



INTERIM REPORT 31 DECEMBER 2019



DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Your directors present their report on NOVONIX Limited (referred to hereafter as the 'consolidated entity') for the half-year ended 31 December 2019.

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
Andrew Liveris

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

PRINCIPAL ACTIVITIES

During the financial half-year, the principal activities of the company included advancing the commercialisation of the PUREgraphite business in Tennessee USA and growing and diversifying the BTS business in Halifax Canada.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$7,033,673 (2018: \$5,134,380).



NOVONIX – Overview

The first half of FY2020, saw NOVONIX Limited ('NOVONIX, or 'the Company') continue to focus on the implementation of our business plan to become a world leading battery materials and technology company.

NOVONIX's business plan to enter the battery technology and materials space continues to be validated by market growth and demand. The Lithium Ion Battery Market is forecasted to grow from US\$36.20 billion in 2018 to US\$109.72 billion by 2026, at a CAGR of 13.4%, during the forecast period. Lithium-ion

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

batteries are increasingly being used as a hybrid and full-battery electric vehicle (BEV) power source, along with energy storage systems (ESS)¹.

A priority for the half year was advancing the commercialisation of the PUREgraphite business in Tennessee USA. Key advancements in commercializing PUREgraphite included announcing agreements with two tier-1 battery manufacturers (SAMSUNG SDI and SANYO Electric).

Also during the half year, NOVONIX BTS, our technology incubator based in Halifax, Canada, has continued to provide growing sales, a growing R&D pipeline, and significant advances in product development.

NOVONIX – Half-Year Highlights

Corporate

- Announced a conditional agreement to supply lithium-ion battery anode material to SAMSUNG SDI, an international manufacturer of lithium-ion batteries (Q1)
- Announced a commercial collaboration agreement with SANYO Electric Co., Ltd. (SANYO) of Japan, a manufacturer of Lithium-ion batteries for applications including electric vehicles and energy storage systems (Q3)

PUREgraphite

- Qualified anode product for use with two global battery manufacturers (Q1)
- Continued construction of Phase 1 commercial plant (Q1-Q2)
- Expanded production team for commercial operations (Q2)

NOVONIX BTS

- Patent application filed for particle aggregation technology for making high performance materials (Q1)
- Named winner of the Award for Innovation at the 17th Annual Discovery Awards in Halifax, Canada (Q2)
- Advanced R&D on new cathode materials and manufacturing methods with a patent file pending (Q2)
- Achieved rapid growth in R&D services business (Q1-Q2)
- Maintained steady sales in battery testing equipment business (Q1-Q2)

Mount Dromedary

- Continued to keep project on hold and maintain tenements in good standing (Q1-Q2)



¹ Reports and Data, "Lithium Ion Battery Market To Reach USD 109.72 Billion By 2026", 18 March, 2019, New York.

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PUREgraphite – Overview



Photo: PUREgraphite's new home in Chattanooga Tennessee USA.

The PUREgraphite business is commercialising a premium grade graphite anode battery material specifically designed for long-life battery applications such as electric vehicles and battery energy storage systems.

PUREgraphite's business plan objectives include:

- To become the first non-Asia based producer of premium grade graphite anode battery material manufactured in the USA using USA sourced feedstock materials
- To commence commercial production by Q4 2020
- To ramp production up to 25,000 tpa by the end of calendar year 2025 and to grow the business significantly beyond that capacity thereafter subject to demand

PUREgraphite business plan tailwinds include:

- A small number of companies able to make premium grade graphite anode materials
- Significant intellectual property associated with product design and manufacturing
- Current supply is 100% dominated by China or other Asian suppliers
- Battery makers and OEMs are seeking to diversify, bring closer and make more secure their supply chains
- PUREgraphite's product performance benchmarks with best in the market
- PUREgraphite's manufacturing costs are expected to be highly competitive with the best in the market

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

PUREgraphite – Progress

During the half year PUREgraphite made significant progress including advancing our commercial relationships with two global battery manufacturers (SAMSUNG SDI, SANYO), and continuing construction and expansion for Phase 1 commercial production.

Achievement of this milestone (qualifying our anode product with two global battery manufacturers), required significant R&D in product design and manufacturing processes, extensive testing of the product in battery manufacturing plant processes and full battery cell performance testing.



