

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

M. Marin
312-265-9211
mmarin@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Novonix Ltd

(NVNXF-OTC)

NVNXF: Infrastructure Bill, Auto Manufacturer EV Commitments & Gigafactories All Support Positive Outlook

We believe the recent infrastructure bill underscores and potentially expands prospective opportunities for Novonix, an integrated developer and supplier of high- performance materials, equipment & services for the global lithium-ion battery industry. The bill envisions the expansion of the domestic EV charging station infrastructure and other positives for electric vehicles (EVs). Reflecting rising EV sales and installations of electric storage systems (ESS), among other factors, the need for lithium-ion batteries is expected to continue to grow significantly.

OUTLOOK

Novonix had cash of about Aus\$291 million at the end of calendar 3Q21 to fund its development efforts. The anticipated support of Phillips 66, following its acquisition of a 16% stake in Novonix, is also expected to facilitate the company's growth initiatives. The company continues to advance plans to expand production and develop its anode and cathode businesses. The strategic relationship with Phillips 66 and demonstrated interest from major battery players Samsung SDI and Sanyo also underscore NVX's opportunities in the lithium-ion battery space, in our view.

Current Price (11/17/21) \$7.20
Valuation \$10.00

SUMMARY DATA

52-Week High 7.41
52-Week Low 1.11
One-Year Return (%) 493
Beta 1.58
Average Daily Volume (sh) 549,541

Shares Outstanding (mil) 444
Market Capitalization (\$mil) 3,608
Short Interest Ratio (days) N/A
Institutional Ownership (%) 48
Insider Ownership (%) 22

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates

Sales (%) N/A
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/A
P/E using 2021 Estimate N/A
P/E using 2022 Estimate N/A

Zacks Rank N/A

Risk Level Above average
Type of Stock Growth
Industry Materials

ZACKS ESTIMATES

Revenue

(in millions of US\$)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2019					\$3.5 A
2020		\$2.1 A			\$3.7 A
2021		\$2.0 A			\$3.8 A
2022		\$2.6 E			\$5.6 E

EPS or Loss Per Share

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2019					-0.15 A
2020		-0.04 A			-0.11 A
2021		-0.03 A			-0.04 A
2022		-0.02 E			-0.04 E

Quarters might not sum due to rounding & share counts

Aus\$ / US\$ exchange rate 0.73 Disclosures on page 14

KEY POINTS

- We believe the recent infrastructure bill underscores and potentially expands prospective opportunities for Novonix as it builds a North American ecosystem for lithium-ion batteries. The bill envisions the expansion of the domestic EV charging station infrastructure, among other positives expected as catalysts for EV sales.
- Reflecting the anticipated growth of the EV and energy storage systems (ESS) markets and consequent rising battery demand, many battery producers, as well as auto OEMs, plan to construct gigafactories. NVX is expanding its production capacity to meet the expected growth in demand.
- Through its operating units – Novonix Anode Materials, Novonix Cathode Materials and the Novonix Battery Technology Solutions (BTS) divisions – Novonix is leveraging proprietary R&D to develop these critical materials. Novonix had cash of about Aus\$291 million at the end of calendar 3Q21 to support its development efforts.
- Cathode materials are also a critical component of lithium-ion batteries and Novonix Cathode Materials is expected to play a key role in the growing demand for batteries. Early testing results show that the company's cathode technology produces comparable – or better – results than competitive technologies.
- Phillips 66's recently acquired 16% stake in the company is a positive for Novonix, we believe. Novonix has added Phillip's nominee to its board. Phillips 66 nominee, Zhanna Golodryga, is a senior executive with extensive experience in the energy and IT spaces.
- The company intends to pursue an uplisting of its shares to the Nasdaq. This would boost awareness of Novonix within the investment community, we believe, and likely expand the pool of potential investors in the shares. The shares were also recently added to the S&P/ASX 300 index, which is intended to provide investment access to the Australian equity market. We note that given their recent outperformance, the shares could pull back on negative news and / or delays.

INFRASTRUCTURE BILL AND OTHER EV INCENTIVES

Battery demand continues to grow, with outlook robust

We believe the prospective opportunities for Australia-based (ASX:NVX) Novonix, as it builds a North American ecosystem for EV batteries, is underscored by the recent infrastructure bill. The company, an integrated developer and supplier of high-performance materials, equipment and services for the global lithium-ion battery industry, is advancing its technologies in North America. Lithium-ion batteries are critical to power consumer electronics, including mobile phones and other personal electronic devices, as well as electric vehicles (EV) and energy storage systems (ESS). The bill envisions the expansion of the domestic EV charging station infrastructure, among other positive expected catalysts for EV sales.

The convergence of the bill, as well as rising consumer interest in EVs as costs and other challenges abate, combined with growing regulatory support, is expected to boost demand for EVs, as well as ESS technologies, which are the company's initial target niches. Currently, Tesla's gigafactory is among the highest-volume – or is the single highest volume – battery facility worldwide, but reflecting the anticipated growth of these markets and consequent rising battery demand, many battery producers and auto OEMs also have plans to construct gigafactories.

