

Leaf Resources Limited

ABN 18 074 969 056

Appendix 4D

for the half year ended 31 December 2016
(previous corresponding period : half year ended 31 December 2015)

The information contained in this document should be read in conjunction with the financial statements for the year ended 30 June 2016 and any public announcements made by Leaf Resources Limited and its controlled entities ('the Group') during the interim reporting period in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market

	Current period \$000	Previous corresponding period \$000
2.1 Revenue from ordinary activities	0	50
increase in revenue:	-50	
Percentage increase:	-100%	
2.2 Loss from ordinary activities after tax attributable to members	3,844	1,370
Increase in loss from ordinary: activities after tax attributable to members	2,474	
Percentage increase:	181%	
2.3 Net loss for the period attributable to members	3,844	1,370
Increase in net loss for the period attributable to members:	2,474	
Percentage increase (decrease):	181%	
2.4 Dividends	NIL	NIL
There were no dividends declared and paid during the half year on ordinary shares. There were no dividends proposed and not yet recognised as a liability during the half year.		
2.5 Dividend Record Date	Not applicable	
2.6 Explanation of operating performance	Refer to the operating and financial review in the Directors' Report of the Financial Statements for the current reporting period.	

3	Net tangible assets per ordinary security		
		Current period	Previous corresponding period
	Net tangible assets	\$ 1,542,752	\$ 1,914,888
	Issued share capital at reporting date (\$000)	\$ 44,041	\$ 39,908
	Number of shares on issue at reporting date	167,115,853	133,279,760
	Net tangible assets backing per ordinary share	\$ 0.0092	\$ 0.0144

4	Acquisitions and divestments		
4.1	During the period to 31 December 2016, control was gained over the following entities:		
	Leaf Resources USA, LLC	Control was gained on 15 July 2016 when the company was formed in Delaware, USA. Leaf Resources USA, LLC has invested in Leaf Development, LLC, an associated company. During the reporting period, Leaf Resources USA contributed \$1,514,691 to the Group's loss from ordinary activities. This amount represented it's share of loss from Leaf Development.	
	Leaf Performance Plan Pty Ltd	Control was gained on 1 July 2016 when the company was incorporated. The company acts solely as trustee of the Leaf Performance Plan Trust and does not contribute towards the Group's loss from ordinary activities.	

5	Details of dividends		
	There were no dividends paid during the period, or payable at 31 December 2016.		

6	Dividend Reinvestment Plans		
	The company has no dividend reinvestment plan.		

7	Associates and joint ventures		
	On 15 July 2016, Leaf Development, LLC was formed in Texas, USA and became an associate of the reporting entity. At 31 December 2016, the Group held 59.7% of Leaf Development, LLC. Agreements are in place to increase this holding upon successful completion of specified milestones (refer ASX announcement 20 July 2016). During the reporting period, the Group's share of Leaf Development, LLC's loss contributed \$1,514,691 towards it's loss from ordinary activities.		

8	Accounting standards		
	The financial report for the group has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards.		

9	Auditors' review report		
	The review report prepared by the independent auditor Grant Thornton is not subject to any dispute or qualification, and is provided with the half year financial statements.		

LEAF RESOURCES

Appendix 4D

Interim Financial Report

For the half-year ended 31 December 2016

ABN 18 074 969 056

Contents

Directors' Report	3
Auditor's Independence Declaration	7
Interim Consolidated Financial Statements	
Consolidated Statement of Profit or Loss and Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	23
Independent Auditors Report	24
Corporate Directory	26

Directors' Report

The Directors of Leaf Resources Limited ('Leaf Resources' or 'Leaf') present their report together with the financial statements of Leaf Resources Limited ('the Company') and its controlled entities ('the Group') for the period ended 31 December 2016.

Directors' details

The names and details of the directors of the Company during or since the end of the financial year are:

Dr Jay Hetzel	Chair of the board – Appointed 12 September 2012 Member of the audit committee – Appointed 11 August 2011 Non-executive director – Appointed 1 August 2011
Ken Richards	Managing director – Appointed 1 August 2011 Non-executive director – Appointed 31 August 2007
Matthew Morgan	Non-executive director – Appointed 21 July 2014 Chair of the audit committee – Appointed 11 August 2014
Doug Rathbone	Non-executive director – Appointed 1 November 2016 Member of the audit committee – Appointed 1 November 2016
Charles Wilson	Non-executive director – Appointed 21 May 2007, Resigned 1 November 2016 Member of the audit committee – Appointed 11 August 2010, Resigned 1 November 2016

Review of Operations and Financial Results

The operating loss of the Group increased to \$3,843,767 for the period (31 December 2015 – \$1,369,542) due to the increased research activities and progression of the commercialisation objectives for our proprietary Glycell™ process, in particular the Group's share of loss of its associate, Leaf Development, LLC.

