NOVONIX

INTERIM REPORT

31 DECEMBER 2017

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Your directors present their report on NOVONIX Limited (referred to hereafter as the 'consolidated entity') for the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors of NOVONIX Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Greg Baynton
Anthony Bellas
Philip St Baker
Robert Cooper
Robert Natter (appointed 14 July 2017)
Dean Price - Alternate for Robert Cooper

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $4,700,407 (2016: $2,195,271).

HALF-YEAR HIGHLIGHTS

- PUREgraphite anode material manufacturing pilot plant installed in Tennessee, USA
- Growing sales of high-precision battery testing equipment since acquisition in 2017
- C$500,000 funding received from Government of Canada to grow the BTS business
- Strengthening of the NVX Board with Admiral Robert Natter and Andrew Liveris, AO
- A$5m in placements undertaken, including A$1m from Mr Liveris and Admiral Natter
- 100% early conversion of A$16.1m convertible notes by investors
- Strong growth and outlook for the global Lithium Ion Battery market
- Executing on the strategy of the delivering world's highest-precision battery testing equipment and new high-performance battery materials

OVERVIEW

The first half of FY2018 saw NOVONIX Limited ('NOVONIX' or 'the Company') make strong progress in executing its downstream integration strategy into the lithium-ion battery (LIB) market via the establishment of the PUREgraphite joint venture in the USA to manufacture high-performance anode materials, along with the acquisition and integration of the NOVONIX Battery Testing Services business (BTS), headquartered in Canada.

The Company strengthened its financial position with the 100% early conversion of A$16.1m convertible loan notes and the raising of an additional A$5m in equity to fund operations of the new joint venture, and to fund further expansion plans for the BTS business.

The Company strengthened its Board with the appointment of Admiral Robert Natter and agreement to appoint Andrew Liveris later this year, with them collectively investing A$1m as part of the $5m in equity raisings during the period.

The PUREgraphite joint venture in Tennessee, which commenced in April 2017, has made significant progress in its first nine months, fine tuning product designs, production methods and its supply chain, while establishing a pilot manufacturing facility to demonstrate capability and to produce samples for customer qualification programs. The PUREgraphite joint venture is on track to make our anode material product commercially available from July 2018 with a minimum 1,000 tpa production capability expected and higher production capabilities planned for implementation.

NOVONIX currently has a 50% interest in the PUREgraphite joint venture and holds an option to increase this interest to 75%. PUREgraphite has a team of twelve people now actively working within the PUREgraphite business based in Chattanooga Tennessee. The team includes our CEO, Dr Edward Buiel, five engineers, five technicians, and part-time support staff.

The NOVONIX Battery Testing Services business, acquired in June, has exceeded our expectations over the first seven months of ownership, with strong growth in sales achieved, and expansion and diversification of the business underway.

The Company also advanced the Mining Lease and Environmental Authority applications for the Mount Dromedary Graphite Project in North Queensland, Australia and we expect to have these granted in 2018.

Overall the first half of FY2018 has seen the company perform to expectation and in line with plans and we are well-positioned to introduce our new PUREgraphite anode material to the market and to grow sales for our BTS business in the second half of FY2018.

PUREgraphite PILOT PLANT

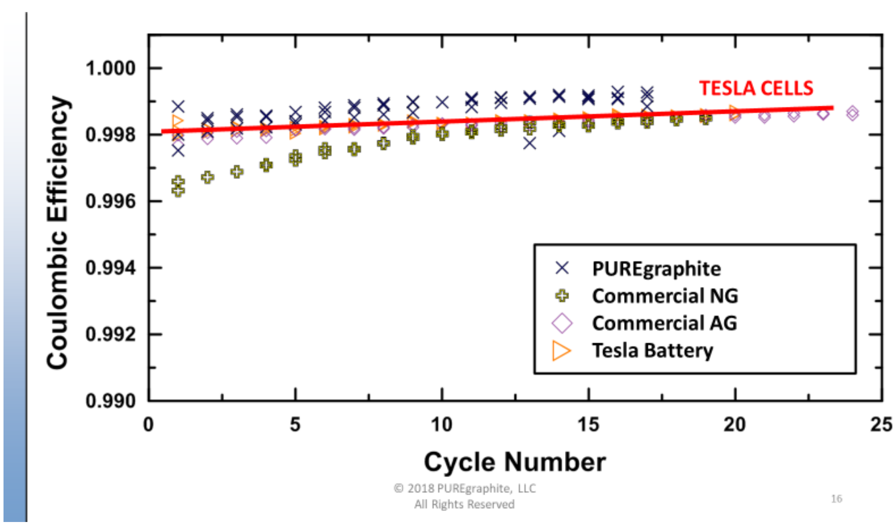
The PUREgraphite pilot plant enables the business to manufacture its anode material products (including all process steps under one roof) in sufficient quantities to support comprehensive customer qualification programs going forward. End-to-end capability at Tennessee now includes capability to crush, mill, shape and blend precursor materials, perform thermal purification, undertake multiple particle coatings and heat treatments, manufacture high quality electrodes and battery cells and perform comprehensive battery cell testing and benchmarking. The pilot plant is being used to manufacture and customize product samples for customer qualification programs (up to 50 kg per day) while also accelerating our internal product development programs.