Another factor that signals the rising interest in EVs, in our view, is that GM has introduced its Factory ZERO, which also bodes well, we believe, for increased EV commitments by other automotive manufacturers. Factory ZERO is an all-electric facility. It reflects GM's commitment to continue to transition its business to EVs, we believe.

EXPANSION & OVERALL GROWTH PLANS

Positive takeaways strategic relationship & new board member

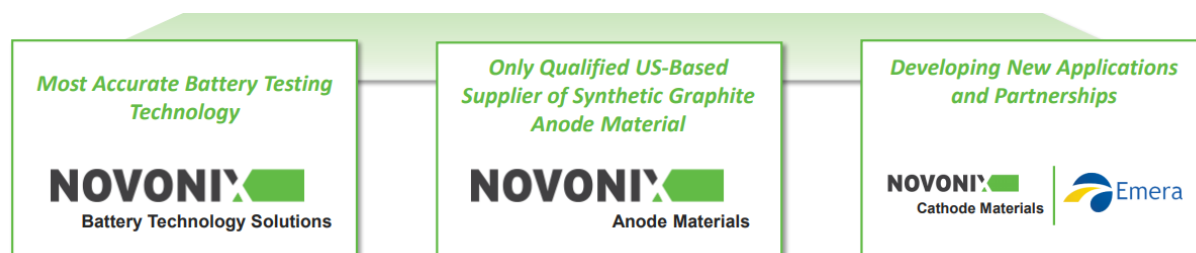
Following its recently-formed strategic alliance with Phillips 66 (see below), which closed at the end of calendar 3Q21, Novonix has added Phillip's nominee to its board. Phillips 66 nominee, Zhanna Golodryga, is a senior executive with extensive experience in the energy and IT spaces.

Phillips 66's recently acquired 16% stake in the company is a positive for Novonix, we believe. Houston, Texas-based Phillips 66, which trades on the NYSE under the ticker PSX, is a diversified energy manufacturing and logistics company with extensive experience and relationships in the broader energy space. Phillips 66 has a portfolio of midstream, chemicals, refining, and marketing and specialties businesses and processes fuels and products globally.

With the above-noted investment by a major participant in the energy sector and ongoing expansion of its production capacity (the company had cash of about Aus\$291 million at the end of calendar 3Q21 to support its development efforts), the company intends to pursue an uplisting of its shares to the Nasdaq. This would boost awareness of Novonix within the investment community, we believe, and likely expand the pool of potential investors in the shares. The shares were also recently added to the S&P/ASX 300 index, which is intended to provide investment access to the Australian equity market.

Range of solutions for the lithium-ion space

Through its operating units – Novonix Anode Materials, Novonix Cathode Materials and the Novonix Battery Technology Solutions (BTS) divisions (see below) – Novonix is leveraging proprietary R&D to develop critical materials for the battery sector. The company's primary initial concentration is on the Novonix Anode Materials business, as NVX anticipates significant growth in the need for graphite – including synthetic graphite – as battery demand continues to rise. The company has formed several important partnerships to advance its strategy. Novonix, along with Phillips 66 and Harper International, will develop new furnace technology to make high-performing battery materials.



Source: <https://www.novonixgroup.com/announcements/>

According to the U.S. Department of Energy ([DOE](#)), lithium-ion batteries are “the fastest-growing rechargeable battery segment.” Growing demand, not surprisingly, has fueled the need for greater production of batteries and battery components. NVX's strategy is to create a North American source of competitively priced, high-quality synthetic anode material for the battery industry. The DOE granted Novonix a US\$5.6 million award for technology development, which underscores the need for battery technology and production and, in our view, Novonix's opportunities.

NVX - Ambitious Plan to Scale Production

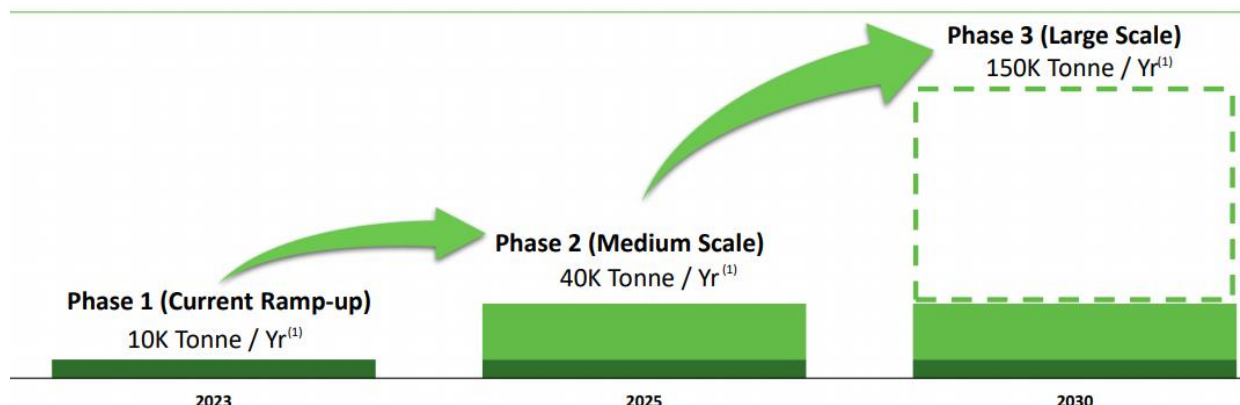
In 2018, Novonix began construction of an anode material plant in Chattanooga, Tennessee to produce high quality battery anode product, with the goal of addressing the need for a U.S.-based lithium-ion battery supply chain. Novonix, which has filed multiple patent applications, has entered into a partnership with Dalhousie University to enhance its R&D efforts as it transitions the business to synthetic graphite.

