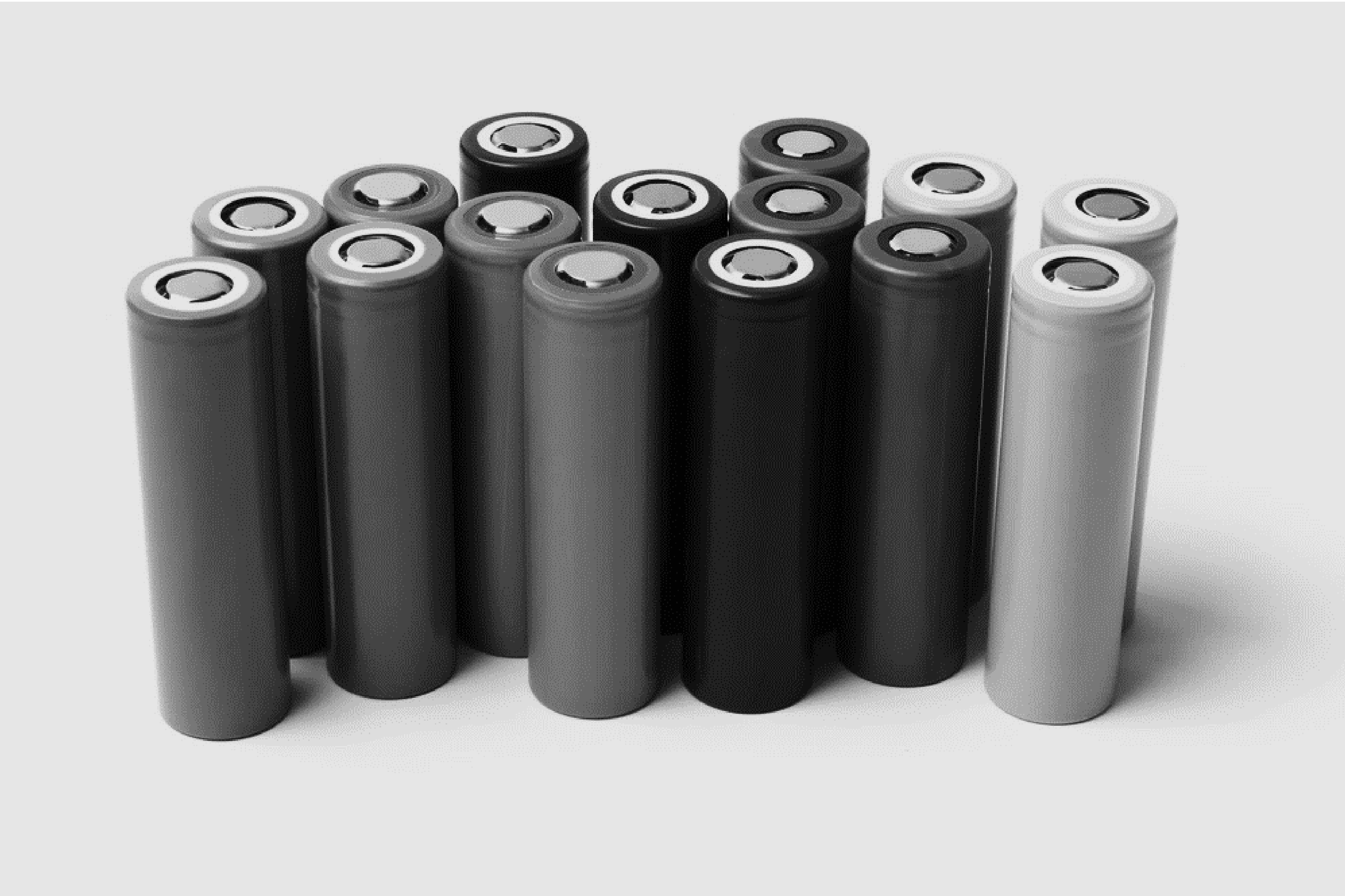
ANNUAL REPORT

2017



NOVONIX LIMITED (FORMERLY GRAPHITECORP LIMITED)

ABN 54 157 690 830

Annual Report – 30 June 2017

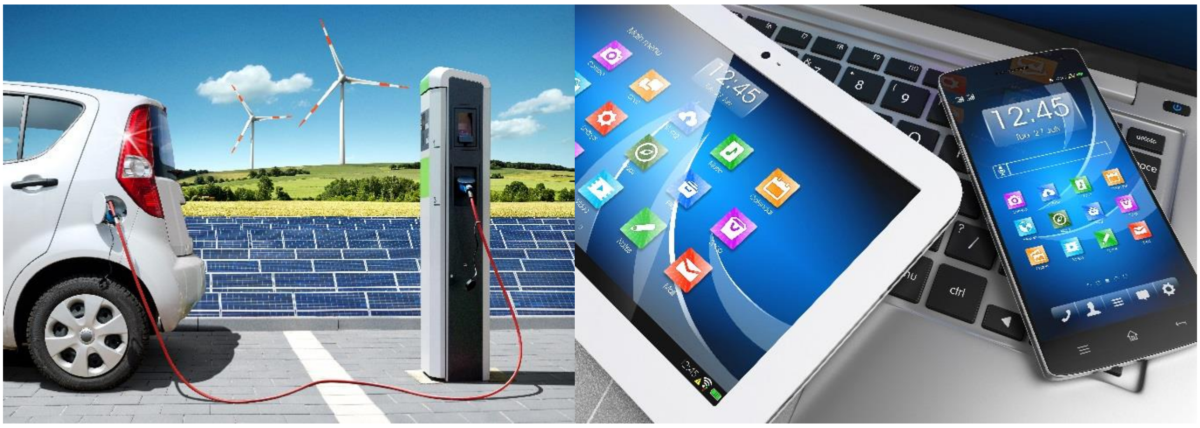
Corporate directory

Directors	A Bellas *B.Econ, DipEd, MBA, FAICD, FCPA* G A J Baynton *M.Econ St, MBA, B.Bus* P M St Baker *B.Eng* R Cooper *BE (Mining), MEngSc, MAusIMM, MAICD* Admiral R J Natter, US Navy (Ret.)
Secretary	S M Yeates *CA, B.Bus*
Principal registered office in Australia	Level 12, 114 Edward Street, Brisbane QLD 4000
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000 www.linkmarketservices.com.au
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 www.bdo.com.au
Solicitors	McCullough Roberson Level 11, Central Plaza Two 66 Eagle Street Brisbane QLD 4000 www.mccullough.com.au
Bankers	Commonwealth Bank of Australia
Stock exchange listing	NOVONIX Limited (formerly Graphitecorp Limited) shares are listed on the Australian Securities Exchange (ASX).
Website address	www.novonixgroup.com

Competent Person's Statement

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

Review of operations and activities



HIGHLIGHTS

- downstream integration into high value, high growth battery materials market
- production JV with leading USA-based anode materials development group
- acquisition of leading battery testing equipment and services company
- completion of $16.3 million capital raising to fund strategic transactions
- successful implementation of all transactions
- Mount Dromedary Graphite Project mining lease application lodged

SUMMARY

The Company's Board and management are excited by the opportunities for NOVONIX in the delivering new high-performance battery materials (anode materials and electrolytes) and the world's highest performance battery testing equipment in the year ahead.

FY2017 saw the company expand and diversify strategically via downstream integration into the high growth US$20 billion global rechargeable lithium-ion battery (LIB) market.

These transactions and subsequent business development undertaken during the year have transformed the company from a developer of a natural graphite deposit into a developer and supplier of high performance battery equipment, services and materials.

Today NOVONIX Limited (ASX: NVX) has operations in the USA and Canada and sales and equipment deployed in over a dozen countries.

The NOVONIX group now includes a Battery Testing Services business headquartered in Canada which produces the most accurate lithium-ion battery cell test equipment in the world now used by leading battery makers and researchers and equipment manufacturers including Apple, TESLA, PANASONIC, CATL, BOSCH, Dyson, 3M, and Alcatel-Lucent. This business was acquired on 1 June 2017, and as such, only one month of operation occurred within FY2017.

NOVONIX, via its PUREgraphite joint venture with Coulometrics, is planning to develop and manufacture ultra-high purity high performance battery anode materials in the USA. PUREgraphite anode materials are aimed at meeting the most demanding applications which include electric vehicles and energy storage. The PUREgraphite joint venture was established 1 April 2017 and as such, included only three months of operations within the NOVONIX group within FY2017.

NOVONIX also owns the world class Mount Dromedary natural graphite deposit in Australia and is in the process of securing a mining lease and environmental authority as part of competing a detailed feasibility study. Mount Dromedary is a valuable strategic asset with potential to provide a secure long-term supply of graphite concentrate to our PUREgraphite business.

Q1 FY2017

The first quarter of FY2017 was focused on advancing the feasibility for the Mount Dromedary Graphite Project and included a third drilling program, an upgrade of the Mineral Resource Estimate, further metallurgical testing, initial lithium-ion battery tests for purified graphite, a preliminary mining study and more market research.

Q2 FY2017

The second quarter of FY2017 was focused on advancing the Mount Dromedary Graphite Project and included a consolidation of the ownership of the graphite deposit by the acquisition of the interest in the deposit held by Washington H. Soul Pattinson and Company Limited (WHSP, ASX: SOL), submission of the Mining Lease Application and the Environmental Authority Application, small scale pilot plant test program in Brazil and extensive market research primarily in the USA and to a lesser extent Asia.

Q3 FY2017

Driven by findings from the market research undertaken in the first half of FY2017, the third quarter of FY2017 saw the company expand and diversify its business model via strategic downstream integration into the high growth US$20 billion global rechargeable lithium-ion battery (LIB) market. The main driver for downstream integration is to grow our opportunity to capture greater value and higher margins across the lithium-ion battery supply chain. Two transactions were executed with North American companies which effectively transformed the company from a developer of a natural graphite deposit in Australia into a developer and supplier of high performance materials, equipment and services with operations in the USA and Canada and sales and equipment deployed in over a dozen countries. The transactions included the acquisition of leading battery anode materials and cell testing technologies, establishment of a production JV with leading USA-based anode materials development company and an acquisition of leading battery testing equipment and services company. A $16.3m capital raising was undertaken to fund the transactions.

Q4 FY2017

The final quarter of FY2017 was focused on implementation of the transactions and the initial steps in establishing the new PUREgraphite production joint venture with Coulometrics at its facilities in Chattanooga Tennessee, USA. PUREgraphite was officially operational from April 1 leveraging Coulometrics staff and facilities under a predefined services agreement, and the team has since been very focused on achieving commercial production as fast as possible. The acquisition of NOVONIX Battery Testing Services Inc in Canada was also completed on 1 June.

