cash outflows of \$8,172,064 (30 June 2020: \$5,593,517) for the year ended 30 June 2021. As at 30 June 2021 the consolidated entity has a cash balance of \$136,663,976 (30 June 2020: \$38,807,662) and net current assets of \$138,671,009 (30 June 2020: \$37,393,388).

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 a 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 as the consolidated entity has a strong history of being able to raise capital from debt and equity sources, raising \$63million of additional capital in June 2020, \$115 million in March 2021 and \$16 million in May 2021. Since the end of the financial year, the consolidated entity has entered into an agreement, which is subject to shareholder approval, with Phillips 66, a global producer of petroleum needle coke, for them to subscribe for 77,962,578 ordinary shares, which will raise a further \$203 million (refer to note 29). The directors are also pursuing a NASDAQ listing which will provide additional funds.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

The Directors have considered the impact of Covid 19 and found that the pandemic has not had a significant effect on the consolidated entity's ability to continue as a going concern.

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 26 August 2021. 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 2021 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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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

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

b. Income tax

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

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

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

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

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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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

c. Revenue recognition

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

Sales of Goods

Revenue 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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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.

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 consolidated financial statements for the year ended 30 June 2021

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 the financial liability is derecognised.

Notes to the consolidated financial statements for the year ended 30 June 2021

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. 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.

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

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Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

- 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.

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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

n. 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.

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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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.

o. 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.

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 consolidated financial statements for the year ended 30 June 2021

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.

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Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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.

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 measured 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.

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Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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.

u. Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

w. New and Amended Accounting Policies Adopted by the Group

The Group has adopted all of the new, revised or amending accounting standards and interpretations issued by the International Accounting Standards Board that are mandatory for the current reporting period. None of the new and amended standards have had any material impact on the financial statements.

Any new, revised or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

x. Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current presentation.

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.

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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 1 Summary of significant accounting policies (continued)

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 6)
- The vesting dates of share options (Refer to Note 28)

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Notes to the consolidated financial statements for the year ended 30 June 2021

Note 2 Parent entity financial 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.

	2021 \$	2020 \$
Balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	135,403,115	37,455,678
Trade and other receivables	132,838	23,480
Prepayments	2,462,643	136,297
	<u>137,998,596</u>	<u>37,615,455</u>
Total current assets		
Non-current assets		
Other receivables	27,897,817	10,139,051
Plant and equipment	-	1,068
Exploration and evaluation assets	3,329,950	3,210,798
Investments	17,748,704	17,748,704
Other assets	8,450	8,450
	<u>48,984,921</u>	<u>31,108,071</u>
Total non-current assets		
Total assets	<u>186,983,517</u>	<u>68,723,526</u>
LIABILITIES		
Current liabilities		
Payables	2,587,715	2,191,233
	<u>2,587,715</u>	<u>2,191,233</u>
Total current liabilities		
Total liabilities	<u>2,587,715</u>	<u>2,191,233</u>
Net assets	<u>184,395,802</u>	<u>66,532,293</u>
EQUITY		
Contributed equity	233,196,507	99,851,510
Reserves	33,733,407	29,037,721
Accumulated losses	(82,534,112)	(62,356,938)
	<u>184,395,802</u>	<u>66,532,293</u>
Total equity		
Statement of Profit or Loss and Other Comprehensive Income		
Total loss and total comprehensive loss	<u>(20,177,174)</u>	<u>(19,478,284)</u>

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 2 Parent information (continued)

Guarantees

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

Contingent liabilities

At 30 June 2021, NOVONIX Limited did not have any contingent liabilities (2020: Nil).

Contractual commitments

At 30 June 2021, NOVONIX Limited did not have any contractual commitments (2020: Nil).

Note 3 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:

2021	Graphite	Battery	Battery	Total
	Mining and exploration	Technology	Materials	
	\$	\$	\$	\$
Hardware sales	-	1,405,086	-	1,405,086
Consulting sales	-	3,822,261	-	3,822,261
Revenue from external customers	-	5,227,347	-	5,227,347
Timing of revenue recognition				
At a point in time	-	1,405,086	-	1,405,086
Over time	-	3,822,261	-	3,822,261
	-	5,227,347	-	5,227,347
2020				
	Graphite	Battery	Battery	Total
	Mining and exploration	Technology	Materials	
	\$	\$	\$	\$
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

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 3 Revenue (continued)

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

(i) Assets and liabilities related to contracts with customers

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

	2021	2020
Notes	\$	\$
Contract liabilities – Hardware sales	310,102	98,783
Total current contract liabilities	<u>310,102</u>	<u>98,783</u>

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities.