NVX also formed a strategic alliance with Buffalo, NY-based Harper International Corporation to develop specialized furnace technology to enhance its synthetic graphite manufacturing process. Management expects the relationship to enable Novonix to contain manufacturing costs and obtain operational cost savings, as well. This is consistent with the company's strategy to create a North American source of competitively priced, high-quality synthetic anode material for the battery industry. Moreover, the company also expects to benefit from relatively low energy costs at the Tennessee facility. According to the [Tennessee Valley Authority](#), the Tennessee Valley enjoys electric rates that are lower than rates in about 70% of the U.S.

With battery sales expected to accelerate, NVX intends to scale its production capacity. In June 2021, the company committed to purchasing and retrofitting an existing Chattanooga, Tennessee 400k+ square-foot plant that is strategically located for manufacturing and distribution. The facility is expected to accommodate about 8,000 metric tons/year production capacity, adding to the existing facility that NVX operates in Chattanooga. The company also received the Gen-1 3 furnace system for installation, with the Gen-2 3 system expected by year-end 2021.

Novonix's focus will be on ramping production capacity to increase the supply and sales of high consistency and high purity anode material that are critical components of long-life batteries. The company's plan is to ramp production in three phases, as illustrated below.

Expected Growth Plan for Novonix Anode Materials



Source: <https://www.novonixgroup.com/announcements/>

Phillips 66 is making its investment in Novonix under the umbrella of its Emerging Energy organization, which is responsible for developing the company's lower-carbon business platform. The investment is consistent with Phillips 66's commitment to pursue lower-carbon solutions, while leveraging its leadership position and expertise in the specialty coke market. Novonix management believes it represents a signal of Phillips 66's confidence in the company's opportunities and outlook. The investment will provide Novonix with additional capital to fund its growth objectives, which is to boost capacity to 10,000 metric tons (mt) of synthetic graphite production per annum by 2023 and add an additional 30,000 mt/year by 2025. Novonix had a cash balance of nearly \$137 million at the end of June 2021, prior to the announcement of the Phillips 66 investment.

The investment from Phillips 66 is also expected to provide Novonix access to key materials required to produce synthetic graphite. Specifically, Phillips 66 is one of the world's leading manufacturers of specialty coke, which is a critical precursor in the production of batteries and which Novonix processes to

produce its high-performance anode material. Philips 66 operates facilities in the U.S. and U.K. (respectively, the Lake Charles and Humber refineries) that produce materials that Philips 66 sells to manufacturers of synthetic graphite based in China and other markets.

Initial Business Focus: EV and ESS Verticals

Novonix's two target niches within the battery space are the EV and ESS verticals. NVX has established a presence in North America because management believes the bulk of battery requirements in its two target verticals will experience significant growth in North America. This is consistent with forecasts from the U.S. DOE, which notes that "the largest markets for stationary energy storage in 2030 are projected to be in North America (41.1 GWh), China (32.6 GWh), and Europe (31.2 GWh)."

Sanyo & Samsung SDI Contracts Underscore Opportunity

Novonix and Samsung SDI forged an agreement for Novonix to supply Samsung SDI with synthetic graphite anode material for lithium-ion batteries. Novonix also signed a non-binding agreement with Sanyo to assess production materials from its Tennessee production facility. Sanyo is a subsidiary of Panasonic Corporation. Sanyo is a leading battery producer and supplier to Tesla. Together, Samsung SDI and Sanyo account for a combined estimated 30% of the global lithium-ion market.

NOVONIX ANODE MATERIALS: NEAR-TERM ENGINE OF GROWTH

Company Competitive Advantage: Sole Synthetic Graphite Manufacturer in North America

Novonix Anode Materials is expected to be the chief engine for the company's near-term growth. Importantly, Novonix has developed an efficient, low-cost process to produce *synthetic* graphite anode material that is designed to be competitive with the current supply, which is sourced primarily from China.

Phase 1 entails ramping up production capacity of synthetic graphite at the facility to 10,000 tons per annum by the end of 2023, as illustrated above. The company has purchased a Tennessee facility for the capacity expansion; the increased production capacity will enable the company to advance its goal of becoming a leading supplier. Currently, manufacturers in China control a roughly 80% share of the market for artificial graphite, according to Avicenne Energy, a consulting firm specializing in high growth technology markets. Importantly, Novonix is the only manufacturer of synthetic graphite in North America, according to management.

Novonix Anode Material's proprietary manufacturing process transitions the material from precursor powder into battery-ready anode material used to produce cells with high capacity and long life. The company produces critical battery material at a **lower cost** than that of the synthetic graphite materials derived primarily from Asia.