Image: Furnace Section of PUREgraphite Pilot Plant, Chattanooga, Tennessee, USA

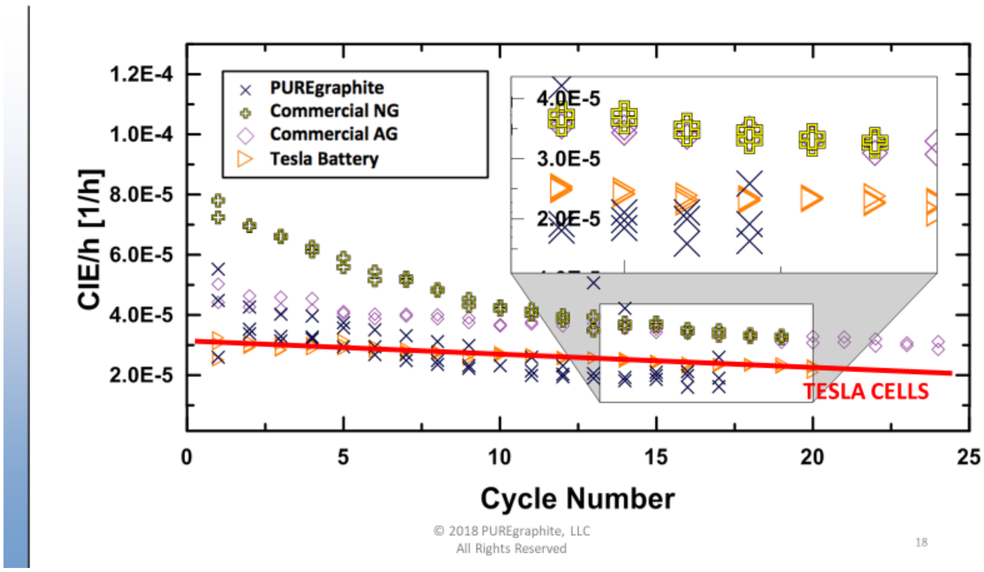
PUREgraphite PERFORMANCE DATA

Battery cells manufactured with PUREgraphite anode material consistently demonstrate higher Coulombic Efficiency than battery cells manufactured to the same specification with commercially available natural graphite and artificial graphite anode materials (refer chart below).

Battery cells manufactured with PUREgraphite anode material also consistently demonstrate higher Coulombic Efficiency than Panasonic-manufactured battery cells removed from a Tesla vehicle (which are considered by our team as the best-in-class commercially available EV battery cells). The out-performance of cells using PUREgraphite anode material compared with comparison cells (including Panasonic/Tesla) is illustrated in the columbic efficiency chart below (higher columbic efficiency measurement indicates relative outperformance).



The same performance profiles are represented in the chart below – measuring the same cells' Coulombic *Inefficiency* over charge rate to normalise and facilitate the comparison (lower CIE/h measurement indicates relative outperformance).



PUREGraphite is now producing anode materials that demonstrate extremely high levels of electrochemical efficiency, consistently above "best-in-class" reference EV cells commercially available in the market today and in line with our expectations.

We maintain our target of establishing a 1,000 tpa production capability by 30 June 2018 that will incorporate a combination of internal and outsourced operations.

We are also making good progress in assessing options, developing plans, assessing sites and service providers to rapidly scale the business to higher volumes.