ABOUT PUREgraphite

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

PUREgraphite became operational on 1 April and is a US based and registered company that has commenced operations from within the Coulometrics Battery Materials Development Facility in Chattanooga, Tennessee, USA. The combined facilities include materials processing, battery making and battery testing which enables PUREgraphite to rapidly advance its materials development and to benchmark and demonstrate performance of its materials in commercial-standard batteries. The CEO of PUREgraphite is Dr Edward Buiel who is also the founder and owner of Coulometrics. Dr Buiel has over 20 years of experience in developing battery technologies, with a focus on carbon-based anode materials.

NOVONIX contributed US$5 million to PUREgraphite to fund the exclusive acquisition of all graphite-related intellectual property from Coulometrics and ongoing exclusivity for development of graphite products and battery anode materials using that technology. The Coulometrics graphite IP includes innovative high-performance graphite anode materials (demonstrated to outperform leading materials currently in the market) and production methods expected to deliver production costs significantly lower than existing producers. NOVONIX also contributed US$3 million to fund operations of the JV and will contribute an addition US$2m in February 2018 to PUREgraphite to cover anticipated capital and operating costs in the first two years of operation.

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

Under the JV arrangements agreed with Coulometrics, NOVONIX also holds a Call Option to acquire half of Coulometrics' interest in PUREgraphite (i.e. 25% of PUREgraphite) for US$5 million. The Call Option is exercisable within two years from February 2017. Assuming NOVONIX exercises this call option, it will gain the right to exclusively exploit the technology and production capacity greater than 1,000 tonnes per annum, at its cost.

The PUREgrahite business plan has two streams. The first stream is to, as early as possible, establish a 1,000 tpa anode material production capability and to start manufacturing and selling graphite anode material targeting specialist applications in the US domestic market which is estimated to be approximately 5,000 tpa. PUREgraphite is on target for first production, at small volumes, within the Tennessee facility by the end of 2017 and establishing a 1,000 tpa production capability by 30 June 2018.

In terms of business development and future sales, NOVONIX has engaged with many prospective customers and has several significant customers ready to trial its anode materials on commencement of production.

The second stream of the PUREgraphite business plan aimed at supplying the large-scale EV market and includes customer engagement, product qualification, large-scale production planning (up to 100,000 tpa) and success with the first stream to establish PUREgraphite's credentials as a producer in the market. Efforts to date have included engagement with several large EV battery makers who have confirmed volume requirements and their interest in commencing a process of qualifying our graphite anode materials once production is commenced. The team has also made significant progress in investigating technologies and companies that have potential to optimize or accelerate large scale production methods, while also investigating locations for large scale production where the JV can leverage low-cost power in certain locations within the USA.

Another significant work stream for PUREgraphite is its sourcing program for artificial and natural graphite, which is leveraging Coulometrics' extensive knowledge of graphite sources from around the world. This program involves head-to-head testing of materials taking them though the JV's processing, purification and coating processes, and building and testing the finished products in commercial battery cells at Coulometrics. This work is progressing well, with the identification of several alternative supply options that can meet the JV's specifications.

ABOUT NOVONIX Battery Testing Services Inc (NOVONIX BTS)

NOVONIX BTS was acquired by the company on 1 June 2017 for C$5m, with the founders Dr Chris Burns and Dr David Stevens receiving partial payment in the form of shares in NOVONIX (ASX: NVX) and both continuing as CEO and CTO respectively under executive employment contracts incorporating equity-based incentive plans.

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

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

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

In less than three years, NOVONIX BTS has deployed more than 1,000 of its HPC testing units in 12 countries across the world.

At the time of acquisition NOVONIX BTS was forecasting CAD$2m in sales and a NPBT of C$400,000 for the Canadian financial year ending March 2017.

NOVONIX BTS had also developed two new models of HPC Testing equipment which would be ready for launch later in 2017 with several existing customers pre-ordering some of the equipment ahead of its release.

Since settlement on 1 June, the NOVONIX BTS business has continued to thrive building on its already impressive tier one customer base with orders being received from major global companies whom it has not previously supplied, and further orders from many of its existing customers seeking to purchase NOVONIX's new models of equipment and to expand their existing NOVONIX testing systems.

In June 2017 NOVONIX BTS released the larger 20A HPC Testing Equipment for sale and installed the first of these units with a major battery maker in Asia and a key R&D facility in California.

In August NOVONIX BTS announced a CAD $500,000 investment (by way of interest-free loan) from the Canadian Government to help further develop and market NOVONIX's innovative battery testing technology. The federal funding is being allocated through Atlantic Canada Opportunities Agency (ACOA) Business Development Program which supports small and medium-sized enterprises.

NOVONIX BTS will be moving to larger premises before the end of the calendar year to accommodate the larger sales volumes and the expansion of the business activities into battery materials development.

ABOUT Mount Dromedary Graphite Project

With the PUREgraphite joint venture in the USA moving forward immediately with sourcing artificial and natural graphite concentrates from world markets, the Company is no longer dependent solely on the Mount Dromedary Graphite Project for its commercialization critical path. Nevertheless, NOVONIX is advancing the project approvals such that the asset can be in a state of readiness to be leveraged commercially and strategically in the future.

Exploration

During the year the company completed a third drilling program which resulted in a 66% increase in the total JORC Mineral Resource Estimate to 1.908 Million tonnes of contained graphite and a 125% increase in the combined Measured and Indicated Resource containing 1.316 Million tonnes of graphite. This Mineral Resource Estimate is derived from drilling covering less than 50% of the mapped prospect area. Refer to the ASX announcement on the updated independent JORC Mineral Resource Estimate dated 20 October 2016 for full details and disclosures.

Metallurgy and Plant Design

Extensive metallurgical testing was undertaken in Australia and Brazil including a small-scale pilot plant test program where we trailed a wide range of milling and flotation equipment and reagents on our different ore types. Based on the metallurgical test results a preliminary design for the processing plant was completed.

Mine Planning

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

Battery Suitability Tests

Given the most attractive growth and premium pricing opportunity in the graphite market relates to the use of graphite in lithium-ion batteries NOVONIX commissioned thermal purification, battery test cell construction and electrochemical testing on graphite concentrate produced from the Mount Dromedary deposit by independent companies based in the USA. Physical examination of the powders and electrochemical tests on the LIB cells were performed and the results showed that the materials have good purity, good electrochemistry with high reversible capacity and is most importantly appear to be well suited for LIB applications, including high-end automotive applications.

Approvals

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

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

In April 2017 DEHP issued the company a request for more information pertaining to our Environmental Authority Application. Since that time the company has been undertaking further work including the installation of additional base line water monitoring bores and provision of more engineering data and information relating to our waste rock, tailings and environmental management plans. NOVONIX is working towards completion of the additional approvals work by the end of the year and the granting of the Mining Lease and Environmental Authority early in 2018.

Stakeholder Agreements

The company is also actively progressing native title, cultural heritage and landholder agreements with the aim of finalizing these late 2017 or early 2018.

Market Review

Over the course of the year, several visits were made to China, South Korea, Japan, Taiwan, and the USA to meet with existing producers, traders, and consumers to assess the overall global graphite market.

From these visits combined with general market research we determined that there was flat demand for general graphite concentrate which was being driven primarily by flat demand for steel given graphite's primary use (by volume) is for refractories for steel making furnaces and as a carbon raiser in the steel itself and cast iron. On the supply side there appears to be a surplus of capacity primarily in China and significant new capacity coming on line from the Balama project in Africa.

The most prospective part of the market was the strong demand growth occurring for high-quality graphite anode material for the lithium-ion battery market which in turn was being driven by high demand growth for electric vehicles and energy storage. This is an advanced materials market where graphite concentrate goes through extensive value adding to mill and shape, purify and coat to manufacture a graphite anode material suitable for the LIB market.

From a price perspective, basic graphite concentrates are selling for between US$500 and US$2500 per ton depending on purity, particle size and distribution and many other factors. In contrast, LIB graphite anode materials are selling for between US$8,000 per ton to US$20,000 per ton depending on a wide range of characteristics including reversible capacity, coulombic efficiency, purity, density, particle morphology.

The main takeaway from this market study was that the most significant commercial opportunity was in value adding to basic graphite concentrates to manufacture LIB graphite anode materials. It was also observed that the LIB graphite anode market was dominated a handful of companies including Hitachi Chemical and BTR and there are significant barriers to entry including proprietary technology and knowhow, well-established customer-supplier relationships and long and exhaustive product qualification processes.

Other Studies

The company completed a detailed logistics study identifying multiple economic logistics solutions utilizing existing road and rail infrastructure and companies already operating in the North West Queensland region.

A detailed review of infrastructure for the operation was also undertaken and incorporated an assessment of utilization of existing mine infrastructure located near Cloncurry as an alternative option for the project to consider in the future. A detailed costing was undertaken for the project and an economic model developed such that we can monitor the market and the economics of the project in the future and be ready to bring the project forward should it be compelling, accretive to the NOVONIX business and with acceptable risks.

OUTLOOK

NOVONIX is now well positioned to successfully enter the LIB anode materials market, which is an essential component of one of the world's fastest-growth high-technology industries being driven by rapid demand growth for electric vehicles and energy storage.

NOVONIX is primarily focused on its PUREgraphite joint venture and establishing, as early as possible, initial commercial production and sales.

Major business development activities will be focused initially on the domestic US special applications market, while developing plans for large scale production to meet the needs of the rapidly growing high volume electric vehicle and energy storage markets.

With the aim of establishing a production capability of 1,000 tpa by the end of the financial year, NOVONIX is also developing plans for scaling the business to over 100,000 tpa.

In parallel with the anode materials manufacturing activities, NOVONIX will continue to grow the Battery Testing Services business including launch of new models of our HPC testing equipment, expanded testing services (including battery safety testing), developing next generation new testing technology and creating new competitive advantage.

As a strategic expansion into other battery materials, NOVONIX is preparing to leverage the inhouse skills and extensive experience and capabilities of its existing team to commence the development of new, high-performance electrolytes to further improve battery performance and safety.

The Company's Board and management are excited by the opportunities for NOVONIX in the delivering new high-performance battery materials (anode materials and electrolytes) and the world's highest performance battery testing equipment in the year ahead.

TENEMENT LIST

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

Directors' report

Your Directors present their report on the consolidated entity consisting of NOVONIX Limited (formerly Graphitecorp Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout the report, the consolidated entity is referred to as the Group.