During the half year PUREgraphite also made significant progress preparing for commercial scale production. Activities developing our Chattanooga facility included installing particle blending and sizing systems, installing particle coating and thermal treatment systems, setting up comprehensive laboratory systems for commercial scale testing and quality assurance, and fabricating and 80% installation of cooling and back-up power and water systems. PUREgraphite also continues to expand our operations team in preparation of commercial production.

PUREgraphite's sourcing program for precursor materials continued to advance in the first half of the year, leveraging in-house processing, purification, coating, blending, and cell building capabilities. These capabilities allow PUREgraphite to rapidly screen and qualify precursor materials and optimise performance and cost in sourcing.

In addition to current expansion efforts, in order to be ready to serve our potential customers, PUREgraphite is actively engaged in large-scale production planning to 25,000 tpa and beyond.

NOVONIX BTS – Overview



Photo: NOVONIX Battery Technology Centre located in Bedford (near Halifax) Nova Scotia Canada.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Since acquiring the NOVONIX BTS business in July 2017 we have been actively growing and diversifying the business. In less than four years, NOVONIX BTS has deployed HPC testing units in more than 15 countries. In addition, NOVONIX BTS has launched a new set of expert consulting and testing services which is in high demand. Coupling contract cell making, materials analysis and testing with continued equipment sales leverages further growth possibility for BTS. This sales growth has been and will continue to be supported by several factors including strong industry reputation, repeat business with large growing customers, and new business from new products and services offered.

NOVONIX BTS – Progress



Photo: Professor Jeff Dahn and NOVONIX's COO Dr Chris Burns inspecting battery assembly at the NOVONIX pilot cell manufacturing line in Bedford (near Halifax) Nova Scotia Canada.

Highlights for NOVONIX BTS during the half year include:

Winner of Innovation Award

- In November NOVONIX was named the winner of the Award for Innovation at the 17th Annual Discovery Award in Halifax, Canada
- The Discovery Awards is Atlantic Canada's most prestigious science award
- NOVONIX received the Innovation Award for its work in the field of lithium-ion battery testing and development

Cell Line R&D Services on Track for >\$2m Sales in First Full Year

- Battery cell pilot line and R&D laboratories set up in FY19
- External demand for these services has been overwhelming
- Sales in the first half FY20 have exceeded \$1m

R&D Technologies & Services Now Funding our Technology Incubator

- Battery R&D services rapidly growing from \$200K in FY2019 to >\$2m in FY2020
- Sales and services from HPC & DTA testing tech forecast >\$2m in FY2020
- Above funds NOVONIX's battery technology development program (incubator) including Dalhousie University partnership collectively delivering a steady stream of inventions including new anode and cathode materials, electrolytes and manufacturing methods

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Mount Dromedary – Overview



The Mount Dromedary Graphite Project is world-class, high-grade (18%+) natural graphite deposit outcropping at surface over a 3km strike length and located in an established mining region in Australia next to quality transport infrastructure and international ports.

Despite the favourable characteristics of this natural graphite deposit and the suitability of the concentrate for the lithium ion battery market the company has decided to put a hold on advancing the project.

The primary reasons behind this decision are:

- Medium term oversupply conditions with the broader natural graphite concentrate market;
- Substantially more favourable investment opportunities for the company manufacturing advanced battery anode materials in the Chattanooga Tennessee USA and providing battery technologies and services at our battery technology centre in Canada

The company continues to hold the project in good standing while monitoring the state of the global natural graphite market and will maintain a state of readiness to advance the project should the right market condition emerge or transact with the project.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The attached interim report for the half year ended 31 December 2019 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 1 to the financial statements, together with the auditor's report.

SUBSEQUENT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since 31 December 2019, the Group has:

- (a) Entered into additional short-term loan agreements with directors totaling \$1,648,960. The total director loan facility is \$3,148,960, of which \$1,500,000 has been drawn at the date of signing the financial statements. These loans are unsecured, interest bearing at a rate of 8% pa from the date of drawdown calculated on a daily basis, and are repayable upon the earlier of the Company raising sufficient funds and 6 months.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

- (b) Entered into a short-term loan agreement with the St Baker Energy Innovation Fund (a related party of MD Philip St Baker) for \$3,400,000. The loan is unsecured, interest bearing at a rate of 12.5% pa from the date of drawdown calculated on a daily basis, and is repayable upon the earlier of the Company raising sufficient funds and 6 months.
- (c) Issued 2,485,715 ordinary shares under a Share Purchase Plan at \$0.51 per share raising \$1,267,750;
- (d) Issued 98,040 ordinary shares to a sophisticated investor at \$0.51 per share raising \$50,000.
- (e) Granted 1,000,000 share options to an employee at an exercise price of \$0.50. The options vest in 10 tranches on achievement of progressive PUREgraphite sales milestones.