NOVONIX BATTERY TESTING SERVICES (BTS)

Since completion of the NOVONIX BTS acquisition on 1 June, the business has continued to thrive. NOVONIX BTS now has a team of 13 people actively working within the business, which has required the move to larger and better-equipped premises. The NOVONIX BTS team includes CEO, Dr Chris Burns, CTO Dr David Stevens, six other engineers/scientists and five assembly technicians.

NOVONIX BTS has built 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 equipment models recently released and to expand their existing NOVONIX testing systems.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (continued)

In June 2017 NOVONIX BTS released the larger 20A HPC Testing Equipment model for sale and installed the first of these units with a major battery maker in Asia and also a key R&D facility in California. Demand for our newly released larger 20A HPC testing system is also positive, with both companies who received our first systems seeking to buy more units based on the performance of the 20A HPC systems received.

In August 2017 NOVONIX BTS announced CAD $500,000 funding from the Canadian Government (by way of interest-free loan) to help further develop and market NOVONIX's innovative battery testing technology. The federal funding is being allocated through the Atlantic Canada Opportunities Agency (ACOA) Business Development Program.

Photo: NOVONIX Battery Testing Services Inc. CEO, Dr Chris Burns, speaking at the Canadian Government media conference regarding the funding award

Progress was also made on the new technologies front with refinement of new proprietary battery cell testing technologies that will enable battery scientists to non-destructively perform electrolyte chemical analysis and gas measurement. Patent applications were filed during the quarter to seek to protect key aspects of this technology. The Company is still assessing the best commercial strategy for these new technologies.

The Company has embarked on a new electrolyte development program to leverage the business resources, customer base, and the capabilities of the NOVONIX BTS. The new electrolyte program includes the development of complimentary electrolyte solutions to package with high-performance graphite anode materials being developed by the PUREgraphite business and is anticipated to provide additional revenue streams and further differentiate the NOVONIX offering in the market.

During the December Quarter, NOVONIX BTS had one of its strongest sales quarters since formation of the business. Strong sales growth was experienced from both existing customers and many new customers, including many leading global brand names, demonstrating the high-level of industry-acceptance of NOVONIX testing systems in the international Lithium Ion battery sector.

Demand for our newly-released larger 20A HPC testing system continued to grow as expected.

Work continued to refine new battery cell testing technologies. The first prototype for our non-destructive chemical analysis equipment has performed well and we have commenced design and build of a second prototype. This prototyping and development is ongoing, and we aim to finish development in 2018 for commercialization of the product line in 2019.

In conclusion, the BTS business is performing in line with expectations and expanding.

MOUNT DROMEDARY GRAPHITE PROJECT

With the PUREgraphite joint venture in the USA moving forward immediately with sourcing artificial and natural graphite concentrates from a range of international suppliers, the Company is not dependent on the Mount Dromedary Graphite Project for its anode materials program. During the half year the company undertook further work to satisfy the request for further information associated with our Environmental Authority application and to advance negotiations with land holders and native title holders.

In December 2017 the company issued and advertised the combined public notice for its Mining Lease Applications and Environmental Authority and received no objections during the objection period.

NOVONIX is targeting the granting of the Environmental Authority and Mining Lease by the Queensland Government for the Mount Dromedary Graphite Project in 2018.

STRENGTHENING OF THE NOVONIX BOARD

Appointment of Admiral Robert J. Natter

In July NOVONIX announced the appointment of corporate and defense strategist, Admiral Robert J. Natter, USN (Ret.) to its Board of Directors as part of the Company's downstream integration and international marketing strategy.

Based in North America, Admiral Natter retired from active military service a decade ago and has since served on a number of U.S. Boards and Advisory panels in corporate and government. During his prominent 41-year Navy career, Admiral Natter served as the Commander in Chief of the U.S. Atlantic Fleet and as the First Commander of U.S. Fleet Forces Command, overseeing all Continental U.S. Navy bases, facilities and training operations.

Future Appointment of Andrew N. Liveris A.O.

In October NOVONIX announced the future appointment of Andrew N. Liveris A.O. to its Board of Directors as further step in the Company's downstream integration strategy. Mr Liveris is currently the Executive Chairman of DowDuPont and CEO and Chairman of The Dow Chemical Company, a global specialty chemical, advanced materials, agrosciences and plastics company. The appointment will be made following Mr Liveris' transition from his roles with Dow and DowDuPont during 2018. Mr Liveris has overseen the recently completed merger between Dow and DuPont – a US$130 billion transaction.