Leaf Resources' Glycell™ process is a proprietary technology that is an essential first step of the biorefining process (pretreatment) in breaking down biomass into its constituent parts (cellulose, hemicellulose and lignin) prior to being converted into marketable products such as are biobased chemicals, bioplastics and other renewable products.

Business Development Update

The period has been highlighted by a series of agreements with world-class partners which has placed Leaf Resources firmly in position to deliver on its objective of its first commercial scale project development in 2017.

Leaf's ability to attract and develop relationships with these world-class companies and organisations, who have each recognised the potential of the Glycell™ process, has been a driving force behind the company moving rapidly towards this goal.

Leaf's world-class partners that have been added in the past six months now include Claeris, LLC who are global leaders in the fields of chemical project development, Novozymes: a world leader in biological solutions as well as agencies of the Federal Government of Malaysia.

The partnerships build a very strong base as the company moves into 2017 and pursues a definitive project either in Malaysia or in the USA. A summary of these relationships and other highlights for the period are outlined below:

Highlights

Claeris, LLC

The contribution of Claeris towards Leaf's progress in the last six months has been substantial, following the signing of the five-project development agreement in July 2016.

Claeris' knowledge of the bio-economy and their extensive contacts across government and industry around the world has been vital in providing opportunities for Leaf to rapidly progress the commercialisation of its proprietary Glycell™ process.

Novozymes

In December 2016, Leaf announced a collaboration agreement with the world's largest producer of industrial enzymes, US\$11 billion giant, Novozymes.

Under the agreement, Novozymes has committed to investing resources, including some of the best biotechnology minds in the world, to develop a customised set of industrial enzymes that are specifically designed for the Glycell™ process.

Industrial enzymes are biological solutions that improve the efficiency of industrial processes and the outcome of this agreement will be a tailored package of enzymes that is optimised for the Glycell™ process that will make the economics of a development even more compelling.

This agreement represents a significant endorsement of Leaf's Glycell™ technology, by a world leader in biological solutions.

Malaysia

In October, Leaf took yet another significant step on the path to commercialisation of the Glycell™ process when they announced the signing of a Memorandum of Understanding with Agensi Inovasi Malaysia (AIM) and a Letter of Facilitation and Collaboration with the Malaysian Bioeconomy Development Corporation.

Both these agreements specify objectives to be jointly undertaken by the parties to further advance Leaf's project development efforts in Malaysia.

Malaysia provides a unique combination of all the attributes necessary to be a successful location for a "platform" Glycell™ production facility. These attributes include its abundant biomass resources, its advantageous location within the ASEAN region, and the active commitment of both the Federal and State Governments.

Since the initial announcement, Leaf has continued to make significant progress in Malaysia. This work has largely been led by Leaf's project development partner Claeris, LLC through joint venture company, Leaf Development, LLC.

In early 2017, The Leaf Development team completed a further round of negotiations with the Malaysian Government, which included discussions around sites and government support for a bio-chemical facility. Leaf remains very positive about Malaysia as a potential location for a biorefinery project.

Doug Rathbone joins the Board

Leaf has also bolstered the experience of its leadership team in the past six months and in October announced the appointment of Mr Doug Rathbone to the Board of Directors, following the retirement of Mr Charles Wilson.

Mr Rathbone is a highly successful Australian businessman and former Managing Director of NuFarm Limited (ASX: NUF), which he transformed from a \$20 million agricultural company to a global leader in crop protection with more than \$2 billion in annual sales.

Mr Rathbone has added valuable skills to the Leaf Board at a time when the Company is rapidly progressing toward the construction of its first commercial biorefinery project.

Top 5 position in Hot 40

Leaf Resources gained further recognition from its peers in the bio-economy in November when it was included in the list of the Top 40 Hottest Emerging Companies in the Advanced Bioeconomy.

This was the second consecutive year that the Company was included in the list climbing from number 32 in 2015 to fourth position in 2016.

The rankings were based on a combination of subscriber votes, social media votes and an invited expert panel of selectors, the panel making up 50% of the weighting.

Fund raising

Leaf has received strong interest from investors over the past six months on the back of the progress that the Company has made and the partnerships that have been announced.

This has resulted in the Company raising \$4.85m through two share placements with funds being used to facilitate the development of projects in the USA and Malaysia, including engineering and certification expenses and for working capital.