	2021	2020
	\$	\$
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Hardware sales	98,783	580,845
	<u>98,783</u>	<u>580,845</u>

Note 4 Other income

	2021	2020
	\$	\$
Interest received from unrelated parties	35,066	723
COVID-19 Government stimulus	115,501	59,000
Grant funding	818,410	785,154
Other	15,675	-
	<u>984,652</u>	<u>844,877</u>

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 5 Loss for the year

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

	Consolidated	
	2021	2020
	\$	\$
Share based payments expense [^]		
Performance rights granted	2,952,676	78,362
Options granted	2,995,856	6,291,510
Options cancelled	-	1,189,081
	<u>5,948,532</u>	<u>7,558,953</u>
Total share based compensation expense		
[^] Refer to note 28 for further information regarding share-based payments.		
Borrowing costs		
Interest accrued on loan notes	-	3,062,598
Loss on redemption of loan notes	-	1,765,353
Unwinding of fair value gain	40,547	48,377
Interest accrued on borrowings	188,847	454,633
Total borrowing costs	<u>229,394</u>	<u>5,330,961</u>
Impairment losses ¹		
Fixed assets written off	2,764,940	-
Total impairment losses	<u>2,764,940</u>	<u>-</u>

¹Impairments recognised during the period relate to the redundant furnace technology which is being replaced with new proprietary furnace technology under the Group's strategic alliance with US-based Harper International Corporation. This amount represents the net book value of fixed assets written off.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 6 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	
	2021	2020
	\$	\$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(18,076,077)	(20,028,526)
Tax at the Australian tax rate of 26% (2020: 27.5%)	(4,699,780)	(5,507,845)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill		-
Share based payments	1,546,618	2,078,713
Gain on acquisition of PUREgraphite LLC		-
Share of results of joint venture		-
Borrowing costs	10,845	855,518
Other non-deductible amounts	56,291	-
Other non-assessable amounts	(39,005)	(156,386)
Difference in overseas tax rate	(46,156)	385,615
Adjustments for current tax of prior periods	(92,985)	-
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	3,264,172	2,344,385
Income tax expense / (benefit)	-	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	39,772,597	23,275,774
Potential tax benefit	9,943,149	6,304,468
(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 consolidated financial statements for the year ended 30 June 2021

Note 6 Income tax expense

	Consolidated	
	2021	2020
	\$	\$
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	9,943,149	6,304,468
Exploration and evaluation assets	930,009	1,137,319
Business capital costs	1,543,399	899,256
Right of use asset	31,061	8,982
Unrealised exchange loss on borrowings	261,449	-
Accrued expenses	317,498	38,665
Other	402,368	-
	<u>13,428,933</u>	<u>8,388,690</u>
Total deferred tax assets		
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,357,943)	(512,788)
Deferred tax assets not recognised	<u>(12,070,990)</u>	<u>(7,875,902)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	164,713	262,779
Property, plant and equipment	1,193,230	224,874
Prepayments	-	401
Unrealised exchange loss on borrowings	-	24,734
	<u>1,357,943</u>	<u>512,788</u>
Total deferred tax liabilities		
Set-off of deferred tax liabilities pursuant to set-off provisions	<u>(1,357,943)</u>	<u>(512,788)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>

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 consolidated financial statements for the year ended 30 June 2021

Note 7 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 2021.

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

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	1,934,648	1,868,521
Post-employment benefits	29,297	46,218
Termination benefits	75,000	-
Share-based compensation	4,575,735	6,878,627
Total KMP compensation	6,614,680	8,793,366

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 8 Auditor's Remuneration

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the Group:

	Consolidated	
	2021	2020
	\$	\$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	190,329	175,855
	<u>190,329</u>	<u>175,855</u>
Other assurance services ¹	646,300	-
Total services provided by PwC	836,629	175,855

¹ Relates to services performed in respect of the US IPO process

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 9 Earnings per share

	2021 Cents	2020 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>(4.9 cents)</u>	<u>(14.7 cents)</u>
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>(4.9 cents)</u>	<u>(14.7 cents)</u>
(c) Reconciliations of earnings used in calculating earnings per share		
	2021 \$	2020 \$
<i>Basic earnings per share</i>		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>(18,076,077)</u>	<u>(20,028,526)</u>
<i>Diluted earnings per share</i>		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>(18,076,077)</u>	<u>(20,028,526)</u>
(d) Weighted average number of shares used as the denominator		
	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<u>366,289,024</u>	<u>135,918,095</u>

(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 2021. 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 consolidated financial statements for the year ended 30 June 2021

Note 10 Capital raising

In the prior 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 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 are providing 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 prior 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 through 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 consolidated financial statements for the year ended 30 June 2021

Note 10 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 consolidated financial statements for the year ended 30 June 2021

Note 10 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 consolidated financial statements for the year ended 30 June 2021

Note 11 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	
	2021	2020
<i>The carrying amount of goodwill allocated to the cash generating unit</i>	\$	\$
PUREgraphite LLC	15,950,624	17,411,685
Total carrying amount of goodwill	<u>15,950,624</u>	<u>17,411,685</u>

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 23 (h) 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 recognised at 30 June 2021.

Note 12 Cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	136,663,976	38,807,662
	<u>136,663,976</u>	<u>38,807,662</u>

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:

	2021	2020
	\$	\$
Balances as above	136,663,976	38,807,662
Bank overdrafts	-	-
Balance per statement of cash flows	<u>136,663,976</u>	<u>38,807,662</u>

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 13 Trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
Trade debtors	1,533,963	952,881
Other receivables	509,000	274,911
	<u>2,042,963</u>	<u>1,227,792</u>
Total current trade and other receivables	<u>2,042,963</u>	<u>1,227,792</u>

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 2021.