SUBSEQUENT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since 31 December 2017, the Group has:

(a) Paid deferred consideration of $2,512,594 (USD$2million) for the acquisition of a 50% interest in PUREgraphite LLC, a joint venture between the Group and one other party.

(b) Issued 880,000 options to contractors engaged by PUREgraphite LLC. Options are exercisable at $0.60 and vest on 30 June 2019. 320,000 are automatically exercised on 1 July 2019 ("first tranche"), 280,000 are automatically exercised on 1 August 2019 ("second tranche") and 280,000 are automatically exercised on 1 September 2019 ("third tranche"), provided the fair market value of the underlying share is greater than the exercise price of the options at the exercise date. If the market price of Novonix shares is greater than the option exercise price at the exercise date for the first and/or second tranche of options, the exercise date for that tranche will be the exercise date for the next tranche of options. If the option exercise price is greater than the market price for Novonix shares as at the tranche 3 exercise date, any vested and unexercised options (including tranche 1 and tranche 2 options) will be cancelled.

(c) Issued 200,000 options, exercisable at $0.785 and vesting on 31 December 2019, to employees of the Group. These options expire on 13 February 2023.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017 (continued)

(d) Issued 750,000 performance rights to executives of the Group for nil cash consideration which vest on or before 1 January 2020 subject to the satisfaction of vesting conditions related to sales, production and share price.

No other matters or circumstances has arisen since 31 December 2017 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Tony Bellas
Chairman

23 February 2018
Brisbane

Auditor's Independence Declaration

As lead auditor for the review of Novonix Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
23 February 2018

CONTENTS

Half-year financial report

General information

The financial statements cover NOVONIX Limited as a consolidated entity consisting of NOVONIX Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is NOVONIX Limited's functional and presentation currency.

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

Registered office

c/- McCullough Robertson
Central Plaza Two
Level 11, 66 Eagle Street
Brisbane QLD 4000

Principal place of business

Level 12, 144 Edward Street
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		Consolidated Half-year	
		2017	2016
	Notes	**$**	$
Continuing operations			
Revenue		885,932	-
Other income		11,727	14,263
Cost of goods sold		(351,247)	-
Administrative and other expenses		(663,515)	(230,809)
Borrowing costs		(621,683)	-
Depreciation and amortisation expenses		(49,329)	-
Marketing and project development costs		(105,643)	(197,412)
Share based compensation		(2,515,009)	(1,781,313)
Employee benefits expense		(606,654)	-
Share of net losses of associates or joint ventures		(667,649)	-
Loss before income tax expense		(4,683,070)	(2,195,271)
Income tax expense		(17,337)	-
Loss from continuing operations		(4,700,407)	(2,195,271)
Other comprehensive income for the period, net of tax			
Foreign exchange differences on translation of foreign operations		25,903	-
Total comprehensive income for the period		(4,674,504)	(2,195,271)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(4.32 cents)	(2.91 cents)
Diluted earnings per share		(4.32 cents)	(2.91 cents)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Consolidated **31 December 2017 $**	 30 June 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		5,581,881	2,415,124
Trade and other receivables		488,167	377,371
Inventory		433,326	318,695
Total current assets		6,503,374	3,111,190
Non-current assets			
Property, plant and equipment	3	1,607,682	150,382
Exploration and evaluation assets	4	12,917,703	12,663,397
Investment in Associates		12,418,671	13,086,320
Intangibles		4,919,649	4,951,583
Other assets		6,500	12,500
Total non-current assets		31,870,205	30,864,182
Total assets		38,373,579	33,975,372
LIABILITIES			
Current liabilities			
Trade and other payables	5	2,945,943	4,667,990
Borrowings	6	55,907	9,216,621
Total current liabilities		3,001,850	13,884,611
Non-current liabilities			
Borrowings	7	1,475,493	-
Total non-current liabilities		1,475,493	
Total liabilities		4,477,343	13,884,611
Net assets		33,896,236	20,090,761
EQUITY			
Contributed equity	8	38,173,464	22,208,494
Reserves		7,806,543	5,265,631
Accumulated losses		(12,083,771)	(7,383,364)
Total equity		33,896,236	20,090,761