Outlook for 2017

The outlook for Leaf in 2017 is extremely positive and the Company expects to announce further developments on the path to commercialisation in the first half of 2017.

Leaf Development, LLC continues to work with Malaysian Government agencies as they progress negotiations on the potential renewable chemical development in that country. This work is expected to increase over the coming months as the parties near agreements on prospective sites and sources of biomass.

At the same time, Leaf Development is making progress on the second project opportunity in the USA.

Discussions are also underway with companies that possess the technology that take Leaf Resources' cellulosic sugars through to renewable chemicals.

We would also expect progress on the development of the rice husk technology to produce high quality silica and biomass for input into the Glycell™ process.

Conclusion

While there is still much hard work to be done, Leaf's progress over the past six months has resulted in a clear path toward the commercial scale production of renewable chemicals using the Glycell™ technology. The Company has a clear set of objectives and looks forward to providing investors with further updates at the year progresses.

Rounding of amounts

Amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Auditor's independence declaration

The Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included following this Directors' Report and forms part of the Directors' Report.

Directors' authorisation

This report is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the directors.



Dr Jay Hetzel
Chairman
Brisbane, Queensland, Australia
28 February 2017



Ken Richards
Managing director
Brisbane, Queensland, Australia
28 February 2017

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**Auditor's Independence Declaration
To The Directors of Leaf Resources Ltd**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Leaf Resources Ltd for the half-year ended 31 December 2016, 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 28 February 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2016

	Notes	31 Dec 2016 \$	31 Dec 2015 \$
Revenue		-	50,000
Other income		52,567	4,867
Mining lease expenses		(51,790)	(58,481)
Depreciation, amortisation and impairment		(3,539)	(1,737)
Employee benefits expense		(609,774)	(496,954)
Directors' & officers' fees & CEO		(721,800)	(314,558)
Office administration		(73,524)	(64,827)
Professional fees		(141,520)	(24,949)
Corporate and investor costs		(198,700)	(103,511)
Travel and accommodation		(167,748)	(93,528)
Research and development		(661,349)	(573,208)
Patent and licence fees		(6,245)	(5,852)
Share of loss of associate	6	(1,514,691)	-
Other expenses		(82,533)	(19,736)
Loss before income tax		(4,180,646)	(1,702,474)
Income tax benefit	9	336,879	332,932
Loss for the period from continuing operations		(3,843,767)	(1,369,542)
Loss from discontinued operations		-	-
Loss for the period		(3,843,767)	(1,369,542)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(50,729)	-
Income tax on items that may be reclassified to profit or loss		-	-
Other comprehensive income for the period, net of tax		(50,729)	-
Total comprehensive loss for the period		(3,894,496)	(1,369,542)
Earnings Per Share from Continuing Operations			
Basic loss per share (cents)	11	(2.60)	(1.16)
Diluted loss per share (cents)	11	(2.60)	(1.16)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 Dec 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents	12	574,438	1,045,551
Trade and other receivables	13	137,720	164,594
Current tax assets	9	366,507	542,107
Total Current Assets		1,078,665	1,752,252
Non-Current Assets			
Property, plant and equipment	10	50,214	28,685
Investments in associates	6	801,269	-
Other financial assets		567,687	567,687
Total Non-Current Assets		1,419,170	596,372
Total Assets		2,497,835	2,348,624
Current Liabilities			
Trade and other payables	14	745,734	313,089
Employee benefits	15	138,967	119,440
Provisions	16	50,000	125,000
Total Current Liabilities		934,701	557,529
Non-Current Liabilities			
Employee benefits	15	20,382	17,686
Total Non-Current Liabilities		20,382	17,686
Total Liabilities		955,083	575,215
Net Assets		1,542,752	1,773,409
Equity			
Equity attributable to owners of the parent:			
Issued capital	17	44,040,636	40,826,866
Reserves	18	669,957	270,617
Accumulated losses		(43,167,841)	(39,324,074)
Total Equity		1,542,752	1,773,409