No other matters or circumstances have arisen since 31 December 2019 that have 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

13 March 2020
Brisbane



Auditor's Independence Declaration

As lead auditor for the review of Novonix Limited for the half-year ended 31 December 2019, 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.

A handwritten signature in black ink, appearing to read 'Michael Shewan'.

Michael Shewan
Partner
PricewaterhouseCoopers

Brisbane
13 March 2020

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NOVONIX LIMITED

ABN 54 157 690 830

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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 8, 46 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 13 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Consolidated Half-year	
		2019	2018
	Notes	\$	\$
Continuing operations			
Revenue	2	2,675,392	721,302
Other income	2	227,652	210,710
Cost of goods sold		(885,263)	(461,147)
Administrative and other expenses		(1,318,190)	(620,881)
Finance costs		(1,651,871)	(495,062)
Depreciation and amortisation expenses		(468,372)	(161,942)
Marketing and project development costs		(915,562)	(401,953)
Share based compensation		(3,179,681)	(2,265,888)
Employee benefits expense		(1,517,778)	(907,538)
Share of net losses of joint venture		-	(751,981)
Loss before income tax expense		(7,033,673)	(5,134,380)
Income tax expense		-	-
Loss from continuing operations		(7,033,673)	(5,134,380)
Other comprehensive income for the period, net of tax			
Foreign exchange differences on translation of foreign operations		66,527	57,771
Total comprehensive loss for the period		(6,967,146)	(5,076,609)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	(5.49 cents)	(4.17 cents)
Diluted earnings per share	9	(5.49 cents)	(4.17 cents)

The above consolidated 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 2019**

		Consolidated	
		31 December	30 June
		2019	2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	560,058	6,054,664
Trade and other receivables		1,416,566	683,103
Inventory		828,964	1,116,991
Total current assets		2,805,588	7,854,758
Non-current assets			
Property, plant and equipment	4	7,588,332	5,984,517
Exploration and evaluation assets	5	2,918,757	2,838,749
Right-of-use assets	6	2,898,392	-
Intangible assets		18,140,364	18,233,245
Other assets		8,643	8,630
Total non-current assets		31,554,488	27,065,141
Total assets		34,360,076	34,919,899
LIABILITIES			
Current liabilities			
Trade and other payables		435,975	1,404,366
Contract liabilities		14,597	580,845
Lease liabilities	6	131,976	-
Borrowings	7	6,472,992	4,145,069
Total current liabilities		7,055,540	6,130,280
Non-current liabilities			
Lease liabilities	6	2,795,054	-
Borrowings	7	11,533,428	13,016,841
Total non-current liabilities		14,328,482	13,016,841
Total liabilities		21,384,022	19,147,121
Net assets		12,976,054	15,772,778
EQUITY			
Contributed equity	8	38,163,405	38,163,405
Reserves		25,674,980	21,438,031
Accumulated losses		(50,862,331)	(43,828,658)
Total equity		12,976,054	15,772,778

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Consolidated Group	Reserves					Total \$
	Contributed equity \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Convertible loan note reserve \$	
Balance at 1 July 2018	38,163,405	(17,706,746)	8,585,446	140,608	2,426,120	31,608,833
Loss for the period	-	(5,134,380)	-	-	-	(5,134,380)
Other comprehensive income	-	-	-	57,771	-	57,771
Total comprehensive income	-	(5,134,380)	-	57,771	-	(5,076,609)
Transactions with owners in their capacity as owners:						
Equity component of convertible notes, net of transaction costs	-	-	-	-	606,915	606,915
Share-based payments	-	-	2,265,888	-	-	2,265,888
Balance at 31 December 2018	38,163,405	(22,841,126)	10,851,334	198,379	3,033,035	29,405,027
Balance at 1 July 2019	38,163,405	(43,828,658)	15,258,956	950,004	5,229,071	15,772,778
Loss for the period	-	(7,033,673)	-	-	-	(7,033,673)
Other comprehensive income	-	-	-	66,527	-	66,527
Total comprehensive income	-	(7,033,673)	-	66,527	-	(6,967,146)
Transactions with owners in their capacity as owners:						
Equity component of convertible notes, net of transaction costs	-	-	-	-	990,741	990,741
Share-based payments	-	-	3,179,681	-	-	3,179,681
Balance at 31 December 2019	38,163,405	(50,862,331)	18,438,637	1,016,531	6,219,812	12,976,054