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 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 2016	3,948,983	(1,247,735)	11,577	-	-	2,712,825
Loss for the period	-	(2,195,271)	-	-	-	(2,195,271)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(2,195,271)	-	-	-	(2,195,271)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	10,859,597	-	-	-	-	10,859,597
Share-based payments	-	-	1,781,313	-	-	1,781,313
Balance at 31 December 2016	14,808,580	(3,443,006)	1,792,890	-	-	13,158,464
Balance at 1 July 2017	22,208,494	(7,383,364)	2,839,547	(36)	2,426,120	20,090,761
Loss for the period	-	(4,700,407)	-	-	-	(4,700,407)
Other comprehensive income	-	-	-	25,903	-	25,903
Total comprehensive income	-	(4,700,407)	-	25,903	-	(4,674,504)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	15,964,970	-	-	-	-	15,964,970
Share-based payments	-	-	2,515,009	-	-	2,515,009
Balance at 31 December 2017	38,173,464	(12,083,771)	5,354,556	25,867	2,426,120	33,896,236

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Consolidated Half-year	
		2017	2016
		$	$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		977,884	84,991
Payments to suppliers and employees (GST inclusive)		(3,047,860)	(540,298)
Interest received		1,890	4,263
Borrowing costs paid		(16,510)	-
Income taxes paid		(1,365)	-
Net cash outflow from operating activities		(2,085,961)	(451,044)
Cash flows from investing activities			
Payments for exploration assets		(250,728)	(787,265)
Refunds / (payments) for security deposits		6,000	(5,000)
Payments for property, plant and equipment		(1,478,689)	(37,217)
Net cash outflow from investing activities		(1,723,417)	(829,482)
Cash flows from financing activities			
Proceeds on issue of shares, net of expenses		5,424,164	300,000
Proceeds from borrowings		1,546,370	-
Repayment of borrowings		(4,309)	-
Net cash inflow from financing activities		6,966,225	300,000
Net increase (decrease) in cash and cash equivalents		3,156,847	(980,526)
Effects of foreign currency		9,910	-
Cash and cash equivalents at the beginning of the year		2,415,124	1,665,754
Cash and cash equivalents at the end of the year		5,581,881	685,228

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note 1 Summary of significant accounting policies

These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit oriented entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity 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. The potential financial impact of these changes is not yet possible to determine.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

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 consolidated entity'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 transferred to mine properties and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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.

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

As disclosed in the financial report, the consolidated entity achieved a net loss of $4,700,407 (31 December 2016: $2,195,271) and net operating cash outflows of $2,085,961 for the half year ended 31 December 2017 (31 December 2016: $451,044). As at 31 December 2017 the consolidated entity has cash of $5,581,881 (30 June 2017: $2,415,124).

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

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

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

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

- the consolidated entity has a proven history of successfully raising funds including its initial public offering and a placement in the current period that raised $3,996,000 at $1.40 per share;
- the consolidated entity has successfully raised $16.1m by issuing 26,833,038 convertible loan notes to sophisticated and professional investors during the previous financial year;
- The directors believe there is sufficient cash available for the consolidated entity held at balance date 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.

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.

Note 2 Segment information

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 three operating segments being Graphite Exploration and Mining, Battery Testing and Battery Materials. The Battery Testing segment develops and manufactures battery cell testing equipment, whilst the Battery Materials segment develops and manufactures battery anode materials. At 30 June 2017, the Group had two operating segments, being Graphite Exploration and Mining, and Battery Materials and Testing. At 31 December 2016, the Group had 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 HALF-YEAR ENDED 31 DECEMBER 2017

Note 2 Segment information (continued)

Segment performance

2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	885,932	-	-	885,932
Other revenue	-	9,838	-	-	9,838
Interest revenue	-	200	-	1,689	1,889
Total group revenue	-	895,970	-	1,689	897,659
Segment net profit / (loss) from continuing operations before tax	-	(1,626,135)	(979,587)	(2,094,685)	(4,700,407)

2016	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment revenue	-	-	-	-	-
Other revenue	-	-	-	10,000	10,000
Interest revenue	-	-	-	4,263	4,263
Total group revenue	-	-	-	14,263	14,263
Segment net profit / (loss) from continuing operations before tax	-	-	-	(2,195,271)	(2,195,271)

Note 2 Segment information (continued)