Directors and Company Secretary

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

G A J Baynton
A Bellas
P M St Baker

Mr R Cooper was appointed as a Director on 31 October 2016 and, continues in office at the date of this report.

Mr D Price was appointed an Alternate Director for R Cooper on 31 October 2016, and continues in office at the date of this report.

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

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

Principal activities

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

Dividends

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

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities on pages 3 – 10 of this annual report.

Significant changes in the state of affairs

During the financial year, NOVONIX Limited executed two transactions with two North American groups, Coulometrics and the founding shareholders of Novonix Battery Testing Services Inc. These transactions will transform the business into a supplier of advanced battery materials, equipment and services to the global LIB market.

In order to fund these transactions, during the year the company completed a $16.1 million convertible loan note issue to institutional and sophisticated investors.

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

Likely developments and expected results of operations

Comments on likely developments and expected results of operations are included in the review of operations and activities on pages 3 – 10.

Events since the end of the financial year

Since the end of the financial year the following has occurred:

- On 13 July 2017 the Company changed its name from Graphitecorp Limited to NOVONIX Limited
- On 14 July 2017 Admiral Robert Natter was appointed as a non-executive director.
- 4,066,635 loan notes have been converted into fully paid ordinary shares
- 525,000 options over ordinary shares have been issued to employees of NOVONIX Battery Testing Services Inc. The options have an exercise price of $0.90, vest on 14 July 2019 and expire on 14 July 2022.
- NOVONIX Battery Testing Services Inc received a CAD $500,000 interest free loan from the Government of Canada to help further develop and market NOVONIX's innovative battery testing technology.

Environmental regulation

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

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

Information on Directors

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

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

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

P M St Baker. *Managing Director*	
Experience and expertise	Mr St Baker was previously the Managing Director and CEO of ERM Power Limited for eight years until October 2014 during which time the company transformed from a private power development company into one of Australia's fastest growing diversified energy companies with an annual turnover growing from $10million to over $2 billion. Mr St Baker oversaw the development of ERM Power's retail sales and gas exploration business and the expansion of its power generation business. Prior to joining ERM Power, Mr St Baker had a 16 year career with BHP Billiton. His focus there was on delivering improved operational performance.
Other current directorships	Non-executive Director of ERM Power Limited.
Former listed directorships in last 3 years	Managing Director of ERM Power Limited.
Special responsibilities	Managing Director
Interests in shares and options	8,143,570 ordinary shares 1,562,500 performance rights 7,000,000 options

R Cooper. *Non-Executive Director*	
Experience and expertise	Mr Cooper is a mining engineer with more than 25 years' industry experience, having held leadership roles across a diverse range of commodities, both in Australia and overseas. He has a broad foundation of operating and technical experience in both operations and project development. Mr Cooper has previously held leadership positions with BHP Billiton as General Manager of Leinster Nickel Operations within Nickel West, and as Asset President of Ekati Diamonds in Canada. He more recently held positions with Discovery Metals as General Manager-Operations in Botswana and as General Manager-Development in their Brisbane office. Robert is currently the CEO of CopperChem Limited and also Exco Resources Limited, both of which are 100% owned subsidiaries of the Washington H Soul Pattinson Group of companies.
Other current directorships	Non-executive Director of Syndicated Metals Limited and Verdant Minerals Limited.
Former listed directorships in last 3 years	None.
Special responsibilities	Chairman of the Audit Committee.
Interests in shares and options	16,028,818 ordinary shares (indirect holding) 100,000 ordinary shares (direct holding)

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

D Price. *Alternative Non-Executive Director*	
Experience and expertise	Dean has over 17 years of corporate finance experience practising in the areas of mergers & acquisitions, capital raising and restructuring. Dean is currently an executive director of Pitt Capital Partners, a wholly owned subsidiary of Washington H Soul Pattinson & Company Limited and is responsible for generating investment ideas, sourcing new investment opportunities and working with portfolio companies to grow those businesses.
Other current directorships	None.
Former listed directorships in last 3 years	None.
Special responsibilities	None.
Interests in shares and options	16,028,818 ordinary shares (indirect holding)

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Full meetings of Directors		**Meetings of Audit Committee**	
	A	**B**	**A**	**B**
A Bellas	9	9	2	2
G A J Baynton	9	9	2	2
P M St Baker	8	9	N/A	N/A
R Cooper	4	4	1	1
D Price	-	-	-	-
Admiral R J Natter	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 or was a member of the committee during the year

Remuneration report (Audited)

The Directors present the NOVONIX Limited 2017 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 13 to 17 for details about each Director)
A Bellas (Non-executive Chairman) G A J Baynton (Executive Director) P M St Baker (Managing Director) R Cooper (Non-executive Director) D Price (Alternate non-executive Director)

Other key management personnel

Name	*Position*
J C Burns (appointed 2 June 2017)	CEO – Materials and Testing Business
D A Stevens (appointed 2 June 2017)	CTO – Materials and Testing Business

Changes since the end of the reporting period
Admiral Robert Natter was appointed as a non-executive director on 14 July 2017.

(b) Remuneration policy and link to performance

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

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

Element	Purpose	Performance metrics	Potential value	Changes for FY 2017
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at median market rate	Reviewed in line with market positioning.
LTI	Alignment to long-term shareholder value	Market price vesting conditions	Variable subject to share price.	None.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Executives receive their fixed remuneration as cash. FR is reviewed annually and is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The board has the flexibility to take into account capability, experience, value to the organisation and performance of the individual. The Group has not engaged an external remuneration consultant during FY2017.

Superannuation is included in FR for executives. In FY 2017, fixed remuneration was not increased.

(ii) Short term incentives

Short term incentives have not been in place for FY 2017.

(iii) Long-term incentives

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

Options

On 30 June 2017, 6,000,000 share options were granted to Executives (3,000,000 options each to J C Burns and D A Stevens). The options are exercisable at $0.51 and vest on 2 June 2019.

Remuneration report (continued)

On 22 June 2016, 7,000,000 share options were granted to Mr St Baker. The terms of the options are set out in the table below.

	Tranche 1	**Tranche 2**	**Tranche 3**
Number of Options	2,000,000 Options.	3,000,000 Options.	2,000,000 Options.
Exercise Price	$0.30 per NOVONIX share.	$0.30 per NOVONIX share.	$0.30 per NOVONIX share.
Vesting Date	Any time on or before the Tranche 1 Expiry Date provided the Tranche 1 Vesting Price Trigger has been satisfied.	Any time on or before the Tranche 2 Expiry Date provided the Tranche 2 Vesting Price Trigger has been satisfied.	Any time on or before the Tranche 3 Expiry Date provided the Tranche 3 Vesting Price Trigger has been satisfied.
Vesting Price Trigger	The Vesting Price Trigger will be satisfied if the volume weighted average price (**VWAP**) of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.50** per NVX share any time on or before the Tranche 1 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.90** per NVX share any time on or before the Tranche 2 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$1.20** per NVX share any time on or before the Tranche 3 Expiry Date.
Expiry Date	31 December 2017	30 June 2019	30 June 2019

Remuneration report (continued)

Performance rights

The Managing Director was granted performance rights on 1 December 2017 under NOVONIX's performance rights plan. The value of the performance rights represents 50% of the total remuneration package for the Managing Director. In order to align this long-term incentive package with the creation of shareholder value, market price vesting conditions have been used. The terms of the performance rights are as follows:

	Number of Rights	Vesting conditions	Vesting date
2016	812,500	NOVONIX share price closes at $0.40 on 31 December 2016[1]	31 December 2016[2]
2017	750,000	NOVONIX share price closes at $0.80 on 31 December 2017	31 December 2017

[1] Rights will vest on a pro rata basis if, in respect of the 2016 tranche, NOVONIX's share price closes above $0.20 but below $0.40 and, in respect of the 2017 tranche, NOVONIX's share price closes above $0.40 but below $0.80

[2] If any 2016 rights do not vest, then the vesting date for those rights is automatically extended to 31 December 2017 and will vest (or lapse) on the same basis as the 2017 tranche rights

(d) Link between remuneration and performance

During the year, the Group has generated losses from its principal activities of exploring and developing high grade flake graphite deposits in Queensland and the development and implementation of a downstream integration strategy transforming the business into a supplier of advanced battery materials, equipment and services to the global LIB battery market. As the Company is still growing the business, the link between remuneration, Company performance and shareholder wealth is difficult to define. Share prices are subject to the influence of fluctuation in the world market price for graphite and general market sentiment towards the sector, and, as such, increases or decreases may occur quite independently of Executive performance.

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

	Share price
Year end 30 June 2017	$0.75
Year end 30 June 2016	$0.35
IPO price	$0.20

Remuneration report (continued)

(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.

Name	Year	Fixed remuneration				Variable remuneration		
		Cash salary	Sign on bonus	Post-employ-ment benefits	IPO Bonus shares	Perform-ance rights*	Options*	Total
Executive Directors								
G A J Baynton	**2017**	91,324	-	8,676	-	-	-	100,000
	2016	53,272	-	5,061		-	-	58,333
P M St Baker	**2017**	136,986	-	13,014	-	1,914	2,702,261	2,854,175
	2016	79,909	-	7,591	595,380	1,595	9,982	694,457
Other key management personnel (group)								
C Burns (from 2/6/17)	**2017**	16,667	875,988^	-	-	-	7,581	900,236
	2016	-	-	-	-	-	-	-
D Stevens (from 2/6/17)	**2017**	16,667	875,988^	-	-	-	7,581	900,236
	2016	-	-	-	-	-	-	-
Non-executive Director								
A Bellas	**2017**	50,000	-	4,750	-	-	-	54,750
	2016	29,167	-	2,771	-	-	-	31,938
R Cooper (from 31/10/16)	**2017**	20,000	-	1,900	-	-	-	21,900
	2016	-	-	-	-	-	-	-
D Price (from 31/10/16)	**2017**	-	-	-	-	-	-	-
	2016	-	-	-	-	-	-	-
Total KMP remuneration expensed	**2017**	331,644	1,751,976	28,340	-	1,914	2,717,423	4,831,297
	2016	162,348	-	15,423	595,380	1,595	9,982	784,728

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

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

Remuneration report (continued)

(f) Contractual arrangements with executive KMP's

Component	MD description	Executive Director description	Senior executive description
Fixed remuneration	$150,000 (part-time) Inclusive of super.	$100,000 (part-time) Inclusive of super	$200,000
Contract duration	Ongoing contract	Ongoing contract	Ongoing contract
Notice by the individual / company	6 months	6 months	12 months

(g) Non-executive Director arrangements

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

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

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

(h) Additional statutory information

(i) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expenses in the table on page 22:

Relative proportion of fixed vs variable remuneration expense

Name	Fixed remuneration		At risk – LTI	
	2017	2016	2017	2016
Executive Directors				
G A J Baynton	100%	100%	-	-
P M St Baker	5%	13%	95%	87%
Other KMP				
C Burns	99%	-	1%	-
D Stevens	99%	-	1%	-

Remuneration report (continued)

(ii) *Performance based remuneration granted and forfeited during the year*

The table below shows the value of performance rights and options that were granted during the year. No performance rights or options were exercised or forfeited during FY2017.