The above consolidated 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 2019**

		Consolidated Half-year	
		2019	2018
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers (GST inclusive)		1,483,896	1,249,739
Payments to suppliers and employees (GST inclusive)		(4,606,015)	(2,940,855)
Interest received		7	3,306
Borrowing costs paid		(134,471)	(37,350)
Government grants received		223,041	79,204
Income taxes paid		-	-
Net cash outflow from operating activities		(3,033,542)	(1,645,956)
Cash flows from investing activities			
Payments for exploration assets		(78,018)	(135,478)
Payments for security deposits		-	(500)
Payments for property, plant and equipment		(2,651,164)	(634,840)
Net cash outflow from investing activities		(2,729,182)	(770,818)
Cash flows from financing activities			
Proceeds from issue of loan notes, net of expenses		-	5,461,900
Proceeds from borrowings		350,000	52,749
Principal elements of lease payments		(73,637)	-
Repayment of borrowings		(55,755)	(28,067)
Net cash inflow from financing activities		220,608	5,486,582
Net increase (decrease) in cash and cash equivalents		(5,542,116)	3,069,808
Effects of foreign currency		47,510	(760)
Cash and cash equivalents at the beginning of the year		6,054,664	365,592
Cash and cash equivalents at the end of the year	3	560,058	3,434,640

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 2019

Note 1 Summary of significant accounting policies

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

This condensed consolidated interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and 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.

a) 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 incurred a net loss of \$7,033,673 (31 December 2018: \$5,134,380) and net operating cash outflows of \$3,033,542 for the half year ended 31 December 2019 (31 December 2018: \$1,645,956). As at 31 December 2019 the consolidated entity has a cash balance of \$560,058 (30 June 2019: \$6,054,664) and net current liabilities of \$4,249,952 (30 June 2019: net current assets of \$1,724,478). Included within current liabilities at 31 December 2019 are loan notes of \$5,917,056 which are due to mature in August 2020.

In December 2019, the Company's directors entered into short term loan agreements totalling \$2,000,000 to provide working capital for the Company. The loans were drawn down to \$350,000 at 31 December 2019. Subsequent to 31 December 2019, the Company's directors entered into additional short term loan agreements to bring the total facility to \$3,148,960, of which \$1,500,000 has been drawn down at the date of this report.

Subsequent to 31 December 2019, the entity entered into a short-term loan agreement with the St Baker Energy Innovation Fund ("SBEIF") (a related party of MD Philip St Baker) for \$3,400,000 which is unsecured and interest bearing at a rate of 12.5%.

The director loans and loan from the SBEIF ("short-term loans") are repayable upon the earlier of the Company raising sufficient funds and 6 months from the loan agreement date.

Subsequent to 31 December 2019, the entity has raised \$1,267,750 through the issuance of 2,485,715 ordinary shares under a Share Purchase Plan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 1 Summary of significant accounting policies (continued)

The Directors are currently investigating options to fund ongoing operations, the repayment or refinancing of the Director and SBEIF loans ("short-term loans"), and the redemption or refinancing of the loan notes which are due to mature in August 2020. The ability of the consolidated entity to continue as a going concern is principally dependent upon the following:

- the ability of the consolidated entity to raise capital as and when necessary, including to fund amounts relating to ongoing operations, the refinancing or repayment of the short term loans, and the redemption or refinancing of the loan notes which are due to mature in August 2020;
- the ability of the consolidated entity to earn revenues from existing activities and from new product sales or pre-payments;
- the ability of the consolidated entity to meet its cash flow forecasts; and
- the successful and profitable growth of the battery materials, battery consulting and battery technology 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 Group has entered into additional short-term loans subsequent to 31 December 2019, which will be used to fund ongoing operations in the short term;
- the Directors are confident that there are options available to the Group to be able to fund the repayment or refinancing of the short-term loans, the redemption or refinancing of the loan notes, and to fund operations in the medium and long term; and
- The Group has a track record of successfully raising capital as and when required; and
- Relationships with strategic partners.

