

NOVONIX

ASX ANNOUNCEMENT

30 April 2018

QUARTERLY ACTIVITIES REPORT – MARCH 2018



HIGHLIGHTS

- PUREgraphite pilot plant producing high quality battery anode product.
- PUREgraphite anode product being trialed in cells for multiple prospective customers.
- BTS wins orders from ten 'Fortune 500' companies in the last six months.
- BTS CEO visits customers in Japan and China with delivery of equipment.
- Ken Broom joins the team – Ex-COO of fifth-largest Chinese battery maker.
- Professor Jeff Dahn showcases DTA technology for the first time at the 35th Annual International Battery Seminar held in Fort Lauderdale, Florida.

NOVONIX Limited (ASX: NVX) ("NOVONIX" or "the Company") is pleased to provide the following Quarterly Activities Report for the March 2018 Quarter.

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Background

PUREgraphite is an exclusive joint venture between NOVONIX and COULOMETRICS formed in April 2017 to commercialize high-performance anode materials for lithium-ion batteries based on intellectual property developed by Dr Edward Buiel (CEO of PUREgraphite and founder of COULOMETRICS).

The March 2018 Quarter

During the March quarter the team commissioned the pilot plant at our facility in Chattanooga Tennessee, USA. Commissioning took a month longer than plan due availability issues with technical experts, and NOVONIX is pleased to report the plant was operational in February and has since been operating reliably, and more importantly, is producing high quality product.

The PUREgraphite CEO and his Coulometrics team are now working closely with multiple battery companies on battery design incorporating PUREgraphite anode material. Confidentiality arrangements are in place to protect IP and commercial interests for all parties.

While it is not possible to disclose details of work taking place with potential customers for confidentiality and commercial reasons, the company is tracking well for market entry with commercial production and sales likely to commence in Q4 2018 or Q1 2019.

As detailed previously, our approach to building production capacity will be incremental, leveraging external processing capabilities initially (if required) to minimize CAPEX until we have line-of-sight on customer demand after which we will build internal production capacity for all steps of our manufacturing process. Our strategy is to have the external processing capability only as contingency (and only used if required) while we establish ourselves in the market. Our aim is to maximise internal production to achieve the lowest cost production and highest quality control.

We have now reached a point where we have undertaken sufficient process development and assessment of external processors that we have the capability of producing over 1,000 tpy of finished product mostly using external processors other than for highly proprietary process steps done internally.



More importantly, we are now at a sufficient stage of customer engagement that has allowed us to proceed with building internal production capacity for all processes. We will commence ordering commercial scale production equipment during the current quarter and we expect to have commercial production capabilities with all our manufacturing processes in-house before the end of the year.

In the meantime, if we have a requirement to produce earlier than completion of our internal build, we have capability to do that leveraging external processors.

Based on potential customer plans and PUREgraphite's successful pilot-scale trials to date, we expect customer demand forecast and our internal manufacturing capacity to ramp up together to at least 1,000 tpy over 2018 and 2019.

Over the last year the PUREgraphite team has undertaken an extensive evaluation program to identify, test and qualify feedstock materials for artificial and natural graphite. Today we have a robust feedstock sourcing strategy and capability to support our production plans in the short and medium term.

A major parallel ongoing workstream for our team is the development of our large-scale manufacturing process targeted at being able to ramp production in 10,000 tpy capacity increments. We do not expect to have a need for this until 2020 so there is ample time to complete the extensive development work required to ensure we have world-class lowest-cost manufacturing at scale when needed.



Battery Testing Services Inc.

Background

The NOVONIX Battery Testing Services business (BTS) was acquired in June 2017. This business makes the most accurate lithium-ion battery testing equipment in the world now used by leading global battery makers, auto-makers, equipment manufacturers and battery research organizations.

NOVONIX is both leveraging this technology internally for materials development and commercializing the technology through equipment sales and associated analytical services.



The March 2018 Quarter

During the quarter BTS won its largest equipment order from one of the world's largest electronics companies. The order was for a custom system which will require development and delivery of new significant features to our product line which we anticipate will have ongoing commercial sales benefits.

Over the last six months BTS has won orders from ten 'Fortune 500' companies strengthening the customer base and building the brand.

A record number of products have been manufactured and delivered in the quarter and Dr Chris Burns, NOVONIX BTS CEO, and other senior personnel made visits to customers in Japan and China with delivery of equipment.

The BTS team has been boosted this quarter including Ken Broom and Kathlyne Nelson joining the team.

Ken Broom was formerly the COO for China BAK Battery in Shenzhen for six years (2007 to 2013) responsible for four large scale battery factories. BAK is currently the No. 5 battery producer in China with 1.5 GWh production in 2017.

Prior to that Ken worked for E-One Moli Energy Battery Company in Canada for 23 years including leading the Canadian operation for four years to 2007.

Ken is one of North America's most experienced battery manufacturing executives and has extensive experience in large-scale battery manufacturing, business development, operations, research and development, sales, marketing, China and North America.

Kathlyne Nelson joined the team as our first full time sales and marketing representative for NOVONIX BTS.

Kathlyne is a PhD graduate from the Jeff Dahn Research Group at Dalhousie University (sponsored by TESLA Motors).

She has in-depth R&D experience on lithium-ion batteries with the goal of improving energy density, safety, lifetime and cost of batteries.

NOVONIX BTS was also on show at the 35th International Battery Seminar and Exhibition in Florida in March. Professor Jeff Dahn delivered a key note presentation which showcased DTA technology which is now being commercialized by NOVONIX. There has been strong follow up interest in Novonix testing equipment, and in particular, the new DTA technology, with many companies signing-up to participate in our final

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phase of commercializing the technology.

Novonix BTS has also been busy in the procurement phase of its proprietary electrolyte development project, where we expect to have our slurry, electrode and cell making facilities installed this quarter and operational in the second-half of the year.



Photograph: PUREgraphite and NOVONIX booths at the Advanced Automotive Battery Show, Mainz Germany

MOUNT DROMEDARY

graphitePROJECT

With the PUREgraphite joint venture initially sourcing feedstock from existing suppliers there is no requirement for the immediate development of the Mount Dromedary Graphite Project. The company will complete the permitting for the project while exploring opportunities to leverage the asset.

We expect the granting of Environmental Authority and Mining Lease for the Mount Dromedary Graphite Project in 2018.



COPORATE

Both PUREgraphite and Novonix BTS were on show at the Advanced Automotive Battery Conference in Mainz Germany in January with significant interest generated in the products and services of both businesses.

The CEO and COO of Novonix also made customer visits and investigated certain expansion opportunities for the BTS business in Europe. Those opportunities, and others, remain under evaluation.

SIGNIFICANT ASX ANNOUNCEMENTS

The following significant announcements were lodged with ASX during the Quarter:

- Half Year Update | 23 February 2018
- Half Year Accounts | 23 February 2018
- Confirmation of Executive Arrangements | 12 February 2018
- Quarterly Cash Flow Report | 31 January 2018
- Quarterly Activities Report | 31 January 2018

ABOUT NOVONIX

NOVONIX LIMITED (ASX: NVX) is an integrated developer and supplier of high performance materials, equipment and services for the global lithium-ion battery industry with operations in the USA and Canada and sales in over a dozen countries. The Company also owns a world-class, large and high-grade natural graphite deposit in an established mining province in Australia.

NOVONIX's mission is to accelerate the global deployment of Lithium Ion Battery technologies for a cleaner energy future.

FOR FURTHER INFORMATION

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