	LTI performance rights		*LTI Options*	
	Value granted $*	*Value exercised** $*	*Value granted* $*	*Value exercised** $*
2017				
P M St Baker	-	-	-	-
C Burns	-	-	*1,781,648*	-
D Stevens	-	-	*1,781,648*	-
2016				
P M St Baker	*4,467*	-	*970,000*	-

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration

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

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

Options

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

Grant date	Vesting and exercise date	Expiry date		Exercise price	Value per option at grant date	Performance achieved	% vested
22/6/2016	31/12/2017	31/12/2017		$0.30	$0.43	100%	100%
22/6/2016	30/06/2019	30/06/2019		$0.30	$0.53	-	-
22/6/2016	30/06/2019	30/06/2019		$0.30	$0.53	-	-
27/6/2017	02/06/2019	Cessation of employment		$0.51	$0.59	100%	-

The number of options over ordinary shares in the Company provided as remuneration to key management personnel is shown in the table below. The options carry no dividend or voting rights. See pages 19 to 20 above for conditions that must be satisfied for the options to vest.

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

Remuneration report (continued)

IPO bonus shares

The table below shows how many IPO bonus shares were on issue during the year and that affected remuneration in the current or a future reporting period

IPO bonus shares

Name	Issue date	Balance at the start of the year	Granted as compensation	Balance at the end of the year
P M St Baker	26/11/2015	1,562,500	-	1,562,500

The bonus shares issued to the Managing Director, in accordance with his employment contract, were issued for zero consideration. The shares issued carry the same rights as other fully paid ordinary shares.

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 and exercise date	Expiry date	Exercise price	Value per right at grant date	Performance achieved	% vested
31/8/2015	31/12/2016	31/12/2017	-	0.3 cents	N/A	100%
31/8/2015	31/12/2017	31/12/2017	-	0.3 cents	N/A	100%

The number of performance rights over ordinary shares in the Company provided as remuneration to key management personnel is shown on page 21. The performance rights carry no dividend or voting rights. See page 21 above for conditions that must be satisfied for the performance rights to vest.

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

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

The table below shows how many performance rights were granted during the year. All performance rights vested during FY2017. No performance rights were forfeited during the year.

Performance rights

Name	Year granted	Balance at the start of the year		Granted as compensation	Balance at the end of the year		Maximum value yet to vest*
		Unvested	Vested		Unvested	Vested	$
P M St Baker	2016	-	-	1,562,500	1,562,500		2,872
	2017	1,562,500	812,500	-	750,000	812,500	957

* The maximum value of the deferred shares yet to vest has been determined as the amount of the grant date fair value of the rights that are yet to be expensed.

Remuneration report (continued)

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2017. There were no vested options as at 1 July 2016. No options were exercised or forfeited during FY2017.

Options

2017 Name & Grant dates	Balance at the start of the year	Granted as compen-sation	Vested		Balance at the end of the year	
	Unvested		Number	%	Vested and exercisable	Unvested
P M St Baker 22 June 2016	7,000,000	-	2,000,000	29%	2,000,000	5,000,000
C Burns 30 June 2017	-	3,000,000	-	-	-	3,000,000
D Stevens 30 June 2017	-	3,000,000	-	-	-	3,000,000

Shareholdings

2017 Name	Balance at the start of the year	Received during the year on conversion of Loan Notes	Other changes during the year	Balance at the end of the year
Ordinary shares				
A Bellas	3,929,354	-	-	3,929,354
G A J Baynton	29,395,160	166,667	-	29,561,827
P M St Baker	7,976,903	166,667	-	8,143,570
R Cooper	-	-	16,028,818*	16,028,818
D Price	-	-	16,028,818*	16,028,818
C Burns	-	-	1,265,968^#	1,265,968
D Stevens	-	-	2,109,948^#	2,109,948

** R Cooper and D Price have an indirect interest in the shares held in NVX by Exco Resources Limited as they are board appointed nominees of Exco Resources Limited.*

^ C Burns and D Stevens received shares as part consideration for the sales of their shareholding in Novonix Battery Testing Services Inc to NOVONIX Limited during the financial year (refer Note 9).

C Burns and D Stevens were both entitled to be paid sign-on bonuses per their contracts. The sign-on bonuses included the issue of 500,000 ordinary shares in NOVONIX Limited to each of them. These shares were issued on 4 July 2017 and are not included in the balance above.

Loan Notes

2017 Name	Balance at the start of the year	Loan Notes issued	Loan notes converted to ordinary shares	Balance at the end of the year
Loan notes				
A Bellas	-	-	-	-
G A J Baynton	-	166,667	(166,667)	-
P M St Baker	-	166,667	(166,667)	-
R Cooper	-	100,000	-	100,000
D Price	-	-	-	-
C Burns	-	-	-	-
D Stevens	-	-	-	-

(v) Other transactions with key management personnel

There have been no other transactions with key management personnel.

End of remuneration report (audited)

Shares under option and performance rights

Unissued ordinary shares

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

Date options granted	Expiry date	Issue price of Shares	Number under option
22 June 2016	31 December 2017	$0.50	2,000,000
22 June 2016	30 June 2019	$0.90	3,000,000
22 June 2016	30 June 2019	$1.20	2,000,000
23 February 2017	7 April 2020	$0.60	450,000
27 June 2017	N/A	$0.51	6,000,000
14 July 2017	14 July 2022	$0.90	525,000

Unissued ordinary shares of NOVONIX Limited under performance right at the date of this report total 1,562,500. These performance rights are the performance rights granted as remuneration to the Mr St Baker during the previous year. Details of the performance rights granted to key management personnel are disclosed on page 21 above.

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

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

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, NOVONIX Limited paid a premium of $16,922 to insure the Directors and secretaries of the Company.

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

(b) Indemnity of auditors

NOVONIX Limited has not agreed to indemnify their auditors.

Proceedings on behalf of the Company

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

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

Non-audit services

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

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

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

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

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

	Consolidated	
	2017	2016
	$	$
Taxation services		
BDO Qld Pty Ltd:		
Research and development tax concession services	6,500	18,000
Investigating accountants report	-	6,000
Total remuneration for taxation / non-audit services	6,500	24,000

Auditor's independence declaration

A copy of the auditors independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30.

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

A Bellas
Chairman

Brisbane
28 September 2017

Auditor's Independence Declaration

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO DIRECTORS OF NOVONIX LIMITED

As lead auditor of Novonix Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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 year.

C R Jenkins

Director

BDO Audit Pty Ltd

Brisbane, 28 September 2017

Corporate governance statement

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

The 2017 corporate governance statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on 28 September 2017. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at https://www.novonixgroup.com/governance/.

NOVONIX LIMITED (FORMERLY GRAPHITECORP LIMITED)

ABN 54 157 690 830

Annual financial report – 30 June 2017

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

The financial statements are presented in the Australian currency.

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

NOVONIX Limited
Level 12, 114 Edward Street
Brisbane QLD 4000

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Notes	Consolidated 2017 $	2016 $
Continuing operations			
Revenue	3	80,807	34,738
Other income	3	114,037	-
Cost of goods sold		(69,970)	-
Administrative and other expenses		(329,600)	(219,753)
Borrowing costs		(735,844)	-
Depreciation and amortisation expenses		(5,323)	-
Marketing and project development costs		(223,820)	(298,476)
Share based compensation	4	(2,827,970)	(606,957)
Employee benefits expense		(2,080,498)	-
Listing costs		-	(153,349)
Share of net losses of associates or joint ventures	17	(205,010)	-
Loss before income tax expense		(6,283,191)	(1,243,797)
Income tax benefit	5	147,562	-
Loss from continuing operations		(6,135,629)	(1,243,797)
Other comprehensive income for the period, net of tax			
Foreign exchange differences on translation of foreign operations		(36)	-
Total comprehensive income for the period		(6,135,665)	(1,243,797)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	(7.5 cents)	(2.1 cents)
Diluted earnings per share	8	(7.5 cents)	(2.1 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 2017

	Notes	Consolidated 2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	11	2,415,124	1,665,754
Trade and other receivables	12	377,371	38,756
Inventory		318,695	-
Total current assets		3,111,190	1,704,510
Non-current assets			
Plant and equipment	13	150,382	16,962
Exploration and evaluation assets	15	12,663,397	1,203,280
Investment in Associates	17	13,086,320	
Intangibles	16	4,951,583	-
Other assets	14	12,500	-
Total non-current assets		30,864,182	1,220,242
Total assets		33,975,372	2,924,752
LIABILITIES			
Current liabilities			
Trade and other payables	18	4,667,990	211,927
Borrowings	19	9,216,621	-
Total current liabilities		13,884,611	211,927
Total liabilities		13,884,611	211,927
Net assets		20,090,761	2,712,825
EQUITY			
Contributed equity	20	22,208,494	3,948,983
Reserves	21	5,265,631	11,577
Accumulates losses		(7,383,364)	(1,247,735)
Total equity		20,090,761	2,712,825

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 2017

Consolidated Group	Contributed equity $	Accumulated losses $	Reserves: Share based payments reserve $	Reserves: Foreign currency translation reserve $	Reserves: Convertible loan note reserve $	Total $
Balance at 1 July 2015	10	(3,938)	-	-	-	(3,928)
Loss for the period	-	(1,243,797)	-	-	-	(1,243,797)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(1,243,797)	-	-	-	(1,243,797)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	3,948,973	-	-	-	-	3,948,973
Share-based payments	-	-	11,577	-	-	11,577
Balance at 30 June 2016	3,948,983	(1,247,735)	11,577	-	-	2,712,825
Loss for the period	-	(6,135,629)	-	-	-	(6,135,629)
Other comprehensive income	-	-	-	(36)	-	(36)
Total comprehensive income	-	(6,135,629)		(36)	-	(6,135,665)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	18,259,511	-	-	-	-	18,259,511
Equity component of convertible notes, net of transaction costs	-	-	-	-	2,426,120	2,426,120
Share-based payments	-	-	2,827,970	-	-	2,827,970
Balance at 30 June 2017	22,208,494	(7,383,364)	2,839,547	(36)	2,426,120	20,090,761