NOVONIX CATHODE MATERIALS

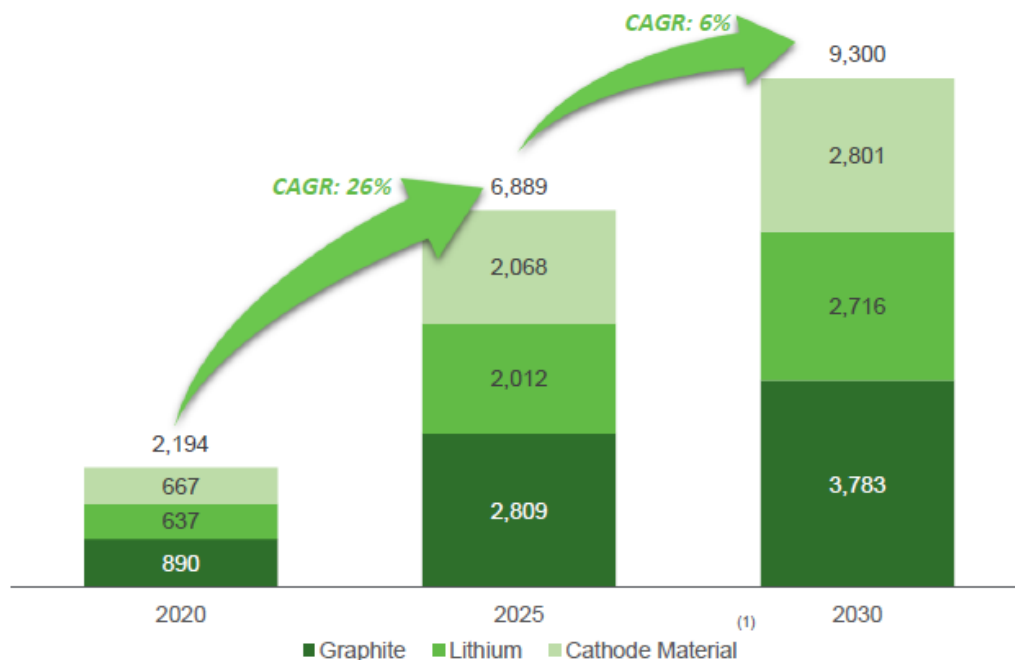
Novonix Cathode Materials business – positive prospects

Novonix Cathode Materials is also expected to play a key role in the growing demand for batteries. Cathode materials are also a critical component of lithium-ion batteries. The lithium-ion battery generates electricity through chemical reactions within the battery. Lithium-ion batteries require both anode and cathode materials in order to work. The cathode element is crucial in determining the battery's capacity and voltage. A greater portion of lithium in the cathode implies greater capacity, for instance. Growing

demand for batteries is therefore expected to also stimulate demand for cathode, as well as anode materials, as illustrated below.

Novonix is leveraging its proprietary dry particle microgranulation (DPMG) technology to process and develop cathode materials. This business extension is not as advanced yet as the anodes material business. Nevertheless, NVX expects the cathode business to become an important contributor to its strategy to become a supplier of a full range of advanced materials and services to the battery industry.

Expected Demand For Battery Material (000s of tons)

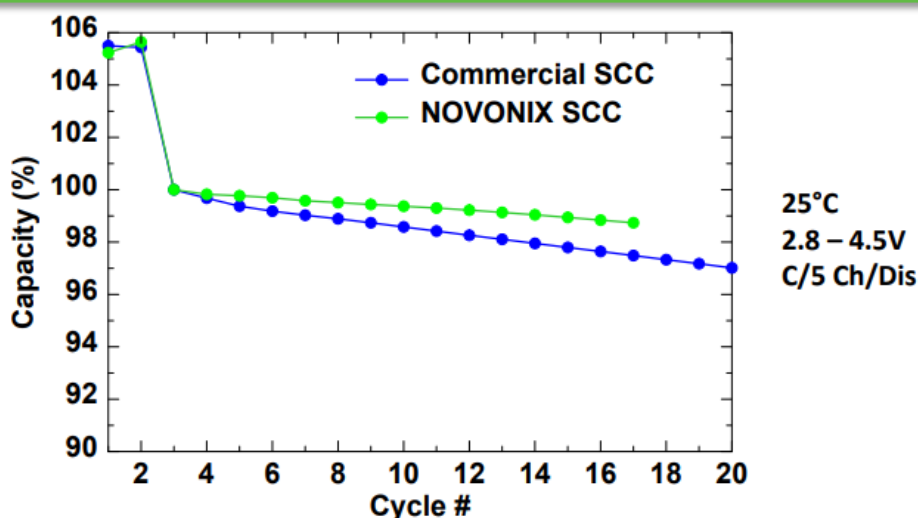


Source: Company reports

The company has filed initial patent applications focused on battery cathode materials and processing technologies. Materials and processes in the filing include both polycrystalline and single crystal, high-nickel cathode materials. The company believes that single crystal cathode materials outperform traditional polycrystalline cathode material. Single crystal cathode material has greater energy density and longer life compared to traditional material, which makes the design better for use in EVs and ESSs. Specifically, the design can help improve the performance and life of lithium-ion batteries for EVs and renewable energy, among other applications.