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2016

	Attributable to equity holders of the parent			
	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2016	40,826,866	(39,324,074)	270,617	1,773,409
Loss for the period	-	(3,843,767)	-	(3,843,767)
Other comprehensive income	-	-	(50,729)	(50,729)
Total comprehensive loss for the period	-	(3,843,767)	(50,729)	(3,894,496)
Transactions with owners in their capacity of owners:				
Issue of share capital	2,586,388	-	-	2,586,388
Share issue transaction costs	(145,256)	-	-	(145,256)
Directors' and adviser's issued capital share based payments	755,695	-	-	755,695
Director and employee share based payments, options and performance rights	16,943	-	413,346	430,289
Advisor share based payment, options	-	-	36,723	36,723
Total transactions with owners	3,213,770	-	450,069	3,663,839
Balance at 31 December 2016	44,040,636	(43,167,841)	669,957	1,542,752
Balance at 1 July 2015	(37,401,914)	(36,717,80)	78,022	762,116
Loss for the period	-	(1,369,542)	-	(1,369,542)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,369,542)	-	(1,369,542)
Transactions with owners in their capacity as owners				
Issue of share capital	2,419,970	-	-	2,419,970
Share issue transaction costs	(110,082)	-	-	(110,082)
Directors', employee's and adviser's issued capital share based payments	196,120	-	5,846	201,966
Employee share based payments, options	-	-	10,560	10,560
Transfer relating to options expired	-	-	-	-
Total transactions with owners	2,506,008	-	16,406	2,522,414
Balance at 31 December 2015	39,907,922	(38,087,362)	94,428	1,914,988

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2016

	Notes	31 Dec 2016 \$	31 Dec 2015 \$
Net cash flows from operating activities			
Receipts from customers		32,910	27,500
Payments to suppliers & employees		(1,766,384)	(1,374,226)
Interest received		1,645	4,867
R&D tax incentive refund		512,479	410,569
Net cash used in operating activities		(1,219,350)	(931,290)
Cash flows from investing activities			
Payment for plant & equipment	10	(25,312)	(6,836)
(Payments for)/proceeds from other financial assets		(1,667,583)	-
Net cash provided by investing activities		(1,692,895)	(6,836)
Cash flows from financing activities			
Proceeds from issue of shares		2,586,388	2,419,970
Share issue transaction costs		(145,256)	(110,082)
Net cash provided by (used in) financing activities		2,441,132	2,309,888
Net (decrease)/increase in cash and cash equivalents		(471,113)	1,371,762
Cash and cash equivalents at the beginning of the period		1,045,551	698,725
Cash and cash equivalents at the end of the period	12	574,438	2,070,487

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1: Nature of operations

Leaf Resources Limited and Subsidiaries ('the Group') principal activities include the commercialisation of its proprietary Glycell™ process.

Refer to Note 7 for further information about the Group's operating segments.

2: General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2016 and are presented in Australian Dollar (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial reports have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2017.

3: Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016 with the following supplementary disclosure:

Basis of consolidation

a) Subsidiaries

The list of controlled entities contained in Note 29 to the financial statements as at 30 June 2016 needs to be expanded to include the following wholly owned subsidiaries at 31 December 2016.

Name Unlisted	Principal activities	Country of incorporation	Class of shares	Ownership interest 31 December 2016)	Balance Date
Leaf Performance Plan Pty Ltd	Trustee of Leaf Performance Plan Trust	Australia	Ord	100%	30 June
Leaf Resources USA, LLC	Investor in Leaf Development, LLC and R&D	USA	Ord	100%	31 December

Leaf Performance Plan Pty Ltd and Leaf Resources USA, LLC have been consolidated into the Group's results at 31 December 2016 in accordance with the Group's accounting policies.

b) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profit or loss is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gains and losses arising from partial disposals or dilutions in investments in associated companies are recognised in profit or loss.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

During the reporting period, Leaf Resources USA, LLC made a financial investment in Leaf Development, LLC. The Directors have determined that the Company does not have control over Leaf Development, LLC and therefore it is an associate and has been accounted for under the equity method.

Name of associate accounted for under the equity method	Leaf Development, LLC	
Principal activities	Development of up to five renewable chemical projects utilising the Glycell™ process	
Country of incorporation	USA	
Balance Date	31 December	
Class of shares	A Class Units	F Class Units
Number of units held 31 December 2016	1,750,000	36,250
Ownership interest of units issued at 31 December 2016	100%	50% ¹
Economic rights	19.4%	40.3%

¹ Claeris HoldCo, LLC holds 50% of the issued F Class Units

Leaf Resources USA, LLC holds 59.7% of the economic rights of Leaf Development, LLC (A Class Units – 19.4% and F Class Units – 40.3%). Although the same rights are attached to both classes of units, the ratio of units to economic rights differs between the classes:

A Class Units	1:100	1,750,000 units	=	17,500 economic rights
F Class Units	1:1	36,250 units	=	36,250 economic rights

Further capitalisation of Leaf Development, LLC will be made upon successful completion of specified milestones in accordance with the Company Agreement. Further capitalisation will be made by Leaf Resources USA, LLC acquiring additional A Class units.