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 2017

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers (GST inclusive)		269,825	153,008
Payments to suppliers and employees (GST inclusive)		(1,250,862)	(793,099)
Interest received		5,685	12,855
Net cash outflow from operating activities	24	(975,352)	(627,236)
Cash flows from investing activities			
Payments for exploration assets		(1,444,137)	(1,378,292)
Research and development tax incentive received		503,984	-
Net outflow from the acquisition of NOVONIX Battery Testing Services Inc.		(3,031,540)	-
Payments for investments in associates		(10,534,999)	-
Payments for security deposits		(12,500)	-
Receipt of cash calls from JV partner		-	337,800
Payments for property, plant and equipment		-	(19,867)
Net cash outflow from investing activities		(14,519,192)	(1,060,359)
Cash flows from financing activities			
Proceeds on issue of shares		300,000	3,421,862
Proceeds on issue of loan notes (net of expenses)		15,988,098	-
Payment of capital raising costs and listing expenses		(44,427)	(68,259)
Proceeds from Director loan		-	59,749
Repayment of Director loan		-	(60,013)
Net cash inflow from financing activities		16,243,671	3,353,339
Net increase (decrease) in cash and cash equivalents		749,127	1,665,744
Effects of foreign currency		243	-
Cash and cash equivalents at the beginning of the year		1,665,754	10
Cash and cash equivalents at the end of the year	11	2,415,124	1,665,754

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies

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.

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

As disclosed in the financial report, the consolidated entity achieved a net loss of $6,135,629 (2016: $1,243,797) and net operating cash outflows of $975,532 (2016: $627,326) for the year ended 30 June 2017. As at 30 June 2017, the consolidated entity has cash of $2,415,124 (2016: $1,665,754).

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

- the ability of the Company to raise capital as and when necessary;
- the successful exploration and subsequent exploitation of the consolidated entity's tenements; and/or
- conversion of loan notes prior to their maturity date or repayment through alternative funding.

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

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

- the consolidated entity has a proven history of successfully raising funds which included the Loan Note issue during the year raising $16 million;
- Subsequent to balance date, 4,066,630 loan notes were converted into fully paid ordinary shares; and
- The Directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

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

The financial statements were authorised for issue by the Directors on 28 September 2017. 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 2017 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.

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange, and, for acquisitions prior to 1 July 2009, included costs directly attributable to the combination. For acquisitions after 1 July 2009, acquisition-related costs are expensed in the period in which the costs are incurred, rather than being added to the cost of the business combination, as required by revised AASB 3 Business Combinations.

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 financial statements for the year ended 30 June 2017

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in other income or other expenses in the Consolidated Statement of Profit or loss and Other Comprehensive Income. Any subsequent adjustment to the final contingent consideration, based on actual results as at 30 June 2017, will be reflected in the Statement of Profit or Loss and Other Comprehensive Income.

b. Income tax

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

b. Income tax (continued)

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

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

c. Revenue recognition

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

Sales of Goods

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

Interest

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

Grant revenue (Research and development tax incentive)

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the consolidated balance sheet. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Other revenue

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

d. Operating segments

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

e. Current and non-current classification

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

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

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

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

f. Cash and cash equivalents

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

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

g. Other receivables

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

Notes to the financial statements for the year ended 30 June 2017

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.

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.

A provision is raised against exploration and evaluation assets where 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. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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

j. Loan notes

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

k. Plant and equipment

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

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

Plant and equipment	5 years

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

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

l. Trade and other payables

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

m. Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Note 1 Summary of significant accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

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

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

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

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

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

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.

Note 1 Summary of significant accounting policies (continued)

n. Issued capital

Ordinary shares are classified as equity.

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

o. Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

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

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

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

p. Impairment of Non-Financial Assets

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

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

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

q. Intangible Assets Other than Goodwill

Brand Name

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

Technology

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

r. Goodwill

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

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

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

s. Borrowing costs

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

t. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

Note 1 Summary of significant accounting policies (continued)

u. Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

w. New and Amended Accounting Policies Adopted by the Group

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

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

AASB 9 *Financial Instruments*

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010).

AASB 9 may have a potential increase in the Group's loans and advances provisioning. However, the Group has not yet fully assessed the impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

AASB 15 *Revenue from Contracts with Customers*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group has not yet fully assessed the impact of AASB 15 as this standard does not apply mandatorily before 1 January 2018.

AASB *16 Leases*

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

The Group has not yet fully assessed the impact of AASB 16 as this standard does not apply mandatorily before 1 January 2019.

Notes to the financial statements for the year ended 30 June 2017

Note 1 Summary of significant accounting policies (continued)

x. Critical accounting estimates and judgements

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

Exploration and evaluation costs

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

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

Value of intangible assets relating to acquisitions

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

Impairment of goodwill

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

Notes to the financial statements for the year ended 30 June 2017

Note 2 Parent information

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

	Notes	**2017** **$**	2016 $
Balance sheet			
ASSETS			
Current assets			
Cash and cash equivalents		1,799,269	1,665,754
Trade and other receivables		133,503	38,756
Total current assets		1,932,773	1,704,510
Non-current assets			
Plant and equipment		12,989	16,962
Exploration and evaluation assets		12,663,397	1,203,280
Investments		19,134,728	-
Other assets		12,500	-
Total non-current assets		31,823,614	1,220,242
Total assets		33,756,387	2,924,752
LIABILITIES			
Current liabilities			
Payables		4,472,416	211,927
Borrowings		9,216,621	-
Total current liabilities		13,689,037	211,927
Total liabilities		13,689,037	211,927
Net assets		20,067,350	2,712,825
EQUITY			
Contributed equity		22,208,494	3,948,983
Reserves		5,265,667	11,577
Accumulates losses		(7,406,811)	(1,247,735)
Total equity		20,067,350	2,712,825
Statement of Profit or Loss and Other Comprehensive Income			
Total loss and total comprehensive income		(6,159,076)	(1,243,797)

Notes to the financial statements for the year ended 30 June 2017

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 2017, NOVONIX Limited did not have any contingent liabilities (2016: Nil).

Contractual commitments

At 30 June 2017, NOVONIX Limited did not have any contractual commitments (2016: Nil).

Note 3 Revenue

	Consolidated	
	2017	2016
	$	$
Revenue		
Sales of goods and services	80,807	-
Other income		
Research and development tax incentive	95,505	
Interest received from unrelated parties	5,685	14,038
Other revenue	12,847	20,700
Total other income	114,037	34,738

Note 4 Loss for the year

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

	Consolidated	
	2017	2016
	$	$
Share based payments expense		
IPO bonus shares issued for no consideration	-	595,380
Performance rights granted	-	1,595
Options grants	2,827,970	9,982
Total share based compensation expense	2,827,970	606,957

Note 5 Income tax expense

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

	Consolidated	
	2017	2016
	$	$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(6,283,191)	(1,243,797)
Tax at the Australian tax rate of 27.5% (2016: 30%)	(1,727,877)	(373,139)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	777,692	182,087
Cost base items (business combination)	40,678	-
R&D tax incentive	(26,264)	-
Restate opening balances to 27.5%	16,383	-
Difference in overseas tax rate	(4,158)	-
Adjustments for current tax of prior periods	297,847	
Tax losses recognised to offset DTL on identifiable intangible acquired	(147,562)	
Adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	625,699	191,052
Income tax expense / (benefit)	(147,562)	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	2,557,837	655,324
Potential tax benefit @ 27.5% (2016: 30%)	703,405	196,597
(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	22,539	13,653

Notes to the financial statements for the year ended 30 June 2017

Note 5 Income tax expense

	Consolidated 2017 $	2016 $
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	1,675,251	516,083
Share issue costs	46,524	53,186
Accrued expenses	8,250	4,428
Total deferred tax assets	1,730,025	573,697
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,026,620)	(360,984)
Deferred tax assets not recognised	(703,405)	(212,713)
Net deferred tax assets	-	-
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	880,522	360,984
Intangibles	146,098	-
Total deferred tax liabilities	1,026,620	360,984
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,026,620)	(360,984)
Net deferred tax liabilities	-	-

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

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

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

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

Offsetting within tax consolidated entity

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

Notes to the financial statements for the year ended 30 June 2017

Note 6 Key Management Personnel Compensation

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

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

	Consolidated	
	2017	2016
	$	$
Short-term employee benefits	2,083,620	162,348
Post-employment benefits	28,340	15,423
Share-based compensation	2,719,337	606,957
Total KMP compensation	4,831,297	784,728

Short-term employee benefits

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

Post-employment benefits

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

Share-based payments

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

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

Note 7 Auditor's Remuneration

	Consolidated	
	2017	2016
	$	$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	84,252	21,777
Remuneration for non-audit services		
- R&D taxation services	6,500	18,000
- Investigating accountants report	-	6,000
	90,752	45,777

Notes to the financial statements for the year ended 30 June 2017

Note 8 Earnings per share

	2017	2016
	Cents	Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(7.5 cents)	(2.1 cents)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(7.5 cents)	(2.1 cents)

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

	2017	2016
	$	$
Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(6,135,629)	(1,243,797)
Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(6,135,629)	(1,243,797)

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

	2017	2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	81,727,536	60,795,412

The 4,066,635 loan notes that have converted into fully paid ordinary shares subsequent to the reporting date (as disclosed in note 27) would not have significantly changes the weighted average number of ordinary shares outstanding at the end of the reporting period if these conversions had occurred before the end of the reporting period.

(e) Information concerning the classification of securities

(i) Share split

On 6 November 2015, the Company did a subdivision of its share capital on a 1:2.25 basis (share split), as approved by shareholders on the same date, which resulted in the total number of fully paid ordinary shares on issue increasing from 25,138,286 to 56,561,144 shares. The basic and diluted loss per share for the 30 June 2017 and 30 June 2016 years have been calculated on a post-share split basis.

(ii) 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 2017. 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 18.

Notes to the financial statements for the year ended 30 June 2017

Note 9 Business Combination

On 1 June 2017, the Group acquired 100% of the shares and voting interests in Novonix Battery Testing Services Inc. This acquisition, along with the Company's interest in PUREGraphite, was made to transform the business into a supplier of advanced battery materials, equipment and services to the global LIB market.