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

Note 14 Prepayments

	Consolidated	
	2021	2020
	\$	\$
Deferred share issuance costs	2,175,347	-
Prepaid general and administrative expenses	362,860	152,434
	<u>2,538,207</u>	<u>152,434</u>

Deferred share issuance costs, which consist primarily of direct and incremental legal and advisory fees related to the Company’s proposed NASDAQ listing, are capitalised in prepayments on the consolidated balance sheet as at 30 June 2021. The deferred share issuance costs will be offset against the IPO proceeds upon the consummation of an IPO. In the event the planned IPO is terminated, the deferred share issuance costs will be expensed.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 15 Inventory

	Consolidated	
	2021	2020
	\$	\$
Raw materials	1,162,142	759,693
Components and assemblies	1,618,231	584,090
Finished goods – at cost	-	23,202
	<u>2,780,373</u>	<u>1,366,985</u>

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2021 amounts to \$969,774 (2020: \$1,245,187). These were included in cost of goods sold (exclusive of depreciation presented separately) in the consolidated statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 16 Property, plant and equipment

	Land \$	Buildings \$	Leasehold improvements \$	Plant and equipment \$	Construction work in progress \$	Total \$
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
Assets written off	-	-	-	(210,773)	-	(210,773)
Depreciation charge	-	(72,028)	(31,320)	(829,440)	-	(932,788)
Exchange differences	(7,256)	(29,018)	796	75,523	-	40,045
Closing net 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 consolidated financial statements for the year ended 30 June 2021

Note 16 Property, plant and equipment (continued)

	Land \$	Buildings \$	Leasehold improvements \$	Plant and equipment \$	Construction work in progress \$	Total \$
Year ended 30 June 2021						
Opening net book amount	372,995	1,666,801	164,558	7,416,443	-	9,620,797
Additions	666,920	4,358,515	482,637	2,982,443	17,754,185	26,244,700
Disposals				(39,285)		(39,285)
Assets written off	-	-	-	(2,764,940)	-	(2,764,940)
Depreciation charge	-	(67,897)	(110,681)	(996,462)	-	(1,175,040)
Exchange differences	13,960	100,126	(9,103)	(411,876)	(894)	(307,787)
Closing net book amount	1,053,875	6,057,545	527,411	6,186,323	17,753,291	31,578,445
At 30 June 2021						
Cost	1,053,875	6,283,383	665,540	8,004,580	17,753,291	33,760,669
Accumulated depreciation	-	(225,838)	(138,129)	(1,818,257)	-	(2,182,224)
Net book amount	1,053,875	6,057,545	527,411	6,186,323	17,753,291	31,578,445

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 17 Exploration and evaluation assets

	Consolidated	
	2021	2020
	\$	\$
Exploration and evaluation assets – at cost	<u>3,108,073</u>	<u>2,988,921</u>
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	2,988,921	2,838,749
Expenditure incurred during the year	<u>119,152</u>	<u>150,172</u>
Balance at the end of the year	<u>3,108,073</u>	<u>2,988,921</u>

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 however remains a strategic asset for the Group and the tenements remain current and in good standing.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2021, the facts and circumstances do not suggest that the carrying amount may exceed its recoverable amount.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 18 Intangible assets

	Consolidated		
	2021	2020	
	\$	\$	
Goodwill	15,950,624	17,411,685	
Technology	631,085	955,560	
	<u>16,581,709</u>	<u>18,367,245</u>	
	Goodwill	Technology	Total
	\$	\$	\$
Balance at the beginning of the year	17,411,685	955,560	18,367,245
Exchange differences	(1,461,061)	(78,258)	(1,539,319)
Amortisation	-	(246,217)	(246,217)
	<u>15,950,624</u>	<u>631,085</u>	<u>16,581,709</u>

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.

Note 19 Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
Unsecured liabilities:		
Trade payables	1,823,898	847,724
Sundry payables and accrued expenses	2,532,658	2,646,503
	<u>4,356,556</u>	<u>3,494,227</u>

Note 20 Contract liabilities

	Consolidated	
	2021	2020
	\$	\$
Contract liabilities – Hardware sale contracts	310,102	98,783
	<u>310,102</u>	<u>98,783</u>

Notes to the consolidated financial statements for the year ended 30 June 2021

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 2021	30 June 2020
	\$	\$
Right-of-use assets - Buildings	7,406,943	2,853,427
Lease liabilities		
Current	410,792	141,124
Non-current	7,120,396	2,778,979
	7,531,188	2,920,103

Additions to the right-of-use assets during the 2021 financial year were \$5,084,858 (2020: \$nil).

During the financial year the Group entered into an amended lease for the facility in Chattanooga to include a further 80,000 square feet and bring the total area of the warehouse facility under lease to 120,000 square feet. This increase in space has resulted in an increase in base rent which has been accounted for as an addition to the right-of-use asset. All other terms of the lease remain the same.