4: Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5: Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

During the reporting period the Group continued its progression towards its commercialisation objectives for its proprietary technology through the following significant events and transactions:

- The agreement with Claeris and formation of Leaf Development, LLC for the purpose of developing up to five renewable chemical projects;
- Signing the Memorandum of Understanding with Agensi Inovasi Malaysia and a Letter of Facilitation and Collaboration with Malaysian Bioeconomy Development Corporation;
- The collaboration agreement with Novozymes;

and continues to pursue these objectives on a global scale. The commercialisation of the technology will require further funding either through capital raisings or other non-dilutive funding. The requirement for further funding of Leaf Development, LLC is dependent upon Claeris reaching agreed milestones in the development of projects and will increase as projects become more defined and closer to realisation. Management understands that its current commitment to fund the ongoing commercialisation objectives and to continue as a going concern requires funds to be raised as each set of milestones is passed and the projects get closer to commercialisation. At the end of October 2016 the Company raised \$2.35M which contributed to the funding of Leaf Development, LLC and a further placement of \$2.5M at the end of January 2017 was fully subscribed. The Directors have a reasonable expectation that they will be able to raise sufficient funds in the equity markets to provide adequate levels of working capital to fund the Group's strategic goals. They believe therefore that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report.

On this basis the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not have the ability to continue as a going concern.

If for any reason the Group is unable to continue as a going concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

6: Changes in the composition of the Group

During the reporting period the following wholly owned subsidiaries were added to the Group:

- Leaf Performance Plan Pty Ltd
- Leaf Resources USA, LLC

Leaf Performance Plan Pty Ltd was incorporated in July 2016 and acts solely as the trustee of the Leaf Performance Plan Trust, an employee share plan under which participants may acquire shares in the Company. The functional currency of Leaf Performance Plan Pty Ltd is Australian dollars.

Leaf Resources USA, LLC holds a non-controlling interest in Leaf Development, LLC ('Leaf Development') a company formed in the State of Texas, USA on 15 July 2016. The functional currency of Leaf Resources USA, LLC is United States dollars. Leaf Development is the entity carrying out the Group's joint venture activities with Claeris. At 31 December 2016, Leaf Resources USA, LLC held 100% of the issued A Class Units and 50% of the issued F Class Units in Leaf Development, LLC, representing a combined ownership of 59.7% of the economic rights

The Directors have considered the principles of control set out in AASB10 Consolidated Financial Statements and have determined that the Company does not control Leaf Development and consequently it does not form part of the consolidated group.

The Company has adopted AASB128 Investments in Associates and Joint Ventures and has accounted for its investment in Leaf Development, LLC under the equity method. The investment in Leaf Development has been recognised at cost and adjusted for the group's share of Leaf Development's loss for the period 15 July 2016 to 31 December 2016.

The Group's share of Leaf Development's loss for the period 15 July 2016 to 31 December 2016 was \$AUD789,753 (\$USD482,337.85) and is recognised in the group's profit and loss. The foreign exchange currency difference on translating the investment to Australian dollars is included in other comprehensive income.

	AUD\$
Share of Leaf Development, LLC loss attributable to Leaf Resources USA, LLC	(789,753)
Currency gains on conversion of share of loss	184,181
Impairment recognised to 31 December 2016	(909,119)
Share of loss of associate	(1,514,691)

7. Segment information

Description of segments

Management has determined the 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 Group has been organised into two operating segments which correlate to the Group's subsidiaries; the technology segment which undertakes research, development and commercialisation of specific technologies within the clean technology sector (R&D) and the legacy gravel business segment which supplied soil and general fill (Gravel). This operating segment has been wound down and will no longer be included in the segment reporting.

The technology operating segment defines the assets maintained by the Group and the corresponding revenue stream. The results as presented in the statement of profit or loss and comprehensive income are consistent with the entity's operating segments. Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment information

The discontinued gravel segment previously received income by way of net sales through the Six Mile Creek Joint Venture. These mining assets are all located in Western Australia. The joint arrangement has now ceased its operations and will not generate any further income or receive further investment from the Company, with the provision of \$50,000 for the rehabilitation of the site which is almost completed.

The technology segment receives revenue from the licensing of intellectual property assets and from Government grants and programs targeted at pursuing Australia's investment in research and technology. The intellectual property asset portfolio maintained by this segment includes patents and licences granted in Australia and foreign countries. The income tax refund receivable by the Group is attributable in full to this segment due to the application of the R&D tax incentive program.

The segment revenue reported to the Board reconciles to the Group revenue reported in the statement of comprehensive income. All the revenue disclosed consists only of external customer income as the Group does not undertake any internal inter segment transactions.