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.

b) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 1 Summary of significant accounting policies (continued)

c) New and amended standards 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. Only AASB 16 Leases has had a material impact on the financial statements.

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

AASB 16 Leases

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 1 Summary of significant accounting policies (continued)

To determine the incremental borrowing rate, the group:

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 1 Summary of significant accounting policies (continued)

e) 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Exploration and evaluation costs

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

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

Value of intangible assets relating to acquisitions

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

Impairment of goodwill and identifiable intangible assets

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

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a binomial or Monte Carlo option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions, including share price volatility, interest rates and vesting periods would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact the profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 2 Changes in accounting policies

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

As indicated in note 1 above, the group had adopted AASB *Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 July 2019. The new accounting policies are disclosed in note 1.

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

Measurement of lease liabilities

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

Measurement of right-of-use assets

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

Adjustments recognized in the balance sheet on 1 July 2019

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 2 Segment and revenue reporting

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.

The board has identified three operating segments being Battery Technology, Battery Materials and Graphite Exploration and Mining. The Battery Materials segment develops and manufactures battery anode materials and the Battery Technology segment develops battery cell testing equipment and carried out research and development in battery development.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

b. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

d. Unallocated items

The following items for revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income
- Corporate administrative and other expenses
- Income tax expense
- Corporate share-based payment expenses
- Corporate marketing and project development expenses

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 2 Segment information (continued)

Segment performance

2019	Battery Technology \$	Battery Materials \$	Graphite Exploration and Mining \$	Unallocated \$	Total \$
Sales of goods revenue	1,546,810	-	-	-	1,546,810
Services revenue	1,128,582	-	-	-	1,128,582
Other income	227,652	-	-	-	227,652
Total group revenue and other income	2,903,044	-	-	-	2,903,044
Segment net profit / (loss) from continuing operations before tax	(44,942)	(2,156,903)	-	(4,831,828)	(7,033,673)

2018	Battery Technology \$	Battery Materials \$	Graphite Exploration and Mining \$	Unallocated \$	Total \$
Sales of goods revenue	579,135	-	-	-	579,135
Services revenue	142,167	-	-	-	142,167
Other income	210,462	-	-	248	210,710
Total group revenue and other income	931,764	-	-	248	932,012
Segment net profit / (loss) from continuing operations before tax	(2,207,196)	(888,088)	-	(2,118,696)	(5,213,980)

Segment assets

	Battery Technology \$	Battery Materials \$	Graphite Exploration and Mining \$	Unallocated \$	Total \$
31 December 2019	5,732,855	25,405,168	2,928,812	293,241	34,360,076
30 June 2019	5,354,006	21,386,941	2,850,794	5,328,158	34,919,899

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 2 Segment information (continued)

Segment liabilities

	Battery Technology \$	Battery Materials \$	Graphite Exploration and Mining \$	Unallocated \$	Total \$
31 December 2019	2,292,803	3,215,804	-	15,875,415	21,384,022
30 June 2019	2,809,998	1,279,125	-	15,057,999	19,147,121

Geographical Segments

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

Note 3 Current assets – Cash and cash equivalents

	31 December 2019 \$	30 June 2019 \$
Cash at bank	560,058	6,054,664

Reconciliation to cash flow statement

The above figures are reconciled to the amount of cash shown in the statement of cash flows at the end of the period as follows:

Balances as above	560,058	6,054,664
Bank overdrafts	-	-
Balance as per the statement of cash flows	560,058	6,054,664

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Note 4 Non-current assets – Property, plant and equipment

	31 December 2019 \$	30 June 2019 \$
Plant and equipment – at cost	6,162,347	4,437,493
Plant and equipment – accumulated depreciation	(705,909)	(507,947)
	5,456,438	3,929,546
Buildings – at cost	1,871,908	1,762,019
Buildings – accumulated depreciation	(123,326)	(87,299)
	1,748,582	1,674,720
Land – at cost	383,312	380,251
	<u>7,588,332</u>	<u>5,984,517</u>