The focus of the company's cathode unit is complementary to its anode material unit, as each group focuses on enhancing battery performance and life in order to provide viable and economically produced batteries for EV and ESS manufacturers and share a common end customer base of these cell manufacturers. Early testing results show that the company's cathode technology produces comparable – or better – results than competitive technologies.

Normalized Electrochemical Results (Coin Cell)



Product:	Commercial SCC	NOVONIX SCC
Reversible Capacity:	100%	104%
First Cycle Efficiency:	100%	101%

Source: https://announcements_NVX.pdf

BENEFITS OF SYNTHETIC GRAPHITE

Relative to the cathode side of Novonix's business, synthetic graphite generally is costlier than natural graphite. Reflecting its significantly higher cost, synthetic graphite does not usually compete with natural graphite in most markets. However, graphite use in batteries is one of the few instances in which natural and synthetic graphite compete for market share. When battery manufacturers use natural graphite versus synthetic graphite, it is generally due to the higher cost of synthetic graphite but there are many instances in which the greater stability of synthetic graphite makes it the preferred material despite its higher cost.

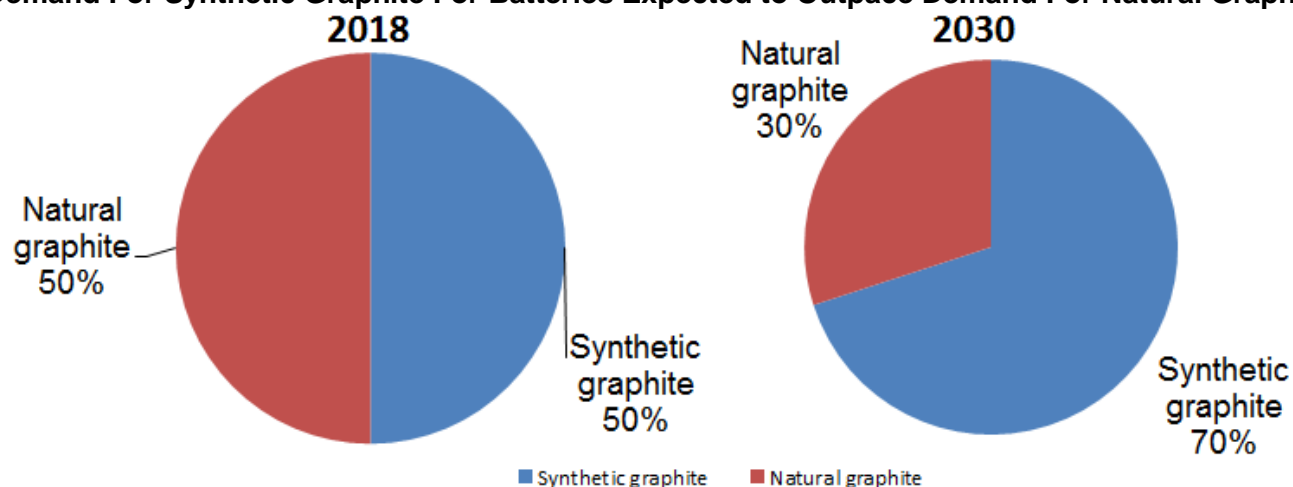
Lithium-ion batteries consist primarily of a cathode (positive electrode), an anode (negative electrode) and electrolyte architecture, as well as a separator. When the battery is charging, lithium ions are moved from the cathode and stored in the anode while corresponding electrons are moved through the charger. When the battery is discharging, lithium ions are released from the anode and return to the cathode. The features of graphite, including reaction potential with lithium and stable layered crystal structure, make graphite suitable as the anode component.

Synthetic graphite is purer in terms of carbon content and "tends to behave more predictably," according to [Graphite Investing News](#). This means that among the important benefits of synthetic graphite, it is expected to be more stable than natural graphite. Across the graphite market, synthetic graphite is capable of withstanding high temperatures and corrosion.

In the lithium-ion battery space, synthetic graphite has been shown to be more stable than natural graphite and thus lead to longer cycle life. For this reason, synthetic graphite is expected to grow market share relative to natural graphite for lithium-ion batteries because many verticals, such as the company's two target ones – EV and ESS – will require longer life and stability that synthetic graphite can provide.

Wood Mackenzie, a research and consultancy firm focused on the natural resources and energy sectors, forecasts rapid growth for graphite in the battery sector — demand is expected to grow from 165,000 tons in 2018 to almost one million tons by 2030 – and notes that the higher purity of synthetic graphite “makes it preferable for use in premium batteries.” In fact, Wood Mackenzie notes that “the lower electrical resistances and greater consistency offered by synthetic have resulted in advanced technologies...coming to use more synthetic graphite.” According to Green Tech Media, each currently has a roughly 50% market share but Wood Mackenzie forecasts those shares will shift so that synthetic graphite will represent about 70% of the battery graphite market by 2030, as illustrated below.