(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:

	2021	2020
	\$	\$
Depreciation of right-of-use assets - Buildings	197,680	210,381
Interest expense	123,763	112,303

The total cash outflow for leases in the financial year was \$190,426 (2020: \$254,271).

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 22 Borrowings

	2021			2020		
	Current \$	Non- Current \$	Total \$	Current \$	Non- Current \$	Total \$
<i>Secured</i>						
Bank loans (i)	110,752	5,297,180	5,407,932	56,704	1,214,406	1,271,110
Total secured borrowings	110,752	5,297,180	5,407,932	56,704	1,214,406	1,271,110
<i>Unsecured</i>						
Other loans (iii)	166,308	689,385	855,693	218,213	722,689	940,902
Total unsecured borrowings	166,308	689,385	855,693	218,213	722,689	940,902
Total borrowings	277,060	5,986,565	6,263,625	274,917	1,937,095	2,212,012

(i) Secured liabilities and assets pledged as security

- (a) In December 2017, the group entered into a loan facility to purchase commercial land and buildings in Nova Scotia from which the Battery Technology Solutions business operates. The initial amount loaned under the facility was CAD \$1,330,000.

On 5 February 2021, the group extended the loan facility and the total available amount now available under the facility is CAD \$2,680,000. At 30 June 2021 the facility had been drawn down to CAD\$2,047,697, leaving a remaining undrawn amount of \$623,303. The total liability at year end is CAD \$1,866,103.

The facility is repayable in monthly instalments, commencing 15 December 2017 and ending 15 August 2044.

The Group's freehold land and buildings are pledged as collateral against the bank loan.

The carrying amounts of non-financial assets pledged as collateral for current and non-current borrowings is \$3,104,819 (2020: \$2,039,796).

- (b) On 28 May 2021, the Group purchased commercial land and buildings in Nova Scotia, Canada for CAD\$3,550,000 from which the Cathode business will operate. The Group entered into a loan facility to purchase the land and buildings. The total available amount under the facility is CAD \$4,375,000 and it has been drawn down to CAD\$3,169,216 at the date of this report. The balance of the facility will be used to fund renovations to the building.

The full facility is repayable in monthly instalments, commencing 31 May 2022 and ending 30 April 2047. The Group's land and buildings have been pledged as collateral for the bank loan.

The carrying amounts of non-financial assets pledged as collateral for current and non-current borrowings is \$4,006,926.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 22 Borrowings (continued)

(ii) 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 2021, CAD\$500,000 of the facility has been drawn down. The funding was to assist with expanding the market to reach new customers through marketing and product improvements. The facility is repayable in monthly instalments commencing September 2019 and ending May 2027.

In October 2018, the group entered into another contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD\$500,000. As at 30 June 2021, CAD\$500,000 of the facility has been drawn down. The funding was to assist in establishing a battery cell manufacturing facility. The facility is repayable in monthly instalments commencing April 2020 and ending December 2026.

(iii) Fair value

For all borrowings, other than the ACOA loan noted at (ii) 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 consolidated financial statements for the year ended 30 June 2021

Note 23 Contributed equity

	2021 Shares	2020 Shares	2021 \$	2020 \$
(a) Share capital				
Ordinary shares				
Fully paid	404,601,384	348,206,772	233,196,507	99,851,510

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	\$
1 July 2019	Balance		128,137,680		38,163,405
17 January 2020	Share purchase plan	(c)	2,485,715	\$0.51	1,267,715
17 January 2020	Placement to sophisticated investor	(d)	98,040	\$0.51	50,000
15 June 2020	Exercise of options	(e)	100,000	\$0.785	78,500
15 June 2020	Exercise of options	(e)	83,333	\$0.50	41,667
5 June 2020	Placement to institutional investors	(k)	19,495,469	\$0.29	5,653,686
5-25 June 2020	Rights issue entitlement offer	(k)	130,721,435	\$0.29	37,909,216
30 June 2020	Placement to SBEIF	(k)	67,085,100	\$0.29	19,454,679
	Share issue costs				(2,767,358)
30 June 2020	Balance		348,206,772		99,851,510
10 July 2020	Exercise of options	(e)	250,000	\$0.80	200,000
23 September 2020	Settlement of limited recourse loan	(f)	-		1,500,000
24 September 2020	Exercise of options	(e)	500,000	\$0.90	450,000
24 September 2020	Exercise of options	(e)	2,500,000	\$0.66	1,650,000
28 September 2020	Exercise of performance rights	(g)	158,865	-	-
3 March 2021	Placement to institutional investors	(h)	39,700,000	\$2.90	115,130,000
16 March 2021	Exercise of performance rights	(g)	3,400,000	-	-
16 March 2021	Exercise of options	(e)	1,500,000	\$0.74	1,110,000
16 March 2021	Exercise of options	(e)	30,000	\$0.90	27,000
16 March 2021	Exercise of options	(e)	33,333	\$0.50	16,667
11 May 2021	Placement to directors	(i)	5,672,414	\$2.90	16,450,001
24 May 2021	Exercise of options	(e)	2,500,000	\$0.66	1,650,000
3 June 2021	Exercise of options	(e)	150,000	\$0.90	135,000
	Share issue costs	(j)			(4,973,671)
30 June 2021	Balance		404,601,384		233,196,507

(c) 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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 23 Contributed equity (continued)

(d) Placement to sophisticated investor

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

(e) Exercise of options

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.