Segment assets

31 December 2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment assets	12,935,206	7,651,392	12,418,671	5,368,310	38,373,579

30 June 2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment assets	12,688,885	6,267,395	13,086,320	1,932,772	33,975,372

Segment liabilities

31 December 2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment liabilities	-	1,776,539	2,561,858	138,946	4,477,343

30 June 2017	Graphite Exploration and Mining $	Battery Testing $	Battery Materials $	Unallocated $	Total $
Segment liabilities	55,020	1,947,548	2,601,830	9,280,213	13,884,611

Geographical Segments

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

Note 3 Non-current assets – Property, plant and equipment

	31 December 2017 $	30 June 2017 $
Plant and equipment – at cost	386,099	206,528
Plant and equipment – accumulated depreciation	(73,982)	(56,146)
	312,117	150,382
Land and buildings – at cost	1,297,109	-
Land and buildings – accumulated depreciation	(1,544)	-
	1,295,565	-
	1,607,682	150,382

	Plant and equipment $	Land and buildings $	Total $
Movements in Carrying Amounts			
Balance at 1 July 2017	150,382	-	150,382
Additions	176,426	1,297,109	1,473,535
Depreciation	(14,691)	(1,544)	(16,235)
Balance at 31 December 2017	312,117	1,295,565	1,607,682

Note 4 Non-current assets – exploration and evaluation assets

	31 December 2017 $	30 June 2017 $
Exploration and evaluation assets – at cost	12,917,703	12,663,397
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	12,663,397	1,203,280
Expenditure incurred during the half-year	254,306	1,293,619
JV simplification transaction, net of transaction costs	-	10,574,977
Research and development incentive received	-	(408,479)
Balance at the end of the half-year	12,917,703	12,663,397

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 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 5 Current liabilities – Trade and other payables

	31 December 2017 $	30 June 2017 $
Unsecured liabilities:		
Trade payables	168,783	257,817
Sundry payables and accrued expenses	214,999	1,808,343
Deferred consideration	2,561,858	2,601,830
	2,945,640	4,667,990

During the prior financial year, NOVONIX Limited acquired a 50% interest in PUREGraphite LLC, a joint venture between the Group and one other party. Consideration for the acquisition included deferred consideration of USD$2,000,000 which was settled in cash on 2 February 2018. Due to foreign currency translation, the payable for deferred consideration as at 31 December 2017 is $2,561,858.

Note 6 Current liabilities - Borrowings

	31 December 2017 $	30 June 2017 $
Loan note liability	-	9,216,621
Borrowings (refer note 7)	55,907	-
	55,907	9,216,621

During the half year period, the balance of loan notes outstanding at 30 June 2017 (17,139,788 loan notes) were converted to ordinary shares.

Note 7 Non-current liabilities - Borrowings

	31 December 2017 $	30 June 2017 $
Borrowings	1,475,493	-

In December 2017, the group entered into a loan facility to purchase commercial land and buildings in Nova Scotia from which the Battery Testing Services business will operate. The total available amount under the facility is CAD $1,330,000 of which CAD $1,273,750 has been drawn down as at 31 December 2017. The full facility is now repayable in monthly instalments, commencing 15 December 2017. The loan facility is secured against the land and buildings purchased.

In December 2017, the group also entered into a contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD$500,000. As at 31 December 2017, CAD$231,299 of the facility has been drawn down. The funding is to assist with expanding the market to reach new customers through marketing and product improvements. The facility is repayable in monthly instalments commencing 1 September 2019.

As at 31 December 2017, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities At 31 December 2017	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount $
Trade and other payables	2,945,640	-	-	-	-	2,945,640	2,945,640
Borrowings	59,386	59,386	143,057	574,881	1,539,886	2,376,596	1,531,400
Total non-derivatives	3,005,026	59,386	143,057	574,881	1,539,886	5,322,236	4,477,040

Financing arrangements

The group's undrawn borrowing facilities as at 31 December 2017 totals $331,573 (CAD324,951).

The undrawn borrowings against the loan facility used to purchase commercial land and buildings is $57,398 (CAD$56,250) and it is at a floating rate and expiring beyond one year.

The undrawn borrowings against the ACOA contribution agreement is $274,175 (CAD $268,701) and is interest free expiring beyond one year.