Demand For Synthetic Graphite For Batteries Expected to Outpace Demand For Natural Graphite

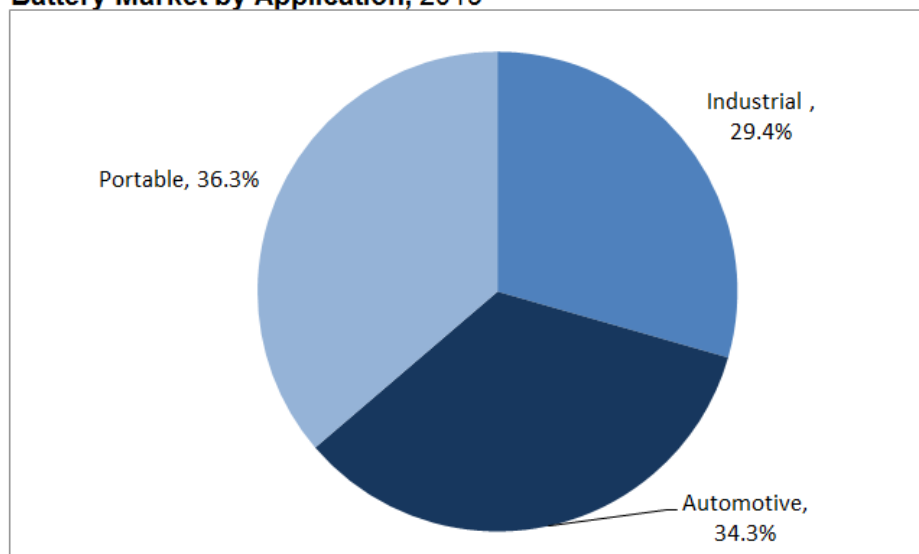


Source: Created by Zacks based on data from [Wood Mackenzie](#) & [Green Tech Media](#) accessed on March 10, 2021

As noted, the company’s focus is on developing long-life high-performance materials to support the EV niche, which accounted for about 34% of battery demand in 2019, according to market research firm Grandview Research, and energy storage market, which management believes are poised for strong growth.

In December 2020, Novonix and Samsung SDI signed an agreement for Novonix to supply Samsung SDI with 500 tons of synthetic graphite anode material for lithium-ion batteries, subject to quality testing. The Management believes this offers proof of concept about the competitive advantages of Novonix’s graphite.

Battery Market by Application, 2019



Source: Created by Zacks from data accessed on March 10, 2021 from [Grandview Research](#)

Samsung SDI represents Novonix's first major customer on the materials side. The company also expects that this agreement likely will be expanded as a result of the quality testing of the output from the Tennessee production facility.

While estimates vary, most market research and anecdotal evidence suggests strong increases in demand for batteries, as people rely on mobile devices for a growing number of services and as consumer adoption of EVs grows, among other factors. Artificial graphite in battery anodes is expected to nearly double by 2025, to 320,000 tons from 165,000 tons in 2020, according to Avicenne Energy, which also expects the growth in natural graphite demand to reach 225,000 tons by 2025, up from 125,000 tons.

BTS: PARTNERSHIPS & RECENT CONTRACT ENGAGEMENTS

The company's original business, Battery Technology Solutions (BTS), develops, manufactures and sells high precision battery cell testing equipment that is used by prominent battery manufacturers, technology and research companies. NVX has existing commercial relationships with many customers for its BTS business.

BTS is also the internal and external R&D arm that supports the company's expansion into the materials businesses. On the R&D side, the company has a range of customers that come to Novonix for testing. Novonix equipment is designed to minimize errors in coulometry measurement techniques. High-precision coulometry (HPC) measures and assesses the performance of cells in a battery. Novonix equipment performs HPC measurement in order to evaluate the long term cycle life of materials and cells more quickly than traditional methods.

Novonix existing BTS unit supplies battery cell testing equipment and services that are used by prominent battery manufacturers, technology and research companies such as Apple, Microsoft, LG Chem, SK Innovation and Panasonic, among others. There are only a handful of key battery manufacturers and the company's BTS customer base represents a strong cross-section of leading producers.

VALUATION

The revenue arc for NVX is somewhat unclear at this stage because of the many variables, including whether the ongoing plant expansion meets planned deadlines, timing of new orders, and prices of anode material, among other factors. In terms of prices, according to consulting firm Roskill, graphite is entering a period of rapid growth and upward pressure on prices. We also think the recent Phillips 66 strategic investment and expected support from Phillips 66 underscore and enhance the company's opportunities.

By 2025, Novonix expects to have the capacity to produce 40 tons of material per annum (Phase 2 of the expansion plan) on its way to 150 tons by 2030 (Phase 3). We expect the shares to begin to reflect future prospects, as NVX benefits from its strategic relationship with Phillips 66 and following certain milestones, such as Samsung potentially expanding its agreement with Novonix.