On 10 July 2020 250,000 options were exercised by a Director, Admiral Robert Natter, at \$0.80 per share.

On 24 September 2020 500,000 options were exercised by a Director, Admiral Robert Natter, at \$0.90 per share and 2,500,000 options were exercised by a Director, Andrew Liveris, at \$0.66 per share.

On 16 March 2021 employees of the Group exercised 1,500,000 options at \$0.74, 30,000 options at \$0.90 and 33,333 options at \$0.50.

On 24 May 2021 2,500,000 options were exercised by a Director, Andrew Liveris, at \$0.66 per share.

On 3 June 2021 employees of the Group exercised 150,000 options at \$0.90.

(f) Settlement of limited recourse loan

On 23 September 2020, Philip St Baker, as part of his separation arrangements with the Company, settled the \$1,500,000 limited recourse loan entered into in 2019 for the purpose of funding the exercise of 5,000,000 options. The loan was settled through:

- i. the relinquishing of 736,968 vested performance rights, which were convertible on a 1:1 basis to ordinary shares, with a market value of \$1,252,846; and
- ii. outstanding net employee entitlements amounting to \$247,154.

The relinquishment of the vested performance rights has been recognised within the share-based payment reserve.

(g) Exercise of performance rights

On 28 September 2020, 158,865 ordinary shares were issued to an entity controlled by Philip St Baker, on the exercise of 158,865 vested performance rights.

On 16 March 2021, 3,400,000 ordinary shares were issued to Key Management Personnel and other employees on the exercise of 3,400,000 vested performance rights.

(h) Institutional placement

On 3 March 2021 the Company issued 39,700,000 ordinary fully paid shares to institutional investors at \$2.90 per share.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 23 Contributed equity (continued)

(i) Director placement

On 11 May 2021 5,672,414 ordinary shares were issued to directors or their nominees raising \$16.45 million. 4,137,931 of these ordinary shares were issued to Trevor St Baker's nominees at \$2.90 per share, 1,034,483 of these ordinary shares were issued to Andrew Liveris' nominees at \$2.90 per share, 431,034 of these ordinary shares were issued to Robert Natter at \$2.90 per share and 68,966 of these ordinary shares were issued to Robert Cooper at \$2.90 per share.

(j) Share issue expenses

During the year ended 30 June 2021 the Company had cash outflows for share issue expenses of \$7,908,866, of which \$4,973,671 relates to the current period, \$1,458,798 relates to the capital raising completed in June 2020 and the balance relates to deferred share issuance costs.

(k) 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 10.

(l) Philip St Baker 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 was limited in recourse over the shares issued on exercise of the options, and the Company placed a holding lock over the shares to secure repayment. These shares were treated as treasury shares, and the limited recourse loan was accounted for as a modification to a share-based payment, by way of extension of the expiry date of the options.

(m) 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.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Reserves

	Consolidated	
	2021	2020
	\$	\$
Share-based payment reserve	27,513,594	22,817,908
Foreign currency translation reserve	(600,850)	1,500,247
Convertible loan note reserve	6,219,812	6,219,812
	<u>33,132,556</u>	<u>30,537,967</u>

(a) Share-based payment reserve

	Consolidated	
	2021	2020
	\$	\$
Share-based payment reserve	<u>27,513,594</u>	<u>22,817,908</u>
Movements:		
Balance 1 July 2020	22,817,908	15,258,956
Equity settled options cancelled	-	1,189,081
Settlement of limited recourse loan	(1,252,846)	-
Equity settled share-based payments	<u>5,948,532</u>	<u>6,369,871</u>
Balance 30 June 2021	<u>27,513,594</u>	<u>22,817,908</u>

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	
	2021	2020
	\$	\$
Foreign currency translation reserve	<u>(600,850)</u>	<u>1,504,430</u>
Movements:		
Balance 1 July 2020	1,500,247	950,004
Exchange differences on translation of foreign operations	<u>(2,101,097)</u>	<u>550,243</u>
Balance 30 June 2021	<u>(600,850)</u>	<u>1,500,247</u>

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

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 24 Reserves (continued)

(c) Convertible loan note reserve	Consolidated	
	2021 \$	2020 \$
Convertible loan note reserve	6,219,812	6,219,812
Movements:		
Balance 1 July 2020	6,219,812	5,229,071
Equity component of loan notes issued during the year	-	990,741
Loan note issue costs	-	-
Balance 30 June 2021	6,219,812	6,219,812

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 prior period. 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.