The details of the business combination are as follows:

Fair value of consideration transferred	**$**
Amount settled in cash	3,685,269
Amount settled in NVX shares	2,363,141
Total purchase consideration	**6,048,410**

The fair value of the shares consists of 3,375,916 shares issued on 1 June 2017 at a share price of $0.70 per share.

The fair values of the assets and liabilities of the Novonix Battery Testing Services business, acquired as at the date of acquisition, are as follows:	**$**
Cash and cash equivalents	653,729
Trade and other receivables	321,010
Inventories	217,280
Property, plant and equipment	137,394
Intangible assets: Brand name	434,495
Intangible assets: Technology	102,095
Trade and other payables	(90,347)
Deferred tax liabilities	(147,562)
Identifiable net assets acquired	1,628,094
Goodwill on acquisition	4,420,316
Net asset acquired	6,048,410

The consideration payable for the combination effectively includes amounts in relation to the benefit of expected synergies and revenue growth which has resulted in goodwill of $4,420,316. The full value of goodwill and client intangibles is not expected to be tax deductible for tax purposes.

Acquisition costs

Acquisition-related costs amounting to $22,640 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of administrative and other expenses.

Notes to the financial statements for the year ended 30 June 2017

Note 9 Business Combination (continued)

Acquired receivables

The fair value of the acquired trade receivables is $321,010 (CAD: $320,649). The gross contractual amount for trade receivables due if $321,010 (CAD: $320,649), of which no balances are expected to be uncollectable.

Revenue and profit / (loss) contribution

The acquired business contributed revenues of $80,807 (CAD $81,305) and net loss after tax of $118,792 (CAD 119,525) to the Group for the period 1 June 2017 to 30 June 2017. If the acquisition had occurred on 1 July 2016, consolidated revenue and loss for the year ended 30 June 2017 would have been $1,484,449 (CAD 1,374,490) and $84,078 (CAD 77,850) respectively.

Purchase consideration – cash outflow:

Outflow of cash to acquire subsidiary, net of cash acquired:

Purchase consideration	$
Cash consideration	3,685,269
Less: cash balances acquired	(653,729)
Outflow of cash – investing activities	3,031,540

Note 10 Impairment testing of goodwill

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

	Consolidated	
The carrying amount of goodwill allocated to the cash generating unit	**2017** **$**	2016 $
NOVONIX Battery Testing Services Inc	4,420,316	-

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

2017	**NOVONIX Battery Testing Services Inc**
Pre-tax nominal discount rate applied to the cashflow projection	21.95%
Cash flows beyond the next financial year, up to year 5, are extrapolated using an average growth rate of:	
Revenue (years 2 – 5)	15%
Operating expenses (years 2 – 5)	10%
Terminal multiple of EBITDA in year 5	1.10%

Note 10 Impairment testing of goodwill (continued)

Key assumptions use for value-in-use calculations for the years ended 30 June 2017

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

- *Pre-tax discount rates* – reflect specific risks relating to the relevant segments and the countries in which they operate.
- *Budgeted revenue* – the basis used to determine the amount assigned to the budgeted sales volume is the average value achieved in the year immediately before the budgeted year, expected client retentions, adjusted for growth and other known circumstances.
- *Budgeted operating expenses* – the basis used to determine the amount assigned to the budgeted costs it's the average value achieved in the year immediately before the budgeted year, adjusted for growth and other known circumstances.
- *Terminal multiple* – calculated based on a multiple of estimated Year 5 earnings before interest, tax, depreciation and amortisation.

Sensitivity to changes in assumptions

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

	Possible change considered	Change required to indicate an impairment
Growth rates – NOVONIX Battery Testing Services Inc		
Revenue	Reduction in revenue growth rate	Decrease to 14.2%
Operating expenses	Higher labour and/or other support costs	Increase to 12.8%
Discount rate	Movement in rate	Increase to 22.7%
Terminal multiple	Movement in rate	Decrease to -0.3%

Notes to the financial statements for the year ended 30 June 2017

Note 11 Cash and cash equivalents

	Consolidated	
	2017	2016
	$	$
Cash at bank	2,415,124	1,665,744
Cash on hand	-	10
	2,415,124	1,665,754

The above figures reconcile to cash and cash equivalents at the end of the financial period.

Note 12 Trade and other receivables

	Consolidated	
	2017	2016
	$	$
Trade debtors	224,252	-
Other receivables	153,119	38,756
Total current trade and other receivables	377,371	38,756

Credit risk

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

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

		Past Due but Not Impaired (Days Overdue)				
	Gross Amount $	**< 30 $**	**31 – 60 $**	**61 – 90 $**	**> 90 $**	**Within initial trade terms $**
2017						
Trade debtors	224,252	94,495	-	11,240	88,318	30,199
Other receivables	153,119	-	-	-	-	153,119
Total	377,371	94,495	-	11,240	88,318	183,318
2016						
Other receivables	38,756	-	-	-	-	38,756
Total	38,756	-	-	-	-	38,756

Notes to the financial statements for the year ended 30 June 2017

Note 13 Plant and equipment

	Consolidated	
	2017	2016
	$	$
Plant and equipment		
At cost	206,528	19,867
Accumulated depreciation	(56,146)	(2,905)
Total property, plant and equipment	150,382	16,962
Movements in Carrying Amounts		
Plant and equipment		
Balance at 1 July	16,962	-
Additions	-	19,867
Additions – business combination	137,394	-
Depreciation expense	(3,974)	(2,905)
Balance at 30 June	150,382	16,962

Note 14 Other assets

Security deposits	12,500	-
	12,500	-

Notes to the financial statements for the year ended 30 June 2017

Note 15 Exploration and evaluation assets

	Consolidated	
	2017	2016
	$	$
Exploration and evaluation assets – at cost	12,663,397	1,203,280
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	1,203,280	100,749
Expenditure incurred during the year	1,293,619	1,138,531
JV simplification transaction, net of transaction costs (refer note 22)	10,574,977	-
Research and development tax incentive received	(408,479)	-
Government grant funds received	-	(36,000)
Balance at the end of the year	12,663,397	1,203,280

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2017, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this, the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB *6 Exploration for and Evaluation of Mineral Resources*.

Note 16 Intangibles

	Consolidated	
	2017	2016
	$	$
Goodwill	4,420,316	-
Brand name	430,874	-
Technology	100,393	-
	4,951,583	-

	Goodwill	**Brand name**	**Technology**	**Total**
	$	**$**	**$**	**$**
Balance at the beginning of the year	-	-	-	-
Additions – business combination	4,420,316	434,495	102,095	4,956,906
Amortisation	-	(3,621)	(1,702)	(5,323)
Balance at the end of the year	4,420,316	430,874	100,393	4,951,583

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

Note 17 Investments in Associates

During the financial year, NOVONIX Limited acquired a 50% interest in PUREGraphite LLC, a joint venture between the Group and one other party. The principal place of business of PUREGraphite is Chattanooga, Tenessee in the USA and the primary purpose of the joint venture is to supply advanced battery materials to the global Lithium Ion Battery (LIB) market. The investment is accounted for using the equity method. The carrying amount of the equity accounted investment at 30 June 2017 was $13,086,320.

Consideration for the acquisition was $13,291,330 (USD $10,000,000). $10,633,064 (USD$8,000,000) has been settled in cash during the financial year and the balance of $2,658,266 (USD$2,000,000) is deferred consideration and is due to be settled in cash by 2 February 2018. Due to foreign currency translation, the payable for deferred consideration as at 30 June 2017 is $2,601,830 as disclosed in note 18.

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

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

Summarised Financial Position	**2017**	**2016**
	$	**$**
Total current assets	5,943,337	-
Total non-current assets	20,397,745	-
Total current liabilities	(168,442)	-
Net assets	26,172,640	-
Group's share (%)	50%	-
Group's share of associates net assets	13,086,320	-
Summarised Financial Performance		
Revenue	-	-
Profit / (loss) after tax from continuing operations	(410,020)	-
Reconciliation to Carrying Amounts		
Group's share of associates opening net assets	-	-
Investments during the year	13,291,330	-
Group's share of associates' loss after tax from continuing operations	(205,010)	-
Group's share of associates' closing net assets (closing carrying amount of investment)	13,086,320	-

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

Notes to the financial statements for the year ended 30 June 2017

Note 18 Trade and other payables

	Consolidated	
	2017	2016
	$	$
Unsecured liabilities:		
Trade payables	257,817	45,237
Sundry payables and accrued expenses	1,808,343	166,690
Deferred consideration – refer to Note 17	2,601,830	-
	4,667,990	211,927

Note 19 Borrowings

	Consolidated	
	2017	2016
	$	$
Loan note liability	9,216,621	-
	9,216,621	-

During the financial year 26,833,038 convertible loan notes were issued to sophisticated investors at $0.60 each, raising a total of $15,988,098. At 30 June 2017, 17,139,788 Loan Notes remained outstanding.

The initial fair value of the convertible loan note portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

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

Key Loan Note Terms

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

Note 19 Borrowings (continued)

Reconciliation of movements in loan note liability:

	Note	2017 $	2016 $
Balance at the beginning of the year		-	-
Present value of liability component		13,656,750	-
Loan note issue costs		(94,768)	-
Interest accrued for the year		735,839	-
Loan notes converted during the year	20	(5,081,200)	-
Balance at the end of the year		9,216,621	-

Note 20 Contributed equity

	2017 Shares	2016 Shares	**2017 $**	2016 $
(a) Share capital				
Ordinary shares				
Fully paid	98,636,031	69,538,047	22,208,494	3,948,983

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2015	Balance		1,000		10
August 2015	Share split	(d)	17,418,355		-
August 2015	Issue to sophisticated investors	(e)	4,803,382	$0.0775	372,262
October 2015	Issue to sophisticated investors	(f)	2,915,549	$0.36	1,049,598
November 2015	Share split	(g)	31,422,858		-
November 2015	Shares issued under prospectus	(h)	10,000,000	$0.20	2,000,000
November 2015	Shares issued to Director	(i)	2,976,903	$0.20	595,380
	Share issue costs		-		(68,267)
30 June 2016	Balance		69,538,047		3,948,983
October 2016	Placement shares	(j)	500,000	$0.60	300,000
	Project simplification transaction	(j)	15,528,818	$0.68	10,559,597
June 2017	Business combination consideration	(k)	3,375,916	$0.70	2,363,141
March to June 2017	Conversion of convertible notes	(c)	9,693,250	$0.60	5,081,200
	Share issue costs		-		(44,427)
			98,636,031		22,208,494

Note 20 Contributed equity (continued)

(c) Convertible loan notes

	2017 Number	2016 Number
Balance at the beginning of the reporting period	-	-
Issue of convertible loan notes	26,833,038	-
Convertible loan notes converted	(9,693,250)	-
Balance at the end of the year	17,139,788	-

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

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

(d) Share split

Share subdivision on a 1 for 17,418 basis

(e) Issue to sophisticated investors

The issue of 4,803,382 fully paid ordinary shares to sophisticated investors at an issue price of $0.0775 cash.