We therefore think the current share price level does not reflect the fundamental value of the company's prospects. As the company continues to advance its strategy, we would anticipate multiple and share price expansion. We believe that it is difficult to compare NVX to other publically traded companies, reflecting NVX's singular position and likely faster growth following completion of the plant expansion. Given the early stage in the company's transition, it is also difficult to value the shares based on traditional valuation methods such as P/E. We believe the NPV of the potential Phase 2 revenue stream could range from about \$2.68 to \$6.09 per share, depending on the average price per ton of the material. The ongoing development of the cathode business is expected to augment the valuation.

If NVX can execute its strategy successfully, we would expect the shares to begin to reflect the value of the Phase 2 and then Phase 3 revenue streams. We believe the analysis suggests a near-term valuation of about \$10.00 per share. We believe other potential milestones – such as commercial orders from Samsung or Sanyo, for example – imply upside to the near-term valuation. Longer term, we would expect the company's valuation to continue to rise as the plant reaches the Phase 3 production capacity level.

In our view, NVX shares represent an option on management's ability to continue to execute its growth strategy. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon. Any delay or failure in successful execution of the strategy could cause the share price to decline and represent a potential risk to our valuation. Moreover, we note that the shares have outperformed the general market significantly, which could result in a pullback on any negative news and / or delays.

RISKS

We believe risks to Novonix achieving its goals, and to our valuation, include the following, among others.

- Among the biggest risks, in our view, is that the NVX anode material does not gain market share as quickly as the company expects, which leads to slower than anticipated revenue ramp. However, we believe the expected cost competitiveness of the product mitigates this risk.
- The timing of expanding production capacity at the Tennessee plant could be delayed, which would also delay sales ramp.
- The company could incur unanticipated costs associated with its growth strategy.
- The price of synthetic graphic could come under pressure if substitute materials are shown to be effective or if other producers price irrationally to protect market share.

- Additional commercial deals, such as the one with Samsung, might take longer than expected to close or might not materialize at all.
- Competition could increase.
- Technology could evolve that makes the company's advanced materials less important to the global battery sector than management currently anticipates.
- The company might need to raise additional capital to support its strategy that could be dilutive to current shareholders.
- The shares have outperformed the general market significantly, which could result in a pullback on any negative news and / or delays.

RECENT NEWS

- Zhanna Golodryga joined the NVX board on October 20, 2021.
- NVX and Phillips 66 closed the transaction on September 24, 2021.
- NVX updated the employment terms for its CEO and CFO on August 17, 2021.
- Phillips 66 announced its strategic investment in the company on August 10, 2021.
- On June 23, 2021, NVX announced the planned expansion of its anode materials business.
- On May 10 2021, Novonix announced its intention to seek a NASDAQ listing.
- NVX closed on a capital raise on February 26, 2021.
- NVX was awarded a grant from the U.S. DOE on January 20, 2021.
- On January 20, 2021, the company announced the appointment of Jeff Dahn as its Chief Scientific Officer effective July 1, 2021.
- NVX announced a strategic alliance with US-based Harper International Corporation to develop specialized furnace technology that will enhance Novonix's synthetic graphite manufacturing process, on December 21, 2020.

PROJECTED FINANCIALS

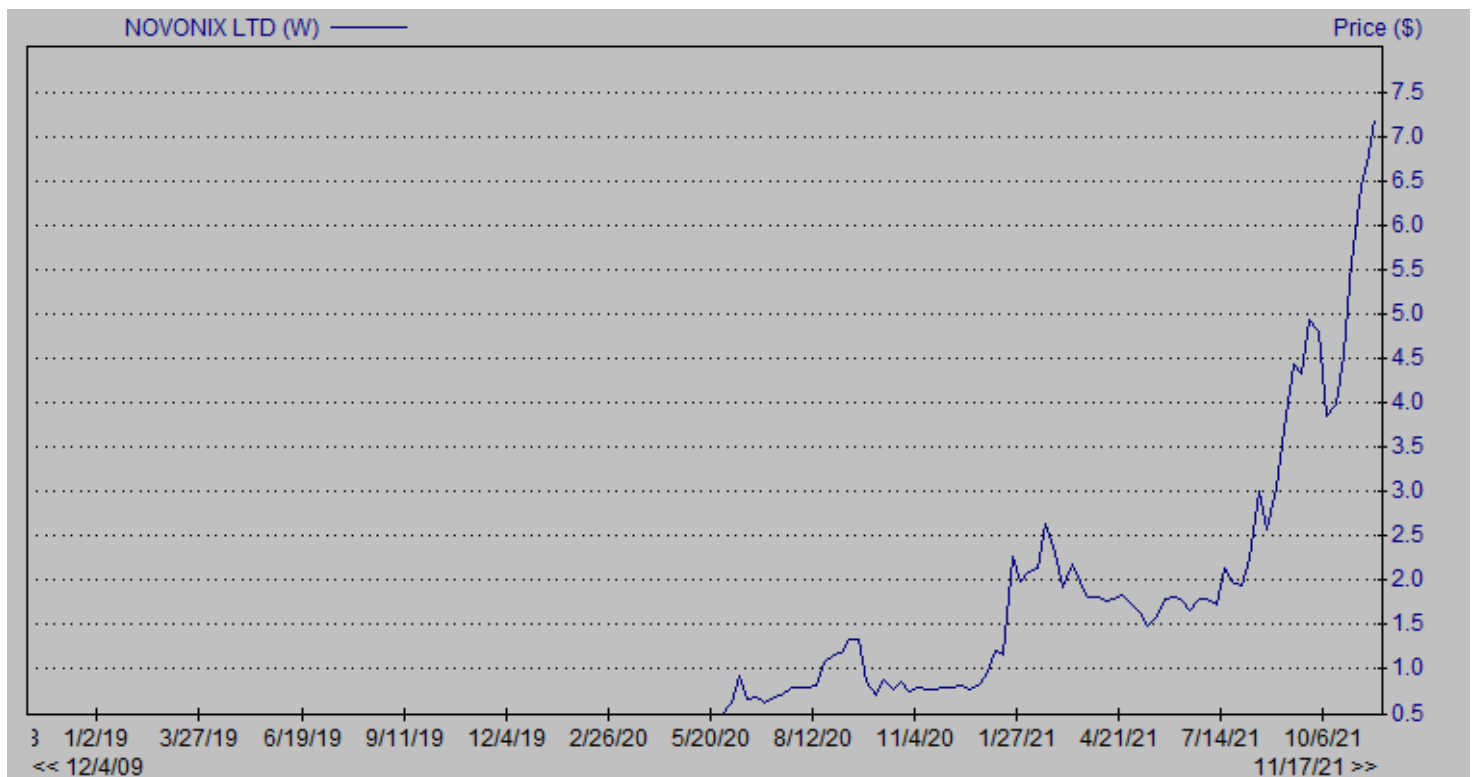
Novonix Income Statement & Projections (\$ Aus)