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Notes to the consolidated financial statements for the year ended 30 June 2021

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
- Prepayments for deferred issuance costs
- Corporate administrative and other expenses
- Income tax expense
- Corporate share-based payment expenses
- Corporate marketing and project development expenses
- Corporate cash
- Security deposits
- Corporate trade and other payables
- Corporate trade and other receivables

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 25 Operating segments (continued)

e. Segment information

Segment performance

2021	Graphite Exploration and Mining \$	Battery Technology \$	Battery Materials \$	Unallocated \$	Total \$
Segment revenue	-	5,227,347	-	-	5,227,347
Other income	-	798,882	69,204	81,500	949,586
Interest income	-	-	-	35,066	35,066
Total income	-	6,026,229	69,204	116,566	6,211,999
Segment net profit / (loss) from continuing operations before tax	(46,424)	(63,661)	(11,968,654)	(5,997,338)	(18,076,077)

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)

Segment assets

2021	Graphite Exploration and Mining \$	Battery Technology \$	Battery Materials \$	Unallocated \$	Total \$
Segment assets	3,116,523	13,990,451	47,899,929	137,850,370	202,857,273

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 25 Operating segments (continued)

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

Segment liabilities

	Graphite Exploration and Mining \$	Battery Technology \$	Battery Materials \$	Unallocated \$	Total \$
2021					
Segment liabilities	-	7,440,067	9,277,070	1,744,334	18,461,471

	Graphite Exploration and Mining \$	Battery Technology \$	Battery Materials \$	Unallocated \$	Total \$
2020					
Segment liabilities	-	2,868,546	3,604,836	2,252,043	8,725,425

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.

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Notes to the consolidated financial statements for the year ended 30 June 2021

Note 26 Cash flow information

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

	Consolidated	
	2021	2020
	\$	\$
Profit / (loss) for the period	(18,076,077)	(20,028,526)
Adjustments for		
Share based payments	5,948,532	7,558,953
Borrowing costs	760	5,098,906
Fixed assets written off	2,764,940	210,773
Loss on sale of fixed assets	6,777	-
Foreign exchange (gain) / loss	106,787	387,371
Non-cash termination settlement	294,247	-
Amortisation & depreciation expense	1,697,754	1,380,303
Government incentives	(49,278)	-
Change in operating assets and liabilities:		
(Increase)/decrease in other operating assets	(1,927,128)	(976,969)
Increase / (decrease) in trade creditors	(145,616)	387,198
Increase in other operating liabilities	1,206,238	388,474
Net cash outflow from operating activities	(8,172,064)	(5,593,517)

Notes to the consolidated financial statements for the year ended 30 June 2021

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

	2021	2020
	\$	\$
Cash and cash equivalents	136,663,976	38,807,662
Lease liability - repayable within one year	(410,792)	(141,124)
Borrowings – repayable within one year (including overdraft)	(277,060)	(274,917)
Lease liability - repayable after one year	(7,120,396)	(2,778,979)
Borrowings – repayable after one year	(5,986,565)	(1,937,095)
Net cash (debt)	<u>122,869,163</u>	<u>33,675,547</u>
Cash and cash equivalents	136,663,976	38,807,662
Gross debt – fixed interest rates	(8,386,881)	(3,807,635)
Gross debt – variable interest rates	(5,407,932)	(1,324,480)
Net cash (debt)	<u>122,869,163</u>	<u>33,675,547</u>

	Cash	Liabilities from financing activities		Total
		Borrowings due within 1 year	Borrowings due after 1 year	
	\$	\$	\$	\$
Net debt as at 1 July 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
Cashflows	97,856,314	329,873	(4,029,769)	94,156,418
Other non-cash movements	-	(601,684)	(4,361,118)	(4,962,802)
Net cash as at 30 June 2021	136,663,976	(687,852)	(13,106,961)	122,869,163

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Right of use assets – note 21
- Options and shares issued to employees – note 28

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 27 Interests in subsidiaries

Information about Principal Subsidiaries

The Group's material subsidiaries at 30 June 2021 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		Principal activities
		2021 %	2020 %	
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 2019	67,020,000	\$0.65
Granted to employees	4,500,000	\$0.50
Granted to loan note holders	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
Granted to employees	200,000	\$0.50
Expired	(500,000)	\$1.03
Exercised	(7,463,333)	\$0.70
Options outstanding as at 30 June 2021	32,103,334	\$0.51

The weighted average remaining contractual life of options outstanding at year end was 5.8 years (2020: 5.8 years).

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 28 Share-based payments (continued)

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

- a. On 14 December 2020, 100,000 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 fair value of these options was \$83,444. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Number of options	33,333	33,333	33,334
Exercise price	\$0.50	\$0.50	\$0.50
Award date	14/12/2020	14/12/2020	14/12/2020
Expiry date	14/12/2030	14/12/2030	14/12/2030
Vesting date	24/02/2021	24/02/2022	24/02/2023
Volatility	94.2%	94.2%	94.2%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.98%	0.98%	0.98%
Fair value at grant date	\$0.7878	\$0.8394	\$0.8758