Segment information for the reporting period is as follows:
6-month period ending 31 December

	R&D	Total	Gravel	R&D	Total
	2016	2016	2015	2015	2015
	\$	\$	\$	\$	\$
Revenue (external)					
Australia – research fees	-	-	-	50,000	50,000
USA – licence fees - associate	45,512	45,512			
Australia – gravel sales	-	-	-	-	-
Segment & group revenue	45,512	45,512	-	50,000	50,000
Interest income	-	-	465	-	465
Mining Lease	-	-	(58,481)	-	(58,481)
Other income	-	-	-	-	-
Cost of sales	-	-	-	-	-
Employee benefits expense	(266,671)	(266,671)	-	(179,254)	(179,254)
Office administration	(12,038)	(12,038)	(62)	(9,399)	(9,461)
Professional fees	-	-	(1,840)	-	(1,840)
Statutory fees	-	-	(246)	-	(246)
Travel and accommodation	(43,487)	(43,487)	-	(24,612)	(24,612)
Research and development	(315,627)	(315,627)	-	(541,201)	(541,201)
Patent and licence fees	(45,512)	(45,512)	-	-	-
Share of loss of associate	(1,514,691)	(1,514,691)			
Other	-	-	-	-	-
Segment operating profit or loss	(2,152,514)	(2,152,514)	(60,164)	(704,466)	(764,630)

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	31 Dec 2016	31 Dec 2015
	\$	\$
Total reportable segment operating profit or (loss)	(2,152,514)	(764,630)
Other income not allocated	7,055	4,402
Corporate overhead	(2,035,187)	(942,246)
Group operating loss before income tax	(4,180,646)	(1,702,474)
Total reportable segment assets	805,812	696,765
Consolidation	-	(665,100)
Corporate headquarters	1,692,023	2,642,112
Group assets	2,497,835	2,673,777
Total reportable segment liabilities	1,689,067	1,706,731
Consolidation	(1,689,067)	(1,563,373)
Corporate headquarters	934,701	615,431
Group liabilities	934,701	758,789

8. Seasonal fluctuations

The technology segment revenues and expenditure incurred is not subject to seasonal fluctuations. The segment loss includes the Company's share of its associate, Leaf Development, LLC's loss for the period 15 July to 31 December 2016.

9. Income tax

Current tax assets	31 Dec 2016 \$	31 Dec 2015 \$
Balance at the beginning of the period	542,107	405,830
Adjustment to R&D tax incentive during the period	49,860	4,739
Income tax refund received	(512,479)	(410,569)
R&D tax incentive refund receivable	287,019	328,193
Balance at end of the period	366,507	328,193
Adjustment to R&D tax incentive during the period	49,860	4,739
R&D tax incentive received	287,019	328,193
Income tax (expense)	336,879	332,932

The consolidated entity has not recognised deferred tax assets in the financial statements as it is not probable that sufficient taxable amounts will be available in future periods in which to be offset.

10. Property, plant and equipment

Property, plant and equipment are included in the accounts, at cost, on the following basis:

	2016 \$	2015 \$
Plant and equipment		
Cost	61,337	28,741
Accumulated depreciation	(11,123)	(7,937)
Total property, plant and equipment	50,214	20,804

Movement in the carrying amounts for each class of property, plant and equipment between:

	2016 \$	2015 \$
Plant and equipment		
Opening written down value	9,889	3,705
Additions	6,601	3,849
Disposals	(243)	-
Depreciation	(2,610)	(2,822)
Closing written down value, plant & equipment	13,637	4,732
Leasehold improvements		
Opening written down value	15,596	-
Additions	-	16,430
Disposals	-	-
Depreciation	(593)	(358)
Closing written down value, leasehold improvements	15,003	16,072
Laboratory equipment		
Opening written down value	3,200	-
Additions	18,710	-
Disposals	-	-
Depreciation	(336)	-
Closing written down value, laboratory equipment	21,574	-
Total property, plant and equipment	50,214	20,804

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

11. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company (Leaf Resources Limited) as the numerator, ie no adjustments to profits were necessary during the six (6) months period to 31 December 2016 and 31 December 2015.

Reconciliation of earnings used in calculating earnings per share	31 Dec 2016 \$	31 Dec 2015 \$
Loss attributable to the parent entity used in the calculation of basic and dilutive EPS	(3,843,767)	(1,369,542)
Loss attributable to the parent entity	(3,843,767)	(1,369,542)
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	147,919,622	118,243,815
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	152,497,050	122,551,192

Calculation of dilutive EPS

As at 31 December 2016 there are 9,369,608 (2015: 5,000,000) unlisted options and performance rights on issue which were not included in the calculation of diluted earnings per share due to being anti-dilutive.