	June 2018	June 2019	Dec 2019	June 2020	Dec 2020A	June 2021A	Dec 2021E	June 2022E
Revenue from contracts with customers	2,171,895	1,817,049	2,675,392	4,253,435	2,325,541	5,227,347	2,348,796	4,338,929
Other income	231,522	3,024,684	227,652	844,877	408,759	-	1,227,804	1,211,127
Total	2,403,417	4,841,733	2,903,044	5,098,312	2,734,300	5,227,347	3,576,601	5,550,056
COGS	(957,832)	(741,280)	(885,263)	(1,245,187)	(301,195)	(969,774)	(965,682)	(1,665,017)
Gross profit / (loss)	1,445,585	4,100,453	2,017,781	3,853,125	2,433,105	4,257,573	2,610,918	3,885,039
Gross margin	60.1%	84.7%	69.5%	75.6%	89.0%	81.4%	73.0%	70.0%
Administrative & other expenses	(1,169,031)	(1,565,032)	(1,230,004)	(3,115,665)	(1,418,169)	(3,945,829)	(1,432,351)	(3,461,504)
Borrowing costs	(662,693)	(1,536,897)	(1,651,871)	(5,330,961)	(101,473)	(229,394)	(102,488)	(538,427)
Impairments		(15,918,925)	-	-	(2,738,138)	(2,764,940)	(2,738,138)	(2,738,138)
D&A	(154,251)	(494,948)	(468,372)	(1,380,303)	(782,396)	(1,697,754)	(790,220)	(1,408,047)
Marketing & project development costs	(354,312)	(1,560,551)	(915,562)	(2,423,546)	(1,683,953)	(2,809,984)	(1,700,793)	(2,472,259)
Share based compensation	(6,315,899)	(6,673,510)	(3,179,681)	(7,558,953)	(3,628,805)	(5,948,532)	(3,665,093)	(7,710,888)
Employee benefits expense	(1,656,613)	(2,104,176)	(1,517,778)	(4,072,223)	(1,871,571)	(5,837,926)	(1,890,287)	(4,524,240)
Other	(1,442,770)	(751,981)	(88,186)	-	(976,335)	900,709	(995,862)	(995,862)
Total expense	(11,755,569)	(30,606,020)	(9,051,454)	(23,881,651)	(13,200,840)	(22,333,650)	(13,315,230)	(23,849,365)
Pretax income / (loss)	(10,309,984)	(26,505,567)	(7,033,673)	(20,028,526)	(10,767,735)	(18,076,077)	(10,704,312)	(19,964,326)
Taxes	(13,398)	383,655	-	-	-	-	-	-
Net income	(10,323,382)	(26,121,912)	(7,033,673)	(20,028,526)	(10,767,735)	(18,076,077)	(10,704,312)	(19,964,326)
FX	140,644	809,396	66,527	550,243	(3,318,445)	(2,101,097)	(3,385,146)	(3,418,997)
Net loss	(10,182,738)	(25,312,516)	(6,967,146)	(19,478,283)	(14,086,180)	(20,177,174)	(14,089,458)	(23,383,323)
LPS	(\$0.09)	(\$0.21)	(\$0.06)	(\$0.15)	(\$0.04)	(\$0.05)	(\$0.04)	(\$0.06)
Average shares out	114,412,787	120,535,790	125,195,505	129,855,220	351,615,637	366,289,024	395,531,793	399,487,111

Source: Company reports, Zacks estimates

Fiscal year ends June 30.

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, M. Marin, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.