- b. On 14 March 2021, 100,000 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 fair value of these options was \$247,297. This value was calculated using a binomial option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Number of options	33,333	33,333	33,334
Exercise price	\$0.50	\$0.50	\$0.50
Award date	14/03/2021	14/03/2021	14/03/2021
Expiry date	14/03/2031	14/03/2031	14/03/2031
Vesting date	24/02/2022	24/02/2023	24/02/2024
Volatility	96.28%	96.28%	96.28%
Dividend yield	0%	0%	0%
Risk-free interest rate	1.72%	1.72%	1.72%
Fair value at grant date	\$2.4101	\$2.4811	\$2.5277

Notes to the consolidated financial statements for the year ended 30 June 2021

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 2019	3,395,833	895,833
Vested		1,500,000
Performance rights outstanding as at 30 June 2020	3,395,833	2,395,833
Vested	-	-
Granted	3,500,000	3,500,000
Forfeited	(1,000,000)	-
Exercised	(3,558,865)	(3,558,865)
Settled	(736,968)	(736,968)
Performance rights outstanding as at 30 June 2021	1,600,000	1,600,000

During the financial year 3,500,000 performance rights (convertible to ordinary shares on a 1:1 basis) were granted to Chris Burns, CEO (1,500,000), Nick Liveris, CFO (750,000) and other employees (1,250,000). The value of each performance right was determined with reference to the market value of the underlying securities on grant date of \$1.06. An expense of \$2,952,676 has been recognised in the year ended 30 June 2021. Further details of the performance rights are set out in the table below:

Grant date	Number	Vesting date	Expiry
14 December 2020	2,250,000	4 January 2021	30 June 2022
14 December 2020	250,000	11 December 2021	11 December 2025
14 December 2020	250,000	11 December 2022	11 December 2025
14 December 2020	250,000	11 December 2023	11 December 2025
14 December 2020	250,000	11 December 2024	11 December 2025
14 December 2020	250,000	14 December 2020	30 June 2022
Total	3,500,000		

1,000,000 performance rights were forfeited during the year as not all vesting conditions were met.

The Group entered into a separation agreement with Philip St Baker following his resignation on 23 September 2020, which included the offset of 736,968 performance rights against the settlement of a \$1,500,000 limited resource loan (refer note 23(f)).

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 29 Events after the reporting date

Since the end of the financial year:

- a) in July 2021, NOVONIX has closed on the purchase of the previously mentioned 400,000+ square-foot facility in Chattanooga, Tennessee known locally as “Big Blue”, announced initially on 23 June 2021, for USD\$41.5 million.
- b) Phillips 66 announced a US\$150 million strategic investment in NOVONIX for approximately 16% of the Company, advancing NOVONIX’s production of synthetic graphite for high-performance lithium-ion batteries. Phillips 66 will subscribe for 77,962,578 ordinary shares of NOVONIX for a purchase price of US\$150 million (approx. AUD\$203 million). This investment expands on a previous relationship with NOVONIX to develop state of the art technology under a DOE project awarded in 2021. The investment in NOVONIX will support scale up of its anode production facility and additional growth of the Anode Materials division as the Company looks to bring 40,000 MT of synthetic graphite anode material into service by 2025. Phillips 66 is a global producer of petroleum needle coke, and is a supplier to NOVONIX. The transaction is subject to NOVONIX shareholder approval and expected to close in September 2021.
- c) NOVONIX continued work towards an initial public offering in the United States of American Depository Shares (“ADS”), and concurrent listing of the ADSs on Nasdaq.

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.

Note 30 Related party transactions

During the financial year:

- (a) On 14 December 2020, 2,250,000 performance rights (convertible to ordinary shares on a 1:1 basis) were granted to Chris Burns, CEO (1,500,000) and Nick Liveris, CFO (750,000). The performance rights were formally approved by shareholders at the AGM on 17 November 2020. The value of each performance right was determined to be \$1.06, with a vesting date of 4 January 2021 and an expiry date of 30 June 2022. An expense of \$2,044,286 has been recognised in the year ended 30 June 2021.
- (b) The Group entered into a separation agreement with Philip St Baker following his resignation on 23 September 2020, which included the settlement of a \$1,500,000 limited resource loan. Refer note 23(f).
- (c) On 16 March 2021 the following performance rights were exercised and converted into fully paid ordinary shares:
 - a. Greg Baynton (Director) – 300,000 performance rights
 - b. Chris Burns (CEO) – 1,800,000 performance rights
 - c. Nicholas Liveris (CFO) – 900,000 performance rights

There were no other related party transactions during the financial year. For details of disclosures relating to key management personnel, refer to Note 7.