(f) Issue to sophisticated investors

The issue of 2,915,549 fully paid ordinary shares to sophisticated investors at an issue price of $0.36 cash.

(g) Share split

Share subdivision on a 1 for 2.25 basis.

Note 20 Contributed equity (continued)

(h) Shares issued under prospectus

The issue of 10,000,000 ordinary shares at an issue price of $0.20 per share to raise $2,000,000 cash before expenses of the Offer. All ordinary shares issued pursuant to the Prospectus were issued as fully paid. Transaction costs of $221,615 were incurred as a result of listing the Company, of which $68,267 were directly attributable to capital raising and the remainder of $153,348 has been expensed.

(i) Shares issued to Director

The issue of 2,976,903 fully paid ordinary shares the Company, representing 5% of the shares on issue just prior to this prospectus, to Mr St Baker in accordance with his employment contract.

(j) Project simplification transaction

Refer note 22.

(k) Business Combination Consideration

Refer to note 9.

(l) Capital Management

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 21 Reserves

	Consolidated	
	2017	2016
	$	$
Share-based payment reserve	2,839,547	11,577
Foreign currency translation reserve	(36)	-
Convertible loan note reserve	2,426,120	-
	5,265,631	11,5

(a) Share-based payment reserve

	Consolidated	
	2017	2016
	$	$
Share-based payment reserve	2,839,547	11,577
Movements:		
Balance 1 July 2016	11,577	-
Share based payments	2,827,970	11,577
Balance 30 June 2017	2,839,547	11,577

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	
	2017	2016
	$	$
Foreign currency translation reserve	(36)	-
Movements:		
Balance 1 July 2016	-	-
Exchange differences on translation of foreign operations	(36)	-
Balance 30 June 2017	(36)	-

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

Note 21 Reserves (continued)

(c) Convertible loan note reserve	Consolidated	
	2017	2016
	$	$
Convertible loan note reserve	2,426,120	-
Movements:		
Balance 1 July 2016	-	-
Equity component of loan notes issued during the year	2,443,073	
Loan note issue costs	(16,953)	-
Balance 30 June 2017	2,426,120	-

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

Note 22 Project Simplification Transaction

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

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

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

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

Notes to the financial statements for the year ended 30 June 2017

Note 23 Operating segments

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

In the current financial year, the board has identified two operating segments being Graphite Exploration and Mining, and Battery Materials and Testing. The Battery Materials and Testing segment develops and manufactures battery anode materials along with battery cell testing equipment. In the prior financial year, the Group had only one operating segment, being graphite exploration in Australia.

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
- Administrative and other expenses
- Income tax expense
- Borrowings
- Share based payments
- Marketing and project development expenses
- Share of losses from Associate

Notes to the financial statements for the year ended 30 June 2017

Note 23 Operating segments (continued)

e. Segment information

Segment performance

	Graphite Exploration and Mining $	Battery Materials and Testing $	Unallocated $	Total $
Segment revenue	-	80,807	-	80,807
Other revenue	105,505	2,847	-	108,352
Interest revenue	-	388	5,297	5,685
Total group revenue	105,505	84,042	5,297	194,844
Segment net profit / (loss) from continuing operations before tax	105,505	(2,096,262)	(4,292,434)	(6,283,191)

Segment assets

	Graphite Exploration and Mining $	Battery Materials and Testing $	Unallocated $	Total $
Segment assets	12,688,885	19,353,715	1,932,772	33,975,372

Segment liabilities

	Graphite Exploration and Mining $	Battery Materials and Testing $	Unallocated $	Total $
Segment liabilities	55,020	4,549,378	9,280,213	13,884,611

Geographical Segments

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

Note 24 Cash flow information

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

	Consolidated	
	2017	2016
	$	$
Profit / (loss) for the period	(6,135,629)	(1,243,797)
Adjustments for		
Share based payments	2,827,970	606,957
Borrowing costs	735,844	-
Foreign exchange gain / loss	(154,501)	-
Share of net loss of associate	205,010	-
Amortisation expense	5,323	-
Research and development tax incentive benefit	(95,505)	
Income tax expense	(147,562)	-
Change in operating assets and liabilities:		
(Increase)/decrease in other operating assets	(122,022)	(32,355)
Increase in trade creditors	188,398	30,459
Increase in other operating liabilities	1,717,322	11,500
Net cash inflow (outflow) from operating activities	(975,352)	(627,236)

(b) Non-cash financing and investing activities

(i) JV Simplification Transactions

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

(ii) Business Combination

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

Note 25 Interests in subsidiaries

Information about Principal Subsidiaries

The Group's material subsidiaries at 30 June 2017 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**
		2017 %	2016 %	
MD South Tenements Pty Ltd	Australia	100%	100%	Graphite exploration
Novonix Battery Testing Services Inc	Canada	100%	-	Battery testing services.

Note 26 Share-based payments

OPTIONS

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

	Number	**Weighted Average Exercise Price**
Options outstanding as at 1 July 2015	**-**	**-**
Granted	7,000,000	$0.30
Forfeited	-	-
Expired	-	-
Options outstanding as at 30 June 2016	**7,000,000**	**$0.30**
Granted	6,450,000	$0.52
Forfeited	-	-
Expired	-	-
Options outstanding as at 30 June 2017	**13,450,000**	$0.40

The weighted average remaining contractual life of options outstanding at year end was 5.37 years (2016: 2.57 years).

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

a. On 23 February 2017, 450,000 share options were granted to contractors under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.60 each. 50% of these options vest on 7 April 2017 with the remaining 50% vesting on 7 April 2018. All options expire on 7 April 2020. The options hold no voting or dividend rights and are not transferable.

Note 26 Share-based payments (continued)

The fair value of these options was $166,917. This value was calculated using the Black-Scholes option pricing model applying the following inputs:

Exercise price	$0.60
Grant date	23/02/2017
Expiry date	07/04/2020
Volatility	103.44%
Dividend yield	0%
Risk-free interest rate	2.92%
Weighted average fair value at grant date	$0.3709

b. On 30 June 2017, 6,000,000 share options were granted key management personnel under the NOVONIX Limited Executive Option Plan to take up ordinary shares at an exercise price of $0.51 each. All options are exercisable from 2 June 2019 and expire on cessation of employment. The options hold no voting or dividend rights and are not transferable.

The fair value of these options was $3,563,295. This value was calculated using a binomial option pricing model applying the following inputs:

Exercise price	$0.51
Grant date	27/06/2017
Expiry date	27/06/2027
Volatility	106.44%
Dividend yield	0%
Risk-free interest rate	4.00%
Fair value at grant date	$0.5939

Details of options issued in the prior financial year are as follows:

a. On 22 June 2016, 7,000,000 share options were granted to Mr St Baker. The terms of the options are set out in the table below. The options hold no voting or dividend rights and are not transferable.

Notes to the financial statements for the year ended 30 June 2017

Note 26 Share-based payments (continued)

	Tranche 1	Tranche 2	Tranche 3
Number of Options	2,000,000 Options.	3,000,000 Options.	2,000,000 Options.
Exercise Price	$0.30 per NOVONIX share.	$0.30 per NOVONIX share.	$0.30 per NOVONIX share.
Vesting Date	Any time on or before the Tranche 1 Expiry Date provided the Tranche 1 Vesting Price Trigger has been satisfied.	Any time on or before the Tranche 2 Expiry Date provided the Tranche 2 Vesting Price Trigger has been satisfied.	Any time on or before the Tranche 3 Expiry Date provided the Tranche 3 Vesting Price Trigger has been satisfied.
Vesting Price Trigger	The Vesting Price Trigger will be satisfied if the volume weighted average price (**VWAP**) of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.50** per NVX share any time on or before the Tranche 1 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.90** per NVX share any time on or before the Tranche 2 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of NVX shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$1.20** per NVX share any time on or before the Tranche 3 Expiry Date.
Expiry Date	31 December 2017	30 June 2019	30 June 2019

The fair value of these options was $3,230,000. This value was calculated using the Monte Carlo simulation option pricing model applying the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Exercise price	$0.30	$0.30	$0.30
Grant date	22/06/2016	22/06/2016	22/06/2016
Expiry date	31/12/2017	30/06/2019	30/06/2019
Vesting price trigger	$0.50	$0.90	$1.20
Volatility	81.56%	105.56%	105.56%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.35%	2.71%	2.71%
Fair value at grant date	$0.43	$0.53	$0.53

Notes to the financial statements for the year ended 30 June 2017

Note 26 Share-based payments (continued)

PERFORMANCE RIGHTS

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

	Number
Performance rights outstanding as at 1 July 2015	**-**
Granted	1,562,500
Forfeited	-
Expired	-
Performance rights outstanding as at 30 June 2016	**1,562,500**
Granted	-
Forfeited	-
Expired	-
Performance rights outstanding as at 30 June 2017	**1,562,500**

The key terms of the performance rights are as follows:

Tranche	Number of Rights	Vesting conditions	Vesting date	Value per right
2016	812,500	NOVONIX share price closes at $0.40 on 31 December 2016[1]	31 December 2016[2]	0.31 cents
2017	750,000	NOVONIX share price closes at $0.80 on 31 December 2017	31 December 2017	0.29 cents

[1] Rights will vest on a pro rata basis if, in respect of the 2016 tranche, Novonix's share price closes above $0.20 but below $0.40 and, in respect of the 2017 tranche, Novonix's share price closes above $0.40 but below $0.80

[2] If any 2016 rights do not vest, then the vesting date for those rights is automatically extended to 31 December 2017 and will vest (or lapse) on the same basis as the 2017 tranche rights

The 1,562,500 performance rights noted in the table above were issued to Mr P St Baker on 1 December 2015. The fair value of these performance rights was $4,694. This value was calculated using the Monte Carlo simulation model by applying the following inputs:

Weighted average exercise price:	nil
Expected share price volatility:	53.8%
Risk-free interest rate:	2.56%

Note 27 Events after the reporting date

Since the end of the financial year the following has occurred:

- On 13 July 2017 the Company changed its name from Graphitecorp Limited to NOVONIX Limited
- On 14 July 2017 Admiral Robert Natter was appointed as a non-executive director.
- 4,066,635 loan notes have been converted into fully paid ordinary shares
- 525,000 options over ordinary shares have been issued to employees of NOVONIX Battery Testing Services Inc. The options have an exercise price of $0.90, vest on 14 July 2019 and expire on 14 July 2022.
- NOVONIX Battery Testing Services Inc received a CAD $500,000 interest free loan from the Government of Canada to help further develop and market NOVONIX's innovative battery testing technology.