These equity instruments were not included in the calculation of diluted earnings per share due to their contingent nature and due to them being anti-dilutive. All equity instruments described could potentially dilute basic earnings per share in the future.

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 Dec 2016	30 June 2016
Cash at bank and in hand		
Cash held in \$AUD	521,071	987,351
Cash held in \$USD (converted to \$AUD)	1,510	5,059
Cash held in EURO (converted to \$AUD)	51,857	53,141
Cash and cash equivalents	574,438	1,045,551

13. Trade and other receivables

	31 Dec 2016	30 June 2016
	\$	\$
Trade receivables	46,772	46,360
Impairment allowance	-	-
Net trade receivables	46,772	46,360
Other debtors	-	89,066
GST receivable	35,141	11,649
Prepayments	53,711	15,423
Accrued income	2,096	2,096
Total Trade and other receivables	137,720	164,594

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Trade and other receivables are assessed for recoverability and an allowance for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. At 31 December, the following amount was past due. No impairment has been made as it is reasonably expected that this amount will be collected in full within 6 months of balance date upon completion of the Six Mile Joint Venture. (Note 7 Segment information)

Trade and or other receivables past due at 30 June 2016

	> 30 days	> 60 days	> 90 days
Trade receivables	\$Nil	\$Nil	\$18,860

14. Trade and other payables

Trade and other payables consist of the following:

	31 Dec 2016	30 June 2016
	\$	\$
Trade payables	470,415	69,094
Accruals	181,258	213,390
Other payables	144,061	30,605
Total trade and other payables	795,734	313,089

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

15. Employee benefits

The liabilities recognised for employee benefits consist of the following amounts:

	31 Dec 2016	30 June 2016
	\$	\$
Current		
Leave entitlements	138,967	100,036
Accrued directors' salaries	-	19,404
Total employee benefits	138,967	119,440
Non-Current		
Leave entitlements	20,382	17,686
Total non-current employee benefits	20,382	17,686
Total employee benefits	159,349	137,126

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled within the 12 months after reporting date.

16. Provisions

All provisions are considered current. The carrying amounts and movements in the mining rehabilitation provision during the reporting period are set out below:

	31 Dec 2016 \$	30 June 2016 \$
Carrying amount opening	125,000	100,000
Additional provision	50,000	25,000
Amount utilised	(125,000)	-
Carrying amount closing	50,000	125,000

Leaf Resources' subsidiary AQL Mining Pty Ltd is required to restore the mining leases held in Karratha, Western Australia, to the extent required by the mining approvals. During the reporting period the amount previously provided for the rehabilitation was utilised and an additional provision for rehabilitation has been recognised for the estimated expenditure required to restore the ground site on cessation of mining. Restoration of the mining leases has progressed during the reporting period.

17. Issued capital

The current issued share capital of Leaf Resources Limited consists only of fully paid ordinary shares; the shares do not have a par value. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Group, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

	31 Dec 2016 Number	31 Dec 2016 \$	30 June 2016 Number	30 June 2016 \$
Movements in ordinary share capital				
Balance at beginning of financial year	142,749,760	40,826,866	113,357,067	37,401,914
Net share issue	17,084,854	2,311,132	27,385,227	3,217,026
Net issue under share based payments	5,981,239	755,695	1,307,466	194,334
Exercised / expired employee options	1,300,000	146,943	700,000	13,592
Total contributed equity	167,115,853	44,040,636	142,749,760	40,826,866

The Company issued shares at multiple times throughout the period to 31 December 2016 to increase the working capital of the Group to further the development and commercialisation of the Glycell™ process and to advance a potential project in Malaysia and the USA.

The Company issued shares in August, November and December 2016 to professional and sophisticated investors utilising the share placement facility under listing rule 7.1 and 7.1A.

In August 2016, the Company issued shares to advisers as payment of their fees.

A former non-executive director was issued shares:

- in August as part payment of director fees for the period 1 January 2016 to 30 June 2016¹
- in December as part payment of director fees for the period 1 July 2016 to 31 October 2016²

In December 2016, the Company issued shares to two non-executive directors as part payment of consulting fees.²

Following the exercise of employee options at the exercise price of 10 cents per option, shares were issued to:

- a current employee in September 2016
- a former employee in December 2016

¹The share issue to a director was in accordance with shareholder approval attained at the 2016 AGM.

²The share issues to directors were in accordance with shareholder approval attained at the 2016 EGM.