Notes to the consolidated financial statements for the year ended 30 June 2021

Note 31 Commitments

(a) Exploration commitments

	Consolidated	
	2021	2020
	\$	\$
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable	13,000	6,000

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) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated	
	2021	2020
	\$	\$
Property, plant and equipment	10,182,218	-

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Notes to the consolidated financial statements for the year ended 30 June 2021

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:

	Notes	Consolidated	
		2021	2020
		\$	\$
Financial assets			
Cash and cash equivalents	12	136,663,976	38,807,662
Trade and other receivables	13	2,042,963	1,227,792
Total financial assets		<u>138,706,939</u>	<u>40,035,454</u>
Financial liabilities			
Trade payables	19	1,823,898	847,724
Lease liabilities	21	7,531,188	2,920,103
Borrowings	22	6,263,625	2,212,012
Total financial liabilities		<u>15,618,711</u>	<u>5,979,839</u>

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 consolidated financial statements for the year ended 30 June 2021

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:

	2021	2020	2021	2020
	CAD	CAD	USD	USD
	\$	\$	\$	\$
Cash at bank	246,055	377,909	70,491,449	16,591,686
Trade receivables	227,925	50,321	1,305,421	616,494
Trade payables	322,387	154,305	803,545	349,475
Borrowings	6,263,625	2,025,562	-	36,706
Lease liabilities	-	-	7,531,188	2,920,103

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 2021, 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 2021, 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 \$1,237,193 (30 June 2020: \$397,091) 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 consolidated financial statements for the year ended 30 June 2021

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's undrawn borrowing facilities as at 30 June 2021 totals \$1,974,931 (CAD \$1,838,087) which relates to the loan facilities secured over commercial land and buildings (refer note 22).

Maturities of financial liabilities

As at 30 June 2021, 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 2021							
Trade payables	4,356,556	-	-	-	-	4,356,556	4,356,556
Lease liabilities	360,437	361,014	742,275	2,292,090	6,048,571	9,804,386	7,531,188
Borrowings	185,059	212,961	649,094	1,929,055	5,307,377	8,283,546	6,263,625
Total non-derivatives	4,902,051	573,975	1,391,369	4,221,145	11,355,948	22,444,488	18,151,369

END OF ANNUAL FINANCIAL REPORT – 30 JUNE 2021

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 39 to 98 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 2021 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, 26 August 2021



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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 readers attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$18,076,077 and net operating cash outflows of \$8,172,064 during the year ended 30 June 2021. The ability of the Group to continue as a going concern depends upon the Group raising 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 \$2.0 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 appropriately 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.



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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 matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
-------------------------	---

Assessing the recoverability of the Group’s goodwill
(Refer to note 11)

At 30 June 2021, the Group recognised \$16.0m of goodwill, which is allocated fully to the PUREgraphite cash generating unit (“CGU”).

As required by Australian Accounting Standards, at 30 June 2021, 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 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



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Measurement and recognition of share-based payment transactions

(Refer to note 28)

For the year ended 30 June 2021, the Group recognised share based payment expenses totalling \$5.9m.

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 the overall remuneration received by key management personnel.

We also compared the Group's net assets as at 30 June 2021 of \$184.4m to its market capitalisation of \$898.3m at 30 June 2021, and noted the \$713.9m of implied headroom in the comparison.

Our procedures in relation to assessing the measurement and recognition of share based payment transactions included, amongst others:

- For grants of new options and performance rights 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 and performance rights on grant date
- Recalculating the expense for the year ended 30 June 2021 based on the grant date fair value, the Group's assumptions for the expected number of options or performance rights to 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 2021, 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 20 to 33 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Novonix Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan

Michael Shewan
Partner

Brisbane
26 August 2021

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2021.

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		9,744
1,001 – 5,000		7,174
5,001 – 10,000		1,850
10,001 – 100,000		1,793
100,001 and over		243
		20,804

There were 320 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:

Name	Ordinary shares	
	Number held	% of issued shares
St Baker Energy Holdings Pty Ltd	62,843,522	15.53
Citicorp Nominees Pty Limited	32,619,424	8.06
Allegro Capital Nominees Pty Ltd	24,336,337	6.01
Merrill Lynch (Australia) Nominees Pty Limited	16,852,336	4.17
Argo Investments Limited	14,240,028	3.52
Philip St Baker & Peta St Baker	13,584,212	3.36
BNP Paribas Nominees Pty Ltd ACF Clearstream	11,616,402	2.87
Carpe Diem Asset Management Pty Ltd	9,047,622	2.24
HSBC Custody Nominees (Australia) Limited	8,570,821	2.12
Washington H Soul Pattinson and Company Limited	7,867,785	1.94
BNP Paribas Nominees Pty Ltd	6,660,047	1.65
J P Morgan Nominees Australia Limited	5,619,431	1.39
Andrew Liveris	5,000,000	1.24
Mutual Trust Pty Ltd	4,132,794	1.02
George Chapman	4,000,000	0.99
HSBC Custody Nominees (Australia) Limited – A/c 2	3,880,097	0.96
John Christopher Burns	3,756,936	0.93
David Andrew Stevens	3,350,910	0.83
BNP Paribas Nominees Pty Ltd	3,160,382	0.78
Netwealth Investments Limited	2,296,645	0.57
Total	243,435,731	60.18

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	2,600,000	7
Share options	32,103,334	23

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

	Number held	% of total on issue
Andrew Liveris	9,000,000	28.0%
Christopher Burns	9,500,000	29.6%

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

	Number held	% of total on issue
Philip St Baker	600,000	23.1%
Jeff Dahn	1,000,000	38.5%

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	25,290,019	6.3%
St Baker Energy Holdings Pty Ltd	62,843,522	15.5%

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

END OF SHAREHOLDER INFORMATION