Note 28 Related party transactions

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

Notes to the financial statements for the year ended 30 June 2017

Note 29 Commitments

	Notes	Consolidated **2017** **$**	 2016 $
Exploration commitments			
Commitments for payments under exploration permits in existence at the reporting date but not recognised as liabilities payable		28,050	28,500

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

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

Note 30 Financial risk management

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 **2017** **$**	 2016 $
Financial assets			
Cash and cash equivalents		2,415,124	1,665,754
Trade and other receivables		342,879	29,576
Total financial assets		2,758,003	1,695,330
Financial liabilities			
Trade and other payables		4,667,990	211,927
Borrowings		9,216,621	-
Total financial liabilities		13,884,611	211,927

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.

Note 30 Financial risk management (continued)

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.

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

All financial assets and financial liabilities mature within one year.

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.

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 foreign currency risk in the books of the parent entity is limited to deferred consideration payable in respect of the 50% acquisition of PUREGraphite LLC. The amount payable is USD $2,000,000 (AUD $2,601,830). Comparative information is also not disclosed as there was no foreign currency exposure in the prior year.

Notes to the financial statements for the year ended 30 June 2017

Note 30 Financial risk management (continued)

2017	Net Financial Assets / (Liabilities) in AUD		
Consolidated Group	**USD**	**CAD**	**Total AUD**
Functional currency of entity:			
Canadian dollar	(45,965)	(294,082)	(340,047)
Australian dollar	(2,601,830)	-	(2,601,830)
Statement of financial position exposure	(2,647,795)	(294,082)	(2,941,877)

Cash flow and fair value interest rate risk

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 2017, 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 $24,151 (2016: $16,658) lower/higher, as a result of higher/lower interest income from cash and cash equivalents.

The loan notes have a fixed interest rate of 10% pa and is therefore not subject to significant credit risk.

Fair Value

The carrying value of all financial assets and financial liabilities approximate their fair value, due to their short term nature.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 32 to 80 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 2017 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, 28 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Novonix Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Novonix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

Business Combination - Novonix Battery Testing Services Inc.

Key audit matter	*How the matter was addressed in our audit*

The Group's disclosures about the acquisition of Novonix Battery Testing Services Inc. are included in Note 9, which details the key events that occurred in the transaction including the consideration transferred and assets and liabilities acquired.
 	
The acquisition of Novonix Battery Testing Services Inc. is considered a significant transaction for the group. The presentation, measurement and disclosures around this transaction are important in the users' understanding of the financial statements. The transaction is material in the context of the audit and involved significant auditor effort, and was therefore key to our audit.
 	
Management have completed a process to determine the purchase consideration and the fair value of the identifiable net assets acquired, including brands, technology and the allocation of the difference to goodwill. This process involved estimation and judgement to calculate both the consideration and the fair value of identified intangible assets.
	Our procedures included, but were not limited to the following:
	
	• Assessing management's determination of whether the acquisition was a business combination or an asset acquisition.
	
	• Evaluating management's assessment of the fair value of the identifiable assets and liabilities acquired including:
	
	    • Obtaining management's external valuation of the identifiable assets and liabilities acquired.
	
	    • Assessing the professional competence and objectivity of the valuer.
	
	    • Evaluating the appropriateness of the methods and assumptions used.
	
	    • Challenging management in relation to the inputs and assumptions used by the valuer.
	
	    • Providing the external valuation to the internal experts to assess the reasonableness of the structure and assumptions applied in the model including the discount rate.
	
	• Reviewing the adequacy of the disclosures of the business combination by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Investment in Associate - PUREGraphite LLC

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures about the investment in PUREGraphite LLC (PUREGraphite) are included in Note 17, which details the key events that occurred in the transaction including the cost of the acquisition and the summarised financial position of the associate. The investment in PUREGraphite is considered a significant transaction for the group. The presentation, measurement and disclosures around this transaction are important in the users' understanding of the financial statements. The transaction is material in the context of the audit and involved significant auditor effort, and was therefore key to our audit.	Our procedures included, but were not limited to the following: • Evaluating management's assessment of whether control, joint control or significant influence existed. • Assessing management's determination of whether the investment was a business combination or an asset acquisition. • Reviewing the financial information of the associate including assessing whether the accounting policies of the associate were consistent with Novonix Limited. • Reviewing the application of equity accounting to this investment. • Reviewing management's assessment of impairment indicators in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. • Reviewing the adequacy of the disclosures of the investment in associate by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Impairment Assessment of Goodwill

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures about impairment are included in Note 10 which discloses the allocation of goodwill to the Cash Generating Unit (CGU), sets out the key assumptions for value-in-use calculations and the impact of possible changes in these assumptions. This impairment assessment was significant to our audit because the value of Goodwill of $4,420,316 is material to the financial statements. The carrying value of the CGU is supported by a value-in-use calculation that is complex, highly judgmental and is based on assumptions such as margins, growth rates, and discount rates that are affected by expected future market or economic conditions.	Our audit procedures included, but were not limited to the following: • Obtaining an understanding of the 'Value in Use' model and evaluating management's methodologies and key assumptions. • Assessing management's allocation of goodwill and assets and liabilities to CGU's. • Evaluating the inputs used in the value in use calculation including the growth rates, discount rates and the underlying cash flows by comparing them to historical results, current contracts, economic and industry forecasts. • Involving our internal specialists to assess the discount rates and terminal value growth rates against comparable market information. • Reviewing the adequacy of the disclosures related to the goodwill and the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Carrying Value of Exploration & Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 15 of the financial report. The Group carries exploration & evaluation assets totalling $12,663,397 as at 30 June 2017 in relation to the application of the Group's accounting policy for exploration & evaluation assets. The recoverability of exploration & evaluation assets is a key audit matter due to: • The significance of the total balance (37% of total assets); • The significant increase of $11,460,117 in capitalised exploration & evaluation assets during the year; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Agreeing a sample of the additions to capitalised exploration & evaluation expenditure during the year to supporting documentation, ensuring that the amounts capitalised were appropriately capitalised and calculated correctly. • Assessing the accounting treatment of the acquisition of an increased interest in the Mount Dromedary Graphite Project, that was acquired by way of an issue of shares, including consideration of the value of the shares issued and the corresponding increase in exploration and evaluation assets. • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration & evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing. • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy. • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

Accounting for the Initial Recognition and Subsequent Conversion of Convertible Loan Notes

Key audit matter	*How the matter was addressed in our audit*
Refer to Notes 19 and 21 of the financial report. During the year the company issued convertible loan notes raising a total of $16,082,870 before any cost adjustments. Accounting for convertible notes was considered a key audit matter due to: • the complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both; • measurement at initial recognition of the individual components of the liability based on the terms and conditions of the agreement and the significant judgement in determining the fair value of the separate components of the liability; and • measurement subsequent to initial recognition including the accounting and measurement of convertible loan notes converted into equity involved significant judgement and audit effort.	We have evaluated the accounting for the convertibles notes in accordance with AASB 132: *Financial Instruments: Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. Our procedures included, but were not limited to the following: • Obtaining an understanding of and assessing the terms and conditions of the convertible loan note agreement to determine if the convertible notes are to be accounted for as equity, a liability or a combination of both. • Considering the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standard. • Considering the reasonableness of the inputs to the valuation. • Reviewing the measurement and accounting for convertible loan notes subsequently converted into equity. • Reviewing the adequacy of the disclosures related to the initial and subsequent recognition of the convertible loan notes by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 has 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 this 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 (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 27 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Novonix Limited, for the year ended 30 June 2017, 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.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 28 September 2017

Shareholder information

The shareholder information set out below was applicable as at 22 September 2017.

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	43
1,001 – 5,000	118
5,001 – 10,000	154
10,001 – 100,000	289
100,001 and over	86
	690

There were no holders of less than a marketable parcel of ordinary shares.

B Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	Number held	% of issued shares
Allegro Capital Nominees Pty Ltd	29,395,160	28.35
Exco Resources Limited	16,028,818	15.46
Philip St Baker and Peta St Baker	7,976,903	7.69
Loch Explorations Pty Ltd	3,919,354	3.78
David Andrew Stevens	2,609,948	2.52
Pigeon Equity Holdings LLC	2,369,517	2.28
W.A. Halpin Investments Pty Ltd	2,133,871	2.06
George Chapman	2,083,335	2.01
John Christopher Burns	1,765,868	1.70
Apollan Pty Ltd	1,761,999	1.70
Mr Jamie Pherous	1,249,999	1.21
Lapana Pty Ltd	1,249,999	1.21
Starline Rentals Pty Ltd	1,010,834	0.97
Argo Investments Limited	1,000,000	0.96
Wayne Albert Halpin & Sandra Maree Halpin	783,871	0.76
Halpin Family Super Pty Ltd	783,871	0.76
MEJC Pty Ltd	720,800	0.69
Jonathan Hugh Stretch	624,998	0.60
Noelle Halpin Investments Pty Ltd	587,905	0.57
Denis Carl Cole & Merilyn Edna Cole	583,334	0.56
Total	**78,640,384**	**75.84**

Unquoted equity securities

	Number of issue	Number of holders
Performance rights held by Monte Vista Holdings Pty Ltd	1,562,500	1
Share options	13,975,000	13
Loan notes	13,073,153*	43

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

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

	Number held	% of total on issue
Philip St Baker	7,000,000	50.0%
John Christopher Burns	3,000,000	21.5%
David Andrew Stevens	3,000,000	21.5%

Restricted equity securities

	Number of issue	Release date
Ordinary shares	47,170,453	2 December 2017

C Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Philip St Baker and Peta St Baker as trustees for the P&P St Baker Family Trust	7,976,903	7.69%
Allegro Capital Nominees Pty Ltd	29,395,160	28.35%
Brickworks and its subsidiaries Washington H. Soul Pattinson and Company Limited and Exco Resources Limited.	16,028,818	15.46%

D Voting rights

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

(a) Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Performance rights: No voting rights

(c) Share options: No voting rights

(d) Loan notes: No voting rights