18. Reserves

31 Dec 2016 30 June 2016
\$ \$

Employee equity-settled benefits reserve		
Movements:		
Balance at beginning of the financial year	270,617	78,022
Cost of share-based payment	430,289	206,187
Value of exercised options	(16,943)	(13,592)
Balance at the end of the reporting period	683,963	270,617
Share based payments reserve		
Movements:		
Balance at beginning of the financial year	-	-
Cost of share-based payment	792,418	-
Value of shares issued in respect of the share based payments	(755,695)	-
Balance at the end of the reporting period	36,723	-
Foreign currency translation reserve		
Movements:		
Balance at beginning of the financial year	-	-
Net gain on translation of currency	(50,729)	-
Balance at the end of the reporting period	(50,729)	-
Balance of reserves at 31 December 2016	669,957	270,617

The employee equity-settled benefits reserve records the value of equity benefits, i.e. share based payments, provided to employees and directors as part of their remuneration. Refer to Note 19 Share Based Payments for further details of these plans.

The share based payments reserve records the fair value of options issued to an entity or person which is not an employee or director of the Company.

The foreign currency translation reserve records the gains and losses on translating the accounts, as required, of the Company's wholly owned subsidiary, Leaf Resources USA, LLC and the Company's associate, Leaf Development, LLC from their functional currency of United States dollars to Australian dollars.

19. Share based payments

During the period the Group undertook share based payment arrangements for directors, employees and advisers.

The fair value of the equity-settled share options and performance rights is estimated at the date of grant using an appropriate option pricing model taking into account the terms and conditions upon which the equity securities were granted.

The following equity securities were granted during the reporting period:

Equity security	Expected volatility	Risk-free interest rate	Exercise price	Vesting date	Expiration date	Amount expensed to 31 Dec 2016
Performance rights	61.4%	2.51%	\$nil	01/07/2017 ¹	01/12/2021	\$15,049
Performance rights	61.4%	2.51%	\$nil	01/07/2017 ² 01/07/2018 ^{2*} 01/07/2019 ^{2*}	01/12/2021	\$16,248
Director options	60.0%	2.79%	\$0.145	23/12/2016	23/12/2021	\$235,526
Director options	60.0%	2.79%	\$0.22	23/12/2016	23/12/2021	\$127,248
Adviser options	86.5%	1.93%	\$0.1375	15/07/2017 15/08/2018 15/09/2019	15/07/2021	\$36,723

Rights will only vest if performance conditions are met

¹ Employee performance rights will vest if the employee is still employed by Leaf Resources Ltd at 1 July 2017

² Employee performance rights will vest if the Company's objective of a 2 times increase from the June 2016 VWAP of \$0.11 to the June 2017 VWAP (ie at or above \$0.22) is achieved. Pro-rata entitlement will apply if the June 2017 VWAP is at least 1.5 times the June 2016 VWAP (ie. at or above \$0.165).

The fair value is recognised as an expense over the vesting period. In addition to the above, the following portion of the value relating to equity securities granted in previous periods was expensed to the statement of comprehensive income during the period to 31 December 2016:

- Unlisted 28 October 2018 options \$23,507
- FY16 LTI Performance Rights \$12,712

20. Events subsequent to balance date

Since 31 December 2016 the following matter has arisen which may significantly affect the operations of the Group:

As a result of the progress that the Company made over the reporting period, including agreements with its project development and collaboration partners, the Company raised \$2,500,000 in a share placement which settled on 1 February 2017.

The placement was completed at \$0.145 which represented a 6% discount to the last closing price of \$0.155 per share, without consideration of the value of the option attached. Placement holders received one unlisted option, exercisable at 20 cents each, for every two ordinary shares acquired. The options expire on 15 March 2018.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Leaf Resources Limited:

(a) the consolidated financial statements and notes of Leaf Resources Limited are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that Leaf Resources Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the half-year ended 31 December 2016.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

This report is made in accordance with a resolution of the Board of Directors and is signed by authority for on behalf of the Directors.



Dr Jay Hetzel

Chairman

Brisbane, Queensland, Australia

28 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LEAF RESOURCES LTD

We have reviewed the accompanying half-year financial report of Leaf Resources Ltd (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Leaf Resources Ltd 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 controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Leaf Resources Ltd consolidated entity's financial position as at 31 December 2016 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 Leaf Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 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 Leaf Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 5 in the interim financial report which indicates that the consolidated entity requires additional funding to be raised to provide sufficient working capital levels for its ongoing needs and to continue as a going concern. These conditions, along with other matters as set forth in Note 5, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 28 February 2017

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Ken Richards
Matthew Morgan
Doug Rathbone

Company Secretary: Helen Pennisi

Managing Director: Ken Richards

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