	Plant and equipment \$	Land \$	Buildings \$	Total \$
Movements in Carrying Amounts				
Balance at 1 July 2019	3,929,546	380,251	1,674,720	5,984,517
Additions	1,556,490	-	95,703	1,652,193
Depreciation	(184,623)	-	(35,679)	(220,302)
Exchange differences	155,025	3,061	13,838	171,924
	<u>5,456,438</u>	<u>383,312</u>	<u>1,748,582</u>	<u>7,588,332</u>
Balance at 31 December 2019				

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 5 Non-current assets – Exploration and evaluation assets

	31 December 2019 \$	30 June 2019 \$
Exploration and evaluation assets – at cost	2,918,757	2,838,749

The capitalised exploration and evaluation assets carried forward above have been determined as follows:

Balance at 1 July 2019	2,838,749
Expenditure incurred during the half-year	80,008
Balance as at 31 December 2019	2,918,757

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2019, 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 6 Leases

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 \$	30 June 2019 \$
Right-of-use assets - Buildings	2,898,392	-
Lease liabilities		
Current	131,976	-
Non-current	2,795,054	-
	2,927,030	-

There were no additions to the right-of-use asset during the half year to 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 6 Leases (continued)

(i) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 \$	2018 \$
Depreciation of right-of-use assets - Buildings	102,973	-
Interest expense	50,504	-

The total cash outflow for leases in the half year period was \$124,138.

Note 7 Borrowings

	31 December 2019			30 June 2019		
	Current \$	Non- Current \$	Total \$	Current \$	Non- Current \$	Total \$
<i>Secured</i>						
Bank loans (i)	58,272	1,277,132	1,335,404	57,807	1,295,835	1,353,642
Total secured borrowings	58,272	1,277,132	1,335,404	57,807	1,295,835	1,353,642
<i>Unsecured</i>						
Loan notes (ii)	5,917,056	9,494,915	15,411,971	-	10,905,530	10,905,530
Director loans (iv)	351,063	-	351,063	-	-	-
Other loans (iii)	146,601	761,381	907,982	4,087,262	815,476	4,902,738
Total unsecured borrowings	6,414,720	10,256,296	16,671,016	4,087,262	11,721,006	15,808,268
Total borrowings	6,472,992	11,533,428	18,006,420	4,145,069	13,016,841	17,161,910

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 7 Borrowings (continued)

(i) Secured liabilities and assets pledged as security

In December 2017, the group entered into a loan facility to purchase commercial land and buildings in Nova Scotia from which the Battery Testing Services business operates. The total available amount under the facility is CAD \$1,330,000 and it has been fully drawn down as at 31 December 2019. The full facility is repayable in monthly instalments, commencing 15 December 2017 and ending 15 November 2042.

The bank loan is secured by first mortgages over the group's freehold land and buildings.

The carrying amounts of non-financial assets pledged as security for current and non-current borrowings is \$2,131,894 (30 June 2019: \$2,054,971) .

(ii) Loan notes

In June 2019, the group entered into a short-term loan agreement with the St Baker Energy Innovation Fund for \$4,000,000 at an interest rate of 10%. Following shareholder approval on 31 July 2019, this short-term loan was converted into 10,000,000 convertible loan notes at \$0.40 each. At 31 December 2019 none of these Loan Notes have been converted.

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.

The present value of the liability component at initial recognition was \$3,009,259. The balance of \$990,741 was recognised in equity.

Key Loan Note Terms - \$0.40 face value

- Number of loan notes issued: 10,000,000
- Allowing for early conversion;
- Unsecured loan note issued at AUD\$0.40 per note;
- Coupon 10% per annum capitalised over a term of 36 months;
- Convertible at the option of the holder on 1 for 1 basis;
- Redeemable by NOVONIX at any time (with 10 business days notice), subject to payment of interest on full term;
- Maturity date of 36 months after the date of issue; and
- The notes are not listed or tradeable.
- 1 for 1 attaching option, exercisable at \$0.80 per share with three years to expiry.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 7 Borrowings (continued)

Reconciliation of movements in loan note liability:

	31 December 2019 \$
Balance at 1 July 2019	10,905,530
Present value of liability component at initial recognition	3,009,259
Interest accrued for the year	<u>1,497,182</u>
Balance at 31 December 2019	<u><u>15,411,971</u></u>

(iii) Other loans

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

In October 2018, the group entered into another contribution agreement with Atlantic Canada Opportunities Agency (ACOA), for CAD\$500,000. As at 31 December 2019, CAD\$500,000 of the facility has been drawn down. The funding is to assist in establishing a battery cell manufacturing facility. The facility is repayable in monthly instalments commencing 1 April 2020.