Note 8 Contributed equity

		31 December 2017 Shares	30 June 2017 Shares	31 December 2017 $	30 June 2017 $
(a)	**Share capital**				
	Ordinary shares				
	Fully paid	123,137,680	98,636,031	38,173,464	22,208,494

(b) Ordinary share capital

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2016	Balance		69,538,047		3,948,983
October 2016	Placement shares	(d)	500,000	$0.60	300,000
	Project simplification transaction	(d)	15,528,818	$0.68	10,559,597
June 2017	Business combination consideration	(e)	3,375,916	$0.70	2,363,141
March to June 2017	Conversion of loan notes	(c)	9,693,250		5,081,200
	Share issue costs		-		(44,427)
30 June 2017	Balance		98,636,031		22,208,494
4 July 2017	Sign on bonus payment	(f)	1,000,000	$0.72	720,000
6 Nov 2017	Placement shares	(g)	2,854,286	$1.40	3,996,000
20 Dec 2017	Placement shares	(h)	1,507,575	$0.66	995,000
29 Dec 2017	Exercise of options	(i)	2,000,000	$0.30	600,000
July to Dec 2017	Conversion of loan notes	(c)	17,139,788		9,820,804
	Share issue costs		-		(166,834)
31 December 2017	Balance		123,137,680		38,173,464

(c) Convertible loan notes

	31 December 2017 Number	30 June 2017 Number
Balance at the beginning of the reporting period	17,139,788	-
Issue of convertible loan notes	-	26,833,038
Convertible loan notes converted	(17,139,788)	(9,693,250)
Balance at the end of the year	-	17,139,788

Note 8 Contributed equity (continued)

(d) 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.

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.

(e) Business Combination Consideration

On 1 June 2017, the Group acquired 100% of the shares and voting interests in Novonix Battery Testing Services Inc. Consideration consisted of cash and shares. The share component consisted of 3,375,916 shares issued on 1 June 2017 at a share price of $0.70 per share.

(f) Sign-on bonus payment

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

(g) Issue to sophisticated investors

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

(h) Issue to director and future director

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

(i) Exercise of options

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

(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.

Note 9 Earnings per share

	Consolidated	
	2017 **$**	**2016** **$**
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of NOVONIX Limited	(4,700,407)	(2,195,271)

	Number	**Number**
Weighted average number of shares used in calculating basic and diluted earnings per share	108,783,850	75,548,854

	Cents	**Cents**
Basic earnings per share	(4.32)	(2.91)
Diluted earnings per share	(4.32)	(2.91)

Note 10 Events occurring after the balance sheet date

Since 31 December 2017, the Group has:

(a) Paid deferred consideration of $2,512,594 (USD$2million) relating to the acquisition of a 50% interest in PUREgraphite LLC, a joint venture between the Group and one other party.

(b) Issued 880,000 options to contractors engaged by PUREgraphite LLC. Options are exercisable at $0.60 and vest on 30 June 2019. 320,000 are automatically exercised on 1 July 2019 ("first tranche"), 280,000 are automatically exercised on 1 August 2019 ("second tranche") and 280,000 are automatically exercised on 1 September 2019 ("third tranche"), provided the fair market value of the underlying share is greater than the exercise price of the options at the exercise date. If the market price of Novonix shares is greater than the option exercise price at the exercise date for the first and/or second tranche of options, the exercise date for that tranche will be the exercise date for the next tranche of options. If the option exercise price is greater than the market price for Novonix shares as at the tranche 3 exercise date, any vested and unexercised options (including tranche 1 and tranche 2 options) will be cancelled.

(c) Issued 200,000 options, exercisable at $0.785 and vesting on 31 December 2019, to employees of the Group. These options expire on 13 February 2023.

(d) Issued 750,000 performance rights to executives of the Group for nil cash consideration which vest on or before 1 January 2020 subject to the satisfaction of vesting conditions related to sales, production and share price.

No other matters or circumstances has arisen since 31 December 2017 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Tony Bellas
Chairman

23 February 2018
Brisbane

Independent auditor's review report to the members of Novonix Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novonix Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Novonix Limited. The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Novonix Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Novonix Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the half year financial report, which indicates that the entity incurred a net loss of $4,700,407 and net operating cash outflows of $2,085,961 for the half year ended 31 December 2017. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cause significant doubt about the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Brisbane
23 February 2018