(iv) Director loans

In December 2019, the Company's directors entered into short term loan agreements collectively for \$2,000,000. The loans are unsecured, earn interest at 8% pa from the date of drawdown calculated on a daily basis, and are repayable upon the earlier of the Company raising sufficient funds and 6 months. The loans were drawn down to \$350,000 at 31 December 2019.

(v) Fair value

For all borrowings, other than the ACOA loans noted at (iii) above, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The ACOA loans are interest free. The initial fair value of the ACOA loans were determined using a market interest rate for equivalent borrowings at the issue date. This resulted in a day 1 gain of \$100,152 in FY2018 (December 2017 loan) and a day 1 gain of \$114,106 in FY2019 (October 2018 loan).

Financing arrangements

The group's undrawn borrowing facilities as at 31 December 2019 totals \$1,650,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 7 Borrowings (continued)

Maturities of financial liabilities

As at 31 December 2019, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 31 December 2019							
Trade and other payables	430,775	-	-	-	-	430,775	430,775
Lease liabilities	121,801	250,398	257,812	810,458	2,430,612	3,871,081	2,927,030
Borrowings	452,639	6,701,881	201,490	14,756,289	1,662,981	23,775,280	18,006,420
Total non-derivatives	1,005,215	6,952,279	459,302	15,566,747	4,093,593	28,077,136	21,364,225

Note 8 Contributed equity

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
(a) Share capital				
Ordinary shares Fully paid	128,137,680	128,137,680	38,163,405	38,163,405

(b) Capital Management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 9 Earnings per share

	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of NOVONIX Limited	(7,033,673)	(5,134,380)
	<hr/>	
	Number	Number
Weighted average number of shares used in calculating basic and diluted earnings per share	128,137,680	123,137,680
	<hr/>	
	Cents	Cents
Basic earnings per share	(5.49)	(4.17)
Diluted earnings per share	(5.49)	(4.17)

Note 10 Events occurring after the balance sheet date

- (a) Entered into additional short-term loan agreements with directors totaling \$1,648,960. The total director loan facility is \$3,148,960, of which \$1,500,000 has been drawn at the date of signing the financial statements. These loans are unsecured, interest bearing at a rate of 8% pa from the date of drawdown calculated on a daily basis, and are repayable upon the earlier of the Company raising sufficient funds and 6 months.
- (b) Entered into a short-term loan agreement with the St Baker Energy Innovation Fund (a related party of MD Philip St Baker) for \$3,400,000. The loan is unsecured, interest bearing at a rate of 12.5% pa from the date of drawdown calculated on a daily basis, and is repayable upon the earlier of the Company raising sufficient funds and 6 months.
- (c) Issued 2,485,715 ordinary shares under a Share Purchase Plan at \$0.51 per share raising \$1,267,750;
- (d) Issued 98,040 ordinary shares to a sophisticated investor at \$0.51 per share raising \$50,000.
- (e) Granted 1,000,000 share options to an employee at an exercise price of \$0.50. The options vest in 10 tranches on achievement of progressive PUREgraphite sales milestones.

No other matters or circumstances have arisen since 31 December 2019 that have 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 2019 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

A handwritten signature in black ink, appearing to read 'Tony Bellas', with a stylized, cursive script.

Tony Bellas
Chairman

13 March 2020
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) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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, selected other explanatory notes and the directors' declaration.

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 gives a true and fair view and 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 Group's financial position as at 31 December 2019 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 Group's financial position as at 31 December 2019 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 Group incurred a net loss of \$7,033,673 and net operating cash outflows of \$3,033,542 for the half year ended 31 December 2019. The Group had a cash balance of \$560,058 at 31 December 2019, and working capital is currently being funded through short-term Director loans. The Group has entered into additional short-term loan agreements subsequent to 31 December 2019, and is currently investigating options to fund ongoing operations, the repayment or refinancing of the short-term loans, and the redemption or refinancing of the loan notes which are due to mature in August 2020.

The ability of the Group to continue as a going concern is dependent upon the successful execution of these options. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cause significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Michael Shewan', with a long, horizontal flourish extending to the right.

Michael Shewan
Partner

Brisbane
